



“HeidelbergCement India Limited Q1 FY'17 Earnings
Conference Call”

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**MANAGEMENT: MR. JAMSHED NAVAL COOPER – CHIEF EXECUTIVE
OFFICER AND MANAGING DIRECTOR,
HEIDELBERGCEMENT INDIA LIMITED.
MR. ANIL SHARMA – CHIEF FINANCIAL OFFICER,
HEIDELBERGCEMENT INDIA LIMITED.**

**MODERATOR: MR. VAIBHAV AGARWAL -- PHILLIPCAPITAL (INDIA)
PRIVATE LIMITED.**

Moderator: Ladies and Gentlemen, Good day, and welcome to HeidelbergCement India Limited Q1 FY'17 Earnings Conference Call hosted by PhillipCapital. As a remainder, all participant lines will be in the listen-only mode; and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing “*” followed by “0” on your touchtone phone. Please note, that this conference is being recorded. I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital. Thank you and over to you.

Vaibhav Agarwal: Yes, thank you, Zaid. Good afternoon everyone on behalf of PhillipCapital (India) Private Limited, we welcome you to the Q1 FY'17 Call of HeidelbergCement 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 with the 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 statement 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 a ‘Presentation’ on the website and the exchange. Participants may download the ‘Presentation’ from there.

I now hand over the floor to the management for opening remarks which will be followed by interactive Q&A. Thank you and over to you, Cooper sir!

Management: Thank you, Vaibhav and thank you everybody for joining this earnings call. While you would have seen our results, just you take you through it once again.

We increased our volumes by about 3.3% and gross sales realizations also have increased by about 3.5%.

Cost have been lower by about 4.5% and EBITDA percentage increased by almost 7.2%. On a percentage change in EBITDA it has been about 71%, which is the highest ever.

Overall, if you look at this, this quarter has been one of the best quarters in the history of this company on all parameters.

In terms of volumes and price development, I will draw your attention to slide number three, where it is the volume development if you look at it on quarter-on-quarter it is 9.6; but on a year-on-year it is 3.3%.

Similarly, on gross realizations the increase has been on a quarter-on-quarter is 6% and year-on-year it is 3.5%.

Capacity utilization has been close to 85% and our trade and non-trade mix has been maintained at about 80-20. This is here it is.

On cost development, we have the company has managed to reduce the cost about by 9% and on cost exclusive of logistics then it is minus by 3.5% lower on year-on-year basis.

Basically, these costs have been reduced because of that pet coke prices and by organizing our bags in a little more optimal manner.

The freights surcharge has been withdrawn so, that has also contributed to some extent for the benefit of the results. So, there has been a major savings which has come out because of WHR power generation.

Power tariffs in MP and UP have increased and as far as logistics is concerned we maintain a mix of 50%-50% for Rail in-road and the distance what we for an average lead which we travel is about 400 kilometers is our lead for the company.

Coming to last slide on this, which is slide five. Financial performance has been overall good. EBITDA per tonne has increased to Rs. 727 per tonne and the major benefit which we have got is because of the improved prices in the market and little larger volumes then previous quarter. Otherwise, overall power and fuel cost we have saved something, on freight we have saved about Rs. 53 a tonne, on other cost it is Rs. 36 but the major comes out of our selling price and volumes.

This is all I have to add here. I will be happy to answer your questions, if there are any. Thank you very much and thank you for being here once again.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Anshuman Atri from Haitong Securities. Please proceed.

Anshuman Atri: So, my question is in terms of demand, so what is the current demand scenario and what kind of expectation for FY'17 and FY'18 going forward?

Management: Okay. The demand was good in the previous quarter beginning from May and June we saw good month. On with the onset of monsoon there is a little of pressure you should expect which is very normal, but given the state that we are going to have good monsoons as the metrology department is suggesting. The future seems to be better because there should be -- last two years in Central India there was a virtually drought like situation for the region in which we operate is having good monsoon and we see a demand picking up. If I would say that what has been the demand in the last six months, it has been about hovering around 5% to

7% the demand growth. We should expect it to be little bit peg up after September October onwards.

Anshuman Atri: Okay, sir. And second question is regarding cost, so you have seen almost 56% from power and fuel and 53% from freight. So, how much more can we expect from WHR or is it the maximum?

Management: Marginally it can go up, it can go up.

Anshuman Atri: Okay. And lastly, on what kind of synergies we can see from the Zurari and this Heidelberg merger completion at the parent level?

Management: See these companies operate as an individual company, there will be synergies in terms of sharing best practices, there will be synergies in terms of sourcing because the volume will be significantly bigger. So those are the synergies which we will try to harness in the coming months.

Anshuman Atri: Okay. But there would not be any kind of merger for these two?

Management: As of now no, because this is the listed company that is un-listed company Zurari so, it will take some time before we think on all these.

Moderator: Thank you very much. The next question is from the line of H.R. Gala from Panav Advisors. Please proceed.

H.R. Gala: Sir, our average price realization has been Rs. 3,785 in this quarter. So, what is the current run rate?

Management: Marginally almost a similar run rate, it is similar maintaining.

H.R. Gala: But do you expect that from September onwards the price can?

Management: Prices will move up I think.

H.R. Gala: It should move up, so what is your rough expectation, you said that about 5% to 7% demand growth in volume term you expect so, price increase could be how much?

Management: You should see it is dependent again we are expecting some good run because of government projects and if that happens you can expect growth on prices also around to this 3% to 4%.

H.R. Gala: Around 3% to 4%, okay. That is quite happening. Sir, major capital expenditure in this year?

Management: No, we have nothing major plant accepting for the WHR which is almost completed and we are also completing our flash silo otherwise there is no major CAPEX.

H.R. Gala: So how much will be capitalizing in this year roughly?

Management: Capitalizing in this year?

H.R. Gala: Yes, FY'17.

Management: The talking CAPEX will be more or less on the sustainable part and is per...

H.R. Gala: If you can just roughly say quantify.

Management: It will be around 35% of our depreciation so, maybe you can consider Rs. 45 crores to Rs. 50 crores.

H.R. Gala: Rs. 25 crores to Rs. 50 crores?

Management: Rs. 45 crores to Rs. 50 crores.

H.R. Gala: Rs. 45 crores to Rs. 50 crores, okay. And sir, now since we are operating at 85% of the capacity utilization when do you think we will think in terms of raising the capacity beyond our current level fiscal 54 lakh tonnes?

Management: See right now we have much headroom, even we can if we want to we can produce 110% of our capacity utilization. So there is a headroom for 25% more to go.

H.R. Gala: Okay. I understand.

Management: And later on a treat a plant a little bit and still go by another 5%.

H.R. Gala: Okay. So may be 110 plus 5 so, about 115 we can go.

Management: You can talk about on a consistent basis 110 if the market is good.

H.R. Gala: Okay. Current year overall you expect around 5% to 7%, so, it should be possible to do around say 47.5 lakh tonnes is it?

Management: Yes.

H.R. Gala: Last year we did 44.4.

Management: Correct.

Moderator: Thank you very much. The next question is from the line of Ankit Shah from Prabhudas Liladher. Please proceed.

Ankit Shah: So my question pertains to cost, we are seeing a considerable rise on a quarter-on-quarter basis in the cost. So as such a pet coke prices have moved up but since there was inventory there should not have the impact of that, so any particular reason the cost are moving up on a quarter-on-quarter basis?

Management: Quarter-on-quarter basis it is just flattish, on cost of okay, you are talking cost. Yes, there is a higher cost basically it is...

Ankit Shah: Which respect to March versus June quarter...

Management: Yes, that is right, actually if you the one element was on account of price increase with pet coke but the total cost of production when we compare it is flat, you see the cost increase, you are seeing the inventory increase decrease. There is major change between the March quarter and the June quarter. June quarter inventory has decreased significantly March quarter they were higher and because of the inventory increase decrease there is one element that has been Excise Duty on the Silo and Silo inventory that impact is around Rs. 4 crores it will be in March quarter and June quarter. Having said, on account of this Silo provision the costs seems on higher side. Whenever there is an inventory increase or decrease you have some element of the fixed cost evaluation impact on the P&L so, that is why on the P&L side you see March versus June the cost increase. The cost of production is almost flat.

Ankit Shah: Okay, fine, sir. Sir, my second quarter relates to the electricity cost now, you are buying most of the electricity from the grid right now and some of the competitors have signed PPA with instrumental and reducing the electricity cost. So, are you planning any such thing right now?

Management: Yes, we are planning, we are working on that, but there are some limitations imposed by the state Government especially in UP but we are working on that. NPA also we are coming close to doing certain making certain changes and buying power from all additional sourcing, services work is going.

Ankit Shah: Okay. So if it materializes by how much can the cost come down?

Management: We will have to see because ultimately you have to buy it from the open market that time the prices how they fluctuate on the grid we will have to see.

Ankit Shah: Okay. So any particular timeline when this...

Management: It is all section area where we cannot do much, it is price with the government with electricity boards and discoms.

Moderator: Thank you. The next question is from the line of Ajit Motwani from Bharti Axa Life Insurance. Please proceed.

Ajit Motwani: Sir, my question was on this WHR has it started now and is it completely up and running?

Management: Yes. It started in February.

Ajit Motwani: Okay. So what is our experience? What are the initial savings that you are seeing as compared to the cost of power earlier?

Management: See it is about Rs. 41 per tonne, so far Rs. 41 a tonne to Rs. 42 a tonne and going forward we are targeting to such cost Rs. 50 a tonne.

Ajit Motwani: Rs. 50 a tonne?

Management: A little more than that but depending on how the plants operate, it can be more also but at least it will be above 50.

Ajit Motwani: So how much power requirement does it make? And that I guess is only for the demo plant right?

Management: Yes, it is about 11 megawatts out of WHR.

Ajit Motwani: Okay, so it is meeting how much of our power requirement as such?

Management: 30%.

Ajit Motwani: 30%. So sir, there were this fiscal incentive that you get for unit sale in the same state which is Madhya Pradesh, how much is that and till what item they are able to recovering?

Management: It I mean it would be 10 years and it started from 2013 so, we will be entitle for 2022-2023. It is the major incentives wholesaler cement in Madhya Pradesh.

Ajit Motwani: This VAT incentive?

Management: VAT incentive.

Ajit Motwani: Got it. And in terms of the cost there was this question that was asked earlier, if I just add the cost of material plus power which is pretty much our manufacturing variable cost that seem to have gone up roughly about Rs. 225 as compared to the March quarter, so if you can explain that change?

Management: It is only on account of inventory change. In March quarter there was inventory decrease, inventory increase so, you have the negative amount on that account and the inventory decrease so you have the good swing between the March quarter and the June quarter. And the inventory can be not only power and fuel or road is the aspect but you have the element of the fixed cost, we have the element of the freight also. When we will see the cost of production there is no much change in the cost of production between March quarter and June quarter. Inventories on account of inventories because value the inventory on the total cost so...

Ajit Motwani: How much was that impact?

Management: The impact of the Excise Duty impact is around Rs. 5 crores so, that amount is Rs. 50 and then some amount of the inventory valuation, is coming on account of fixed cost. Most of the part is coming on account of valuation of the fixed cost and the Excise Duty.

Ajit Motwani: So essentially you are saying that entire of this Rs. 200 rise is related to these two expedition...

Management: Yes, there is no increase in the variable cost and we will compare to quarter-to-quarter and compare to last year we will see that there was also inventory decrease last year. So last year the amount of was smaller this time the amount is higher.

Ajit Motwani: Got it. And where do we procure our pet coke for?

Management: Domestic.

Ajit Motwani: In a sense which refinery?

Management: In our seasonality, where we are buying from the ESSAR, Reliance Bina refineries so, there are various refineries and the pet coke is available.

Ajit Motwani: So what was the cost of pet coke per ton say in March and June quarter landed at the plant?

Management: It has increased around 15% as compared to March quarter the pet coke prices if we look at this was improved by 15%.

Ajit Motwani: Yes, but in generally the market prices have pretty much doubled you would say from the bottom?

Management: No, it is not at the bottom.

Ajit Motwani: Okay. Let me put the question, is our June quarter number reflecting the complete mark-to-market of the pet coke cost?

Management: No, it is not. These all increases and further increase happen in the month of July.

Ajit Motwani: Got it. So that means there could be another 15% - 20% increase in the cost of...

Management: Fund does not know because it has reached a level where it is not sustainable, it will be switch over from pet coke to coal.

Ajit Motwani: Got it, sir. And anything on I know that the fact it will be difficult for you to comment but when, do we have any idea on the merger possible merger with Italcementi?

Management: This is short while ago that these two companies which operate as individual companies at least for some time. We will try to look at the other synergies where we can benefit exchange of knowledge or mass sourcing and things like that, those are the things which we will try to do.

Moderator: Thank you very much. The next question is from the line of Dhiral Shah from GEPL Capital. Please proceed.

Dhiral Shah: Sir, my question is regarding sir, what was the cement prices during the quarter?

Management: Cement prices during the quarter, you are talking about the NSR part?

Dhiral Shah: Yes, sir.

Management: GSR you are looking or NSR?

Dhiral Shah: NSR sir.

Management: NSR was about Rs. 3,270 net of freight, net of taxes.

Dhiral Shah: And what was it last year?

Management: So NSR I will tell you NSR last year was Rs. 3,093.

Dhiral Shah: 3,093 and sir, you said that there has been an increase in the power tariff in MP and Karnataka. So how it will impact our power cost?

Management: It has impacted already you are seeing in the already factoring.

Dhiral Shah: Okay, it is already factoring.

Moderator: Thank you. Our next question is from the line of Nitesh Jain from Axis Capital. Please proceed.

Nitesh Jain: Sir, can you share what are the current retail cement prices in some of our main market like I am randomly saying some cities like what is there is Jabalpur or Shahdol district or similarly in UP, say Patna or Lucknow?

Management: I can give you Jabalpur. Jabalpur will be about some like Rs. 270 and the other market you are saying Lucknow it will be close to about Rs. 300, it will amount in Rs. 300 and Bhopal should be Rs. 290 to Rs. 300.

Nitesh Jain: Bhopal should be Rs. 290 to Rs. 300.

Management: Correct.

Nitesh Jain: And like Indore which is like Western MP?

Management: It should be close to around Rs. 270 - Rs. 280.

Nitesh Jain: Okay, sure. Sir, second question is, do we have some tax incentive for our Jhasi grinding unit as well?

Management: We do not have any tax incentive there.

Nitesh Jain: We do not have and secondly, we have seen sir, some of the companies in MP and Chhattisgarh they are now going for this individual power agree with some of the power producers directly, so is there any change in regulation like I thought that earlier it was not allowed because the open access is not there you have to compulsory buy it from the grid only. So, is there any change in the regulation in last six months?

Management: No, nothing there is no change in the regulation.

Nitesh Jain: Okay. So, I was just wandering why the cement companies were not doing this one-on-one agreement with the power companies and why there were buying at Rs. 7 per unit from grid. So, would you be going for the same kind of thing or?

Management: We are looking at various options in this area.

Moderator: Thank you. The next question is from the line of Bhumika Nair from IDFC. Please proceed.

Bhumika Nair: Yes, sir. Sir, you have motioned earlier during the call that pet coke prices are up by about 15%. If I look at your power and fuel cost on a Q-on-Q basis is actually down, is it that we had some low cost inventory and we will see the impact of this in pet coke prices going forward?

Management: Power, we are talking about WHR, which is operational so that is a major benefit which comes out of WHR.

Bhumika Nair: Okay what kind of benefit you would have seen in the current quarter?

Management: We have mentioned it about Rs. 41 a tonne.

Bhumika Nair: Okay. Also in terms you have talked about increase in power tariff so, what has been the kind of increase that has happened?

Management: 7.5% to 8% Karnataka separate entity. Around 7.5% to 8%.

Bhumika Nair: This has happened from when sir?

Management: March.

Bhumika Nair: March, okay. Sir, if you could just talk a little bit in terms of also in terms of demand which you are expecting to pick up post monsoons so, what is going to likely drive the demand pick up, any government projects or rural housing, etc., if you could just talk a little bit more about that?

Management: Okay, Bhumika we are talking about two things, with a good agriculture income with monsoons there is a good agriculture income so there is a rural housing which picks up to a significant extent we have seen that when the monsoons are good, you see a good demand coming in. The other areas is because UP will go for elections in next year so, there is going to be spending. Similarly, in the state of Central India also in MP also there is some pickup in demand since the government is putting in some money in infrastructure projects. Overall, country wise also it is the people who are also talking some infrastructure projects coming up and there will be a run for our run north wards and we are expecting that with demand touching about 8% or 7% to 8% prices should also look up.

Bhumika Nair: Okay. Sir, the other thing is in terms of capacity, eastern region we have seen a lot of new capacities coming up so, are we seeing of any inflow of material from that part into our markets?

Management: Not really, it is just only a question of price balancing when the prices change between two regions significantly there is a material you can get import for, you can start doing exports out of your region.

Moderator: Thank you very much. The next question is from the line of Akshit Gandhi from Aviva Life Insurance. Please proceed.

Akshit Gandhi: Just wanted to know what is current the gross debt on the books and the cash?

Management: It remain same, just the long-term debt fiscal the company cement Rs. 8,760 crores and in the March quarter there was some short-term debt also

Akshit Gandhi: No, I am sorry, I could not hear you what was the short-term debt?

Management: It was Rs. 70 crores as on 31st March, 2016.

Akshit Gandhi: All right. One more question, just we have what kind of capacity utilization will we start looking at expansions?

Management: We have already expanded. We are running at 85% capacity utilization.

Akshit Gandhi: Right. So you said you can go up to 110.

Management: Then we have to tweak our equipment really.

- Akshit Ghandhi:** Okay. Sir, one question, how much Brownfield expansion is possible at the current capacity further or no, we will have to go for Greenfield beyond the 110?
- Management:** No, there is a Brownfield possibility but we will have to explore this in terms of the total life of the plant. So right now we have not done any work on that and when we reach closer to it we will start taking a call on this.
- Akshit Ghandhi:** All right. And last question, any guidance on the tax rate for the full year please?
- Management:** All in all there is 34.6%.
- Akshit Ghandhi:** Okay, so no change in that?
- Management:** No, sir no change in that.
- Akshit Ghandhi:** Not as a fix on which aspect to direct tax in the company at this moment.
- Moderator:** Thank you. Our next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please proceed.
- Rakesh Vyas:** Yes, you just highlight as to whether deliberately we are giving up some market share, why I am asking this because you are saying industry would have grown by close to 7%, our growth is slightly lower than that and so I think incremental we are also seeing some supply issues in the key markets that you operate from the competitors. So is it a deliberate strategy not to look at low price market or can you just explain it?
- Management:** No, we maintain a certain steady growth in our markets. Market share is not gone off because this is I am talking about 7% to 8% is over the entire country, in some pockets we prefer to retain our markets in our home market share so, there we are always gaining up we are not losing any market share. When we decide the market we decide in micro markets not overall we look at it, we have to see look at it also by the level of micro markets where we are not de-growing. So we are losing market share so, there is no case where we have lost market share. Plus, you have to look also at the CAGR of the industry growth rate of last three years vis-à-vis our CAGR.
- Rakesh Vyas:** That I agree sir, that has been good, I am just wondering on year-on-year basis our growth was 2% to 3.3% and I am just wondering as to if market would have grown faster than that even in your core markets have we lost share and I am asking this secondly, we are hearing supply issues from one of the key competitor in your area itself. So ideally these volume growths should have been much higher than the market.
- Management:** It is not that anybody the supplies from any of those players was less, everybody has operated at relatively good capacity. Maybe a few hundred thousand here and there it may not matter.

- Rakesh Vyas:** No, I appreciate what you are saying, okay, fine. And sir, any other cost initiative that you are looking at apart from this power arrangement or most of it is already factored in?
- Management:** We operate on a program called as a Continues Improvement Program in our plants and in our markets where we do not leave a single penny as cost. If there is a cost saving, we can do, we do manage it and it is a continuous process. So we will never get tired of savings.
- Rakesh Vyas:** Sir, to get some understanding, have our lead distance has changed over the last three years?
- Management:** Yes, a little bit it has changed because we have withdrawn from very long lead markets and we have come closer.
- Moderator:** Thank you. The next question is from the line of Devang Bhatt from ICICI Direct. Please proceed.
- Devang Bhatt:** Just wanted to know apart from this busy season surcharge what led to the lower freight cost?
- Management:** Distances, many in distances.
- Devang Bhatt:** Okay. And sir, can you help us in quantifying that \$1 rise in pet coke what will be the impact on your EBITDA per tonne?
- Management:** I have not computed that.
- Management:** Devang, we do not import, actually we buy from the domestic player.
- Devang Bhatt:** Okay. So any in rupee terms of anything that you can help us?
- Management:** We can give you just kind of calculation metrology that we consume around 70% pet coke at this moment in our thermal plant, and if pet coke price today is around 15% lower than the coal.
- Devang Bhatt:** And just one thing, there was some news that there was flood-like situation in MP so, has any of our plants been impacted by that?
- Management:** No, not at all.
- Moderator:** Thank you. The next question is from the line of Milind Raginwar from SBICAP Securities. Please proceed.
- Milind Raginwar:** Just want to know what I heard correct, the debt from March to as we speak now remains more or less flat on the book?
- Management:** You are talking about long-term debts.

- Milind Raginwar:** Yes.
- Management:** Long-term debt remains because it is being paid as per the schedule debt, in 2016-2017 financial year total debt which we need to repay is around Rs. 212 crores on due date it will get repaid. Thereafter in March quarter nothing is due till 30th June.
- Milind Raginwar:** Okay. So what we repay, I was just driving the same point, what is the repayment for the year so it is about Rs. 212 crores?
- Management:** Yes.
- Milind Raginwar:** So, we have major CAPEX behind us and in case we do something better in terms of the cash flows are we planning to prepay some more debt or we stick to that number that we need to?
- Management:** As of now we are sticking to.
- Milind Raginwar:** Okay. And the second question is sir, on the operational front, now that the WHR has stabilized can we just make out as to what will be the peak output from that?
- Management:** Yes, peak out 12 megawatt almost maximum that would be.
- Milind Raginwar:** I mean whatever is there it would generate that to the optimum capacity.
- Management:** It is maximum 12.
- Moderator:** Thank you. The next question is a follow-up question from the line of Ajit Motwani from Bharti Axa Life Insurance. Please proceed.
- Ajit Motwani:** Sir, in terms of our gross debt I remember this is largely from our parent entity is there any gain that is sitting because I think there was pretty much a FOREX debt that you had taken so, is there some mark-to-market gain that is sitting on our balance sheet if you were to repay our loans today?
- Management:** We have actually hedged all our foreign debt. We took the foreign debt in INR as well as in USD term and some mark-to-market gain is still in the balance sheet and as and when we repay our loan those mark-to-market then will also will be eliminated from the balance sheet.
- Ajit Motwani:** So what you had hedged only was the interest outgo, right?
- Management:** We hedge end-to-end, so principle as well as the interest.
- Ajit Motwani:** Okay. So essentially there are certain gains, right?
- Management:** Yes, that is why I am saying mark-to-market gains are sitting in the balance sheet.

Ajit Motwani: Which is how much?

Management: The total amount as we speak it was around Rs. 250 crore and today it is around Rs. 150 crores sitting in the balance sheet.

Ajit Motwani: So that essentially means that if you were to pay out today the Rs. 950 crores actually would be Rs. 800 crores debt.

Management: Total debt at this moment Rs. 867 crores which we are talking about this is the real debt which we need to pay. You will find Rs. 867 crores plus Rs. 150 crores in the balance sheet.

Ajit Motwani: Rs. 867 crores plus Rs. 150 crores.

Management: Yes.

Ajit Motwani: Okay. So basically the Rs. 876 crores or Rs. 870 odd crores number that give is the number you will pay today, that means it is net of gains?

Management: That is the book entry basically, when you have hedged all the amount of your loan plus interest so, it is notional gain in the books.

Ajit Motwani: Got you. And just wanted to understand our cash situation, what is the cash on the books today?

Management: As of the 31st March balance sheet there is no major change in the debt as well as the cash balance.

Ajit Motwani: How much this you can put a number?

Management: Normal working cash.

Ajit Motwani: Okay. Because if our cash repayment this year is about Rs. 200 crores and about Rs. 100 crores of interest so essentially plus tax you will need an access of Rs. 350 crores of cash flows this year to meet all these applications. I am still not adding the CAPEX.

Management: Yes. And that run rate you have seen in 2015-2016 more or less debt was there.

Ajit Motwani: So you are saying debt even after this repayment we will not go up.?

Management: No.

Moderator: Thank you. We will take our last question from H.R. Gala from Panav Advisors. Please proceed.

H.R. Gala: Sir, can you help me with the gross and net debt number as on 30th June?

Management: We have 31st debt...

H.R. Gala: That data is as on 30th June if you can tell us.

Management: And long-term debt there is no change.

H.R. Gala: So that is still Rs. 686 crores?

Management: Rs. 876 crores, the gross debt is Rs. 876 crores and there was Rs. 70 crores short-term debt as on 31st March which we have repaid.

H.R. Gala: That is a short-term?

Management: Yes.

Moderator: Thank you. The next question is from the line of Girish C. from Spark Capital. Please proceed.

Girish C.: So, basically just wanted more clarity on the expansion basically so, given again we are operating at 85% utilization and I appreciate that you clarified that you can operate till 110 so, which I assume will take another one and half years - to years to get to there. Post that, if we reach that level and start thinking I think it will take another three years to four years from then. So if you can give more clarity on what would trigger for us to put up next CAPEX or let us say buy any capacity?

Management: Very difficult to say because we would prefer to now add capacity by acquisition only.

Girish C.: Okay. Yes, so, anything which...

Management: I cannot comment on that. I cannot comment right now.

Girish C.: Okay. And if I you are looking an acquisition what is the optimal or minimum size you might look at?

Management: See the group and acquired Italcementi which is as big as Heidelberg India, HCIL.

Girish C.: Right.

Management: So it is South based. So the company can follow as big as its own self.

Moderator: Thank you. I now hand the floor back to Mr. Agarwal for closing comments. Over to you.

Vaibhav Agarwal: Yes, thank you. On behalf of PhillipCapital, 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 can now conclude the call. Thank you very much, sir.

Management: Thank you.

Moderator: Ladies and gentlemen, on behalf of PhillipCapital, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.