



“HeidelbergCement India Ltd Q3 FY20 Conference Call”

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HEIDELBERGCEMENT



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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY 20 Conference Call of HeidelbergCement India Limited call hosted by PhillipCapital (India) Private Limited. As a reminder, 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 an operator by pressing '*' then '0' on your touchtone phone. I would now like to hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Vaibhav Agarwal: Thank you, Stanford. Good afternoon, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to Q3FY20 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 statements related to future developments and current 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, Heidelberg Cement India Limited has uploaded a copy of the presentation on the exchange and its website. Participant may download a copy from these websites. I will now hand over the floor to the management for their opening remarks which will be followed by interactive Q&A.

Management: Thank you, Vaibhav, and thanks, everybody for joining this earnings call. I hope you have got the copy of the presentation which have been posted on our website.

Taking you to the Slide #4 which is the Indian cement industry, trailing 12-months performance, you can look at it and you can see that for the three quarters the growth of the Indian cement industry has been about 3.5% as of now and the utilization is close to about 68% which in the industry standard it is quite soft I would say and there is room for movement upward. Coming to the last quarter of December, the growth has been of cement industry has been about 5%.

In terms of taking you to the next slide and page and that is the quarterly volumes of Heidelberg, you may observe that there is a dip in the December quarter by about 5%, but mainly this dip maximum has come because of our Ammasandra unit which is in south and south has been a degrowth market, so that is where the impact is plus there is impact of because last year in the same quarter, we sold about 23,000 tons of clinker which is no longer there, that time the clinker prices were remunerative, so there was a benefit to it, but this time there is no clinker sales, so that is the impact, otherwise in central India that is our market, the dip is very marginal. Capacity utilization for the company has been close to about 90%.

Coming to the "Financials and Operational Highlights." Zero loss time injury. Safety is our foremost priority which we always start our business with considering human life which is very important. So, as a group, we practice highest level of safety standards and that remains our

foremost priority, and this year, we have also moved into a target; this year 2020 is declared as a zero harm year. So it is virtually a scratch free working environment.

Coming to the “Premium Product Segment”, the growth has been about 53% YoY and this contribution is about 16% of our trade volume.

We have been working continuously on reducing the power cost because power and fuel cost remains one of the biggest in the cement industry and also from the viewpoint of looking at the future getting to carbon neutrality by 2015. So, one has to start working now, and on this part, we have started reducing our consumption parameters also and there is improvement there and in our results also plus here you can see that our contribution from grid power has been about 65% and that means, we have sourced cheaper power of almost 35% to an extent.

In Central India, we have done a capacity a little bit of debottlenecking which we have been telling you over the previous quarters also during earnings call also and now it is close to about 6.26, full steam should be available in the next financial year.

We had distributed a 15% interim dividend for FY’20 and we have repaid also the 1.25 billion INR worth of our NCD.

Now considering today the cash net balance in our banks, it is virtually a debt-free company, including the balances are more than the debt which we hold in our books.

On the income statement, which is on Slide #7, I will only point out the negatives for you to discuss about; just only a (-2%) EBITDA; however, on post tax we are 10% growth over the previous quarter YoY basis. This is the second highest PAT which the company has given prior to the June quarter, so this June was the highest quarter in the history of the company and this is the second highest we have achieved so far.

On the KPIs, you can see, look at everything excepting the volume part, otherwise in all the other positives there are always a positive which you can see which is a result of our improved efficiencies and in terms of sourcing, in terms of consumption parameters, so, this results into this.

On the EBITDA per ton bridge, which is on Page #8, you can see the last quarter, EBITDA was 947, now moved to 981, mainly it has come from the GSR from the market, raw material, there is some improvement, power and fuel we have seen improvement because of our outsource power plus improvement in our utilization of the WHR, so that is added to it. Freight, minor components a little bit here because there was some areas where we needed correction because the material was not moving. Though some minor corrections are there, business practices we are changing. So, a little bit on that count, the freight element is impacted. On the others, so basically if you look at it, it is mainly coming out of the employee higher provisions which we have taken under for their retirement benefits and because this is the discounting factor which is

reduced, so, this is going a little higher. But again in the next quarter, this will be balanced out, so, nothing much about it.

On Page #9, you can see 45% of our volume is by road. Our Pet Coke consumption is close to about 63% which we are trying to move it to about 70% in the coming quarters because now the pet coke prices are down, so we will try to improve as long as pet coke is easily available, we will keep balancing it as usual. As I mentioned already, our power sales is 16% of our trade volume and 85% of our business we continue to be in trade. So, we are not non-trade push area market, we prefer to be in a trade market, where the realizations are relatively better.

In terms of capacity expansion, Page #10, you can have a look at it how the capacity has panned and how it has grown. This is a result of our debottlenecking at our various mills. Still despite that you we can say that we have a headroom to utilize this because of the clinker capacity utilization is close to 85% for us as of now. So this will give us more headroom to increase our dispatches, improve our production and keep our markets little more stable to meet the peak demands also of our market as and when it appears.

Coming to the “Outlook”:

The positives are that cement demand continues to grow on pan-India basis, in some markets, in some regions, it is negative, somewhere it at par, it has been a little more positive in the eastern markets, but not so much in the south and central also is a little bit I would say flattish or marginally positive.

On government allocations, in the budget session we have seen it that there are a lot of investments the government has announced, allocations have been very healthy, I would say. And I pray that they materialize, it would be a very good going for the industry in the months to come for the next financial year at least I can see very good hope for cement industry.

Reductions in interest rates by RBI, that is improvement; however, there is an overhang of somewhere, tenements which are available, housing is available, there is some hangover there in some districts, in some states. But in Tier-2 and Tier-3 there is no overhang of such nature because every day the person builds the house, need to his requirement, housing is still not an investment criteria they are in Tier-2 and Tier-3 cities, it is need-based. Government has already announced 20 million houses to be made for low housing cost, that will be completed by 2022 or '23. So, there is also very good demand there.

Brent is stable and you can see that the coal prices have gone up in India but the diesel prices and all that have been remaining very-very stable and the Brent is coming down, so I think it will have a positive impact on the freights also going forward.

The sentiments are a little bit of an issue. I think the money is there in the pockets of the people. It is an improvement of sentiments. Once the sentiments improve, the engines of the economy will fire, but there is a concern as of now, we have been watching this very closely.

More of the issues are that rupee could depreciate, that is one concern which we have, and liquidity situation as I said the sentiment is the one major factor which keeps coming time and again. And you ask anybody in the market that, "Is there a money problem?" It is not a money problem, I think it is more of a sentiment problem which is little soft right now. And I think this cannot stay like this. We have seen quite a few quarters of subdued performance of demand. Because agriculture has been good, the monsoon have been good, we have got adequate monsoons, and the crops are everywhere I have seen are very good. So this money has to come to the market. So just hoping for the best.

This is all from my side and I leave the floor open to you for your questions. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Apurva Bahadur from Jefferies. Please go ahead.

Apurva Bahadur: Sir, on your capacity addition wanted to understand, so we have an installed capacity of roughly 5.4 mt and we are adding roughly 1.05 mt. So, the increased capacity should have been around 6.45 mt while your presentation mentioned it to 6.26 mt. So, are we retiring any units?

Management: No, nothing, there is no retirement of any unit. This is the consent to operate what we have now.

Apurva Bahadur: So, basically, if we get further consent, then this 6.26 can go up to 6.45?

Management: That is in case we do furthermore work on that.

Apurva Bahadur: Secondly, on your basically higher sales of premium product, so, just wanted to understand this market, so what are the types of customers, as in whom do we target, is it the affluent customers in the urban areas or more so in the rural side and how much do you think that this market can increase or basically how much of our overall sale could be of premium materials?

Management: As we said that we are growing this segment. The customer of these premium segment products, you will be surprised to see that this is not necessarily a product which is bought by people with affluents or anything. These are the people who understand quality and they want to consider housing investment in a house as an asset class. These people understand that life cycle cost of a building is very important. Today, you buy a low cost cement with a cheaper quality product, and then after every five years you are into the renovation and maintenance and leakages and things like that. Even the smallest villager who buys two bags of cement for making his boundary wall or well, he says, "Why do you buy this?" You ask him and he will tell you, "Sir, I do not want to keep again and again coming every year, break the wall and then again the wall falls, and I again come and buy it. So I prefer to buy Rs.20, Rs.30 bag more, it is okay with me, but at least it will last longer." So I cannot tell you that this is only targeting the affluent customers or anybody. It is a product available to people who value quality.

Apurva Bahadur: How do we sell it then -- is it like a push from the dealer side, we provide highest commissions or is it more so we are spending a lot more improving awareness of customers on these type of products.

Management: No, we just keep the product there in the retail shop and whatever literature we give to the people, if the people want to buy, the dealer is an option, he gets similar margins on both the product. So, whether he sells this product or the other product, really does not matter to him. For him he may promote this product because if the customer is happy, feels nice about it, goodwill of a shop goes up. So, he will be more interested in promoting good product always and he will say, okay, let me push a product where the customer will become more loyal to me after its use.

Apurva Bahadur: How large do you see this market getting?

Management: We are not looking at a very big market size. At best we will reach a share of about 20%, 25% which is good enough for us. We do not want to really push it beyond a point. Sir, also now in this budget that the dividend distribution tax was abolished. So should we expect any increase in our payouts going ahead?

Management: That is left to the board. I cannot answer that question.

Apurva Bahadur: Two more bookkeeping questions quickly; one is your lead distance for the quarter? And secondly, you said that the WHRS utilization has increased. So if the clinker plants were operating in 85% in the last quarter or previously as well and still operating at 85% utilization, how did we manage to increase our WHRS utilization then?

Management: I will answer your two questions: One is the lead distance. That is about 360 Kms to 370 Kms you can say, this is the part. As far as the WHRS is concerned, you can say that we have been very constantly monitoring it. WHRS running is totally dependent on the kiln. If the kilns are firing properly, then the heat is available for running of the boilers in the turbine, steam is available accordingly. So, we have to see to it that the productivity at the production end in the kilns are continuously running. So, that is one challenge and this is what the cement industry totally, the profitability of the cement runs on how much kiln run.

Apurva Bahadur: How much was our WHRS utilization during the quarter?

Management: Close to 95% we are running.

Apurva Bahadur: Going ahead it will be difficult for us to scale it up further and from 60% of grid dependence, not much upside over there?

Management: No-no. Why? We can always source outside third-party power. In Madhya Pradesh, we are not able to source because the cross-subsidy charges are very high. It does not make sense to do that in, but in Jhansi we are doing it.

Moderator: Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

Pratik Kumar: My first question is on employee cost. So you said that it seems that due to fall in yields and gratuity provisioning has been factored in this quarter. But generally that is the case for year ending phenomena when companies factor that. So, we have factored in 3Q like the fourth quarter employee cost could be again Rs.31 crores, Rs.32 crores kind of a number?

Management: So basically Pratik, this is not on account of gratuity, because whatever the gratuity actual valuation gain/loss is there that goes to other comprehensive income, that is part of the reserve. It is because of the leave salary and as a policy in the company we do the actual valuation two times in a year one; one is in December and other is in March. So, in December, you appreciate that during 2019 the GSec return has reduced significantly and it has resulted into higher leave liability provision. Having said that, this is the kind of book entry, and as soon as the returns come back on the government securities, you will see there will be saving also in the subsequent quarters. So, that is why we mentioned, it is a provision of the retiral benefit and this is not the actual case outflow. This may be considered as a one-off item and in the March quarter if we see only this factor, you may have some saving.

Pratik Kumar: In other expense also without increase in volumes for like let us say year-on-year, our other expenses gone up by 9%, 10%. Any specific reason there?

Management: Pratik, this other expenditure is also a combination of semi-fixed and the fixed expenditure. These are not the kind of variable costs and there are many expenditure which is linked with the inflation like consumables, repairs and maintenance, and then the cement handling costs, it includes your shutdown cost, it includes your handling at the railway siding. So, those costs you need to factor depending upon the rate inflation, rate revision, some more repair cost, some sort of fixed cost like your traveling, advertisement. So, you will see in some quarters, you will see some small increase, some quarters you will see a small decrease. It is not directly in proportionate to the volume increase or decrease, it is kind of fixed and the semi-fixed cost.

Pratik Kumar: On trade segment sales, there is a slight decline versus we report like around 88% kind of number last quarter, it is around 85%, it is just a small decline, but any specific reason there?

Management: What happens you know in certain times, there are some government orders come in at good price, then we take them. But ultimately it goes under non trade segment. So, we are very choosy about what orders we get. We have a certain target price line below that the difference between NSR between trade and non-trade, we do not entertain business. But when we see that okay, something has come at a good price and it is coming and the demand is good, so we push it out.

Pratik Kumar: One question on CAPEX. So, we have preponed capacity by one year. Last quarter, we actually sort of delayed by three months in our conversation. Our capacity shortage was always on the card. So, how could we do this like one year in advance in terms of rollout?

Management: If you look at it, in the past discussions we have been mentioning about it that one thing we have done something part of it is in neem we have done it, in Jhansi it was progressing. We have been telling this. It is not that it has come all of a sudden that we have been working on these things and we said also it will gradually step up. Given the discussion, we have put it on the table that here it is there. So nothing is that we did it something which was not known to the investment community.

Management: Pratik, just to add one more thing. Last time when we discussed, we also said with you that we have been increasing this capacity in different phases. So, we have this grinding mill in Madhya Pradesh, and we have expedited. Maybe you recall that last year in the month of March when we have the earning call, that time we told that because of the capacity constraints, we could not produce cement for around 10-days. We have expedited this whole process and we think that in the coming fiscal year, we will get the benefit on account of production.

Moderator: Thank you. The next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: Sir, a couple of questions. Firstly, on the premium segment it has grown very well while the overall trade segment has not grown. So, does the premium segment completely cater to a different market altogether, different segment altogether or it has a cannibalization impact on the non-premium product also?

Management: Gaurav, see, the market remains the same, the pie remains the same, some shift would take up from the less premium product to a premium product. I would say that the shrinkage is because of the market forces decide the total overall shrinkage. In central India, the shrinkage is very small. As I said that, the major 5% what you are observing is because of my Ammasandra plant, where we could not sell a good volume because of south demand going slipping badly and because of the 23,000 tons of clinker which we did not sell which was part of the previous December quarter. If you ask me that, "Whether trade sale has shrunk because of this?" Answer is "no."

Gaurav Rateria: Would it be possible to get some sense for the central regions where you operate, in 2019 what was the growth in that and what has been the market share trends between the players?

Management: I would not be able to tell you for others, but we are close to about 10% market share in central India.

Gaurav Rateria: Lastly, sir, you talked about outlook to be brighter for next year, mid-single digit growth. How much of that you think is going to be driven by uptick in infra segment and how much of that will be better improvement in the housing?

Management: Gaurav, because of these past one, two years almost now, we have taken a little conservative approach that the overall India market will grow around 5% I would say. So, central India may have a share of about 3%, 4% something like that, could possibly we should expect. If you ask

me one-to-one basis, personally I would say that, it could be more, but for the purpose of forecasting when we make a business plan, we take a little based on the past historic data. So, we are considering that let us take 4% increase for Central India to be little safer on this. But in Madhya Pradesh and Uttar Pradesh, many times they surprise you, you take a 5% and then they deliver you 11%.

Gaurav Rateria: Sir, I was asking more from a driver perspective whether it will be infra or it will be housing for next year?

Management: I think it will be mostly driven by housing only because the agricultural income has been very good. Infra, I would say, yes, we expect road projects which are in the pipeline there are some railway projects which have been announced, but that demand do not expect it before July, August in the next year. So, I do not expect them all of a sudden that next one I am going to see anything happening on the infra impossible. Mobilization takes from the budget at least six months.

Moderator: Thank you. The next question is from the line of Mangesh Bhadang from Nirmal Bang.. Please go ahead.

Mangesh Bhadang: Two, three questions: Firstly, the power that you said, sourcing outside, if we may know the rate of the power that you are purchasing for? And again for your Ammasandra unit, I think you have a solar PPA. What could be the rate for that?

Management: At least 20%, 25% the power sourced from outside is cheaper.

Mangesh Bhadang: And this is largely for UP I guess na, because you are saying MP...?

Management: Largely, UP and Ammasandra.

Mangesh Bhadang: Secondly, just wanted to check if last year or in this year, have you bought any clinker from Zuari?

Management: The entire clinker to Ammasandra is from Zuari.

Mangesh Bhadang: Earlier it was market purchase, now it is from Zuari?

Management: It was always from Zuari.

Mangesh Bhadang: And again on the CAPEX side sir. Now we are operating at full utilization, a lot of new capacities probably will start coming in M.P. in FY'21. Has the board or yourself thought about adding capacity and if yes, in which region you would be looking at, whether you would continue to grow in the same region or you would look at some other places?

Management: On this question, yes, that is why we have debottlenecked certain things so that at least for about two years whether we have at the moment and if the market grows at even 7% I think we have

got about 2.5-years of breathing time as of now. Coming to the capacities which are coming, most of them are grinding capability. So, nothing to worry excepting for Bara, which is in the East UP, that is the only clinkering unit which is coming, so it will cater mostly to the eastern markets rather than catering to the western markets or central India. So..

Mangesh Bhadang: Clinker unit in M.P.?

Management: I think the investments are being talked about, but what is on the ground, I will have to check up and then only tell you that what is the timeframe it will come. I do not have the full data on that. So, I cannot comment on this what is the incurring capability.

Mangesh Bhadang: What would be the reason because we are a net cash company and already really well in central region. If you decide something today, probably it is going to anyway stay 2, 2.5-years to set it up. What would be the parent company thinking of?

Management: Manesh, are very much in a lookout for any good acquisition which comes out at a good price and we are also scouting for mines if available, limestone reserves which are close by, then synergy will be more, if it is not then somewhere else, or otherwise at least in this company, we are looking at addition of capacity, whether it is in other regions also. So, to keep the steam on, HCIL is a listed company to go on growing. So the group has decided that if there is something available, we will go for such things. That is not a problem. We see a brighter future. We do not see that we will at any point of time may regret that having not expanded till now because there were no opportunities. Today limestone is also not easily available, there are no auctions which are happening as of now. Today now whatever limestones will come, it will come through auction only. This is a little bit of a difficult situation I understand that. Tomorrow if I get a capacity of 2.5 mt, HCIL would be very happy to sell 3 mt of capacity we can manage, the management capabilities are there the group has got the capabilities to turn around the company. So, we stand at a point we are poised for growth but waiting for the opportunities also.

Moderator: Thank you. The next question is from the line of Milind Raginwar from Centrum Broking. Please go ahead.

Milind Raginwar: In the CAPEX that we have announced, what would be the clinker addition that we will be doing at Damoh?

Management: There is no clinker addition, we have not talked about clinker addition but we are looking at clinker improvement I would say, not addition of clinker, I would say that improvement in the debottlenecking part on the kiln side, we are working on it and we see that there is an upside possible.

Moderator: Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities Please go ahead.

Rajesh Ravi: One was regarding the clinker expansion only because we are already at full utilization if I understand 1.7x blending on 3.4 mt clinker. So, what is the thought on that, how much expansion is possible? And second, could you just repeat what was the WHRS contribution to total power? And if you could also say why VAT incentives are not recognized in this quarter?

Management: So, to tell you about the clinker capacity utilization, we are still at 85% utilization, we have still headroom of 15% to go. And whatever we add up on clinker, we will have to see, because right now, study is going on from how and where and under what CAPEX will be required to improve upon it, but it will not be too much of a big CAPEX but I think I can see that there is an upside in the kiln can deliver. This was one question of yours. The second was GST incentive.

Management: Basically, in Madhya Pradesh, we have been granted this VAT refund incentive under our Damoh expansion project in 2013 for 10-years, and under the VAT scheme, we have been claiming that money and we were getting from the government also in time. Now, post-GST they have given the notification that yes, company will be entitled to the benefit of the same basis. Again, they have come up in the month of August 2019 one notification which talks about the basis of the calculation differently than what we used to get under the VAT regime. We have already represented before the state government and the matter is under discussion. Since based on the new notification the amount has reduced significantly and we are hopeful that the government will take the positive decision and very soon we will get the revised notification and because of this notification as stand today we have discontinued this benefit, difference is really huge and unnecessarily accounting some benefit which you are not sure and which is at this moment is not really receivable to us. The board of directors discuss and agree to discontinue this until March 2020.

Moderator: Thank you. The next question is from the line of Jash Shah from ValQ Investment Advisors. Please go ahead.

Jash Shah: I just wanted to understand the pricing scenario as of now in central India.

Management: Scenario is very stable, it is on the positive side I would call and there is an upside possible if that answers your question.

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

Sumangal Nivetia: Sir, could you share your blending mix and mix of PPC, PSC which we use?

Management: PSC in South, Ammasandra is 100% PSC and in central India it is 100%, we are the only company which is 100% green company, it is 100% PPC

Moderator: Thank you. The next question is from the line of Mudit Agarwal from B&K Securities. Please go ahead.

Mudit Agarwal: My question is related to the freight and handling cost. Sir, since we are selling 50% of our volume through rail route and also the railway board exempted from the busy season surcharge from the last quarter, but still the freight cost has increased on quarter-on-quarter and year-on-year basis. So, is the exemption benefit is factored in the freight cost?

Management: Yes, there is an exemption factor. Since the surcharge has not gone through, it is there, it is part of this, but as I mentioned to you in the beginning that there are some changes in the business methods of operations there on transport, on logistics in central India mostly in Damoh that has changed a little bit of complexion in terms of management and for last 1.5-years we have not given any increases to the CNS also, so minor adjustments will be there, nothing too big about it, I would say a little bit, sometimes what happens know the truck market becomes tighter, You have to offer a little more incentive to move material. So our road business got little impacted and we could not dispatch sometimes, sometimes it happens, you have to attract again trucks. So they are two small an aberration I would say.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.

Amish Kanani: Two questions from the parent perspective; one is our global parent being very strong in RMC and also some other material. So, in that perspective, are we looking at introducing any product on the price of BOP product lines like RMC and the material, which is a future growth area?

Management: We are always on the lookout of business expansion possibilities of growth. Again, it depends on the type of market where we are operating. Some of these RMCs businesses are really stressed. In Indian context, no ready mix manufacturer I would say would make money unless he gets cement at a subsidized rate. If I can sell my cement in the market easily. I would not like to give it to my RMC unit who will want a cement price close to about Rs.500, Rs.600 lower to make him itself survive. So that is sort of a surplus we do not have. We do not have a think tank where we want to put this good money after bad money. So we are observing the markets on RMC and we will see. Other businesses are there; precast materials are there, there are many other business lines are there. We are looking at things depending on the market situation how the markets pan out, how the government policies are there, most important is these businesses are very much dependent on policies and the control mechanisms which is by the government. These small, small businesses are run mostly by small entrepreneurs where taxes play a very important role, taxes are very high, and if somebody can manage on that count as industry very difficult for a corporate to survive in a competitive market like that. So, we have to keep observing this market. In the future I think we will look at it.

Moderator: Thank you. The next question is from the line of Girija Rai from Dolat Capital. please go ahead.

Girija Rai: Just wanted to check, was there any price hike in January February?

Management: Minor increases were there.

Moderator: Thank you. The next question is from the line of Sanjay Nandi from Ratnabali Investment. Please go ahead.

Sanjay Nandi: Can you please help me with the clinker capacity for Ammasandra plant?

Management: Ammasandra plant, we are not making clinker now. We are all sourcing the clinker from outside from Zuari because making clinker right now in Ammasandra is a little costly affair than sourcing clinker from outside.

Sanjay Nandi: Capacity is around...?

Management: Some 50,000 tons of clinker capacity.

Moderator: Thank you. The next question is from the line of Simran Bagaria from India Ratings. Please go ahead.

Simran Bagaria: You mentioned that the pet coke prices are falling. So, what is the current price and going forward do you expect any further decline in the prices?

Management: Because in the month of February Reliance has increased the pet coke prices by Rs.400. It is a little fluctuating market. Once the Reliance gasification starts, they start pushing up the pet coke prices. So we will see how it goes. I cannot say that it is going to be a constant feature or maybe they will increase further, they may drop it further in future, all will depend upon the supply/demand and the availability of pet coke with some of these players. From the international market also if you start sourcing pet coke, it is a little difficult because nowadays the restrictions on pet coke have gone too many to import, you have to be a direct user, there are so many complications to it, so nobody else can import. I think as long as pet coke prices are lower than coal, we will hire pet coke. If pet coke becomes costly, then we will hire coal.

Moderator: Thank you. Ladies and gentlemen due to time constraints, we will be able to take the last two questions. We take the question from the line of the Pratik Kumar from Antique Stock Broking. Please go ahead.

Pratik Kumar: When you report your utilization, what is the capacity you take for calculation?

Management: Earlier it was five 5.4, in future we will take higher capacity.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Amit Murarka from Motilal Oswal. Please go ahead.

Amir Murarka: Just on the demand situation, I believe you had earlier commented that plant issues in UP and all that. So, are those issues still there or now we have a steady supply of sand there?

Management: Now, steady. It is more or less I think that is over. Now the sand auctions have happened, people are in place, I think people are paying the taxes. I do not think government is interfering there.

Availability of sand is no longer issue. Yes, but sometimes if the monsoons are high, then the sand prices go up. Fluctuation is basically more to do with natural environment rather than a forced environment from the either. It is not statutorily influenced or any controls are there from the human side, more natural in nature.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.

Vaibhav Agarwal: Yes, thank you. On behalf of PhillipCapital, I would like to thank the management of HeidelbergCement for the call and also many thanks to participants joining the call. Thank you very much, Stanford. You may now conclude the call.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.