



“HeidelbergCement India Limited Q3 FY21
Conference Call”

February 11, 2021



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Moderator: Ladies and gentlemen, good day and welcome to the HeidelbergCement India Limited Q3 FY21 conference 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Vaibhav Agarwal of PhillipCapital (India) Private Limited. Thank you and over to you, Sir.

Vaibhav Agarwal: Thank you Aman. Good afternoon everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q3 FY21 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 are made or discussed on the conference call maybe forward-looking statements related to future developments and the current performance. These statements are subject to a number of risks, uncertainties and other important factors which may cost the actual developments and results to differ materially from the statements made. HeidelbergCement India Limited and the management of the company agrees no obligation to update or alter the forward-looking statements whether as a result of new information or future events or otherwise.

Also, HeidelbergCement India Limited has uploaded a copy of the presentation on the exchange and its website, participants may download a copy of presentation from these websites.

I will now hand over the floor to the management of HeidelbergCement India Limited for their opening remarks which will be followed by thereafter a Q&A. Thank you and over to you, Sir.

Management: Good afternoon to everyone for making time available for this earnings call. So you would have gone through the presentation what has been uploaded on our website. Nevertheless, I'll go through it once again before we open our session for question and answers. So the first slide page number three, which was about the cement industry overview. You can see how the volume developments have taken place. These are figures which we have taken from the DIPP or from various government sources. So, we go by these data, however, these data could vary on actual results and that is what you will have to take note of this. But all said and done, there is a revival on cement demand gradually, although it is up and down. At the moment, I would say the industry or the economy is on the camel's back, right? So it is up and down. So, that will continue till the COVID issue gets settled down. And as I say always the Indian industry or Indian environment works less on figures but works more on sentiments. So, unless the sentiment gets positive we will continue with this up-and-down situation. Coming to the Slide #of four of the page where we are talked about our operational results. So you have seen that we have grown by almost 3.7% on volumes and price by 4.5. On the gross revenue basis, it is close to 8.5%



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growth which we have delivered. Volumes are recovering especially in most micro markets and things seem to be a little better. And as the government has announced quite a lot of measures in terms of impetus in the economy, the recent budget looks very promising. However, it has to be seen on the ground, what is it at the implementation stage how we fare on that. Your Company Heidelberg Cement India is a 100% blended cement. So on the sustainability part, I think we continue our trajectory and our growth which is continuing with 100% blended cement. Our dependence on grid power is about 66% and in the future it is likely to further reduce, as we put up our, the ongoing projects which come up on steam. We continue to operate on a negative working capital which you may appreciate because there is a cost of capital for every operation we do. So this is a subtle earning what you get the benefit of an organization that means the risk is zero. You are totally covered against risk and you are working with a negative working capital so your financial involvement is virtually negligible. So this is another support which the organization gets by way of de-risking itself from the market risks. You will be happy to note that as planned INR 1250 million of our non-convertible debentures has been paid up and now the remaining is about 1200 which will be paid in the December of next year. Net cash balance today is 216 crores. We continue in our attempt to improve our carbon footprint. We are right now investing into AFR and solar projects. Both these projects are underway, and they should start yielding results sometime in the second half of the next year. This will further reduce our carbon footprint. And, of course, I am very sorry to report that there was a small LTI but for us it is...just only an LTI as people may take it but for us as an organization which is pledged and which has committed itself to go to a zero harm, this one LTI also, even if it is a scratch to the person, it means a lot to us. So it is a lost time injury for us and we are reporting here as for the part of our good corporate governance.

Coming to our Slide #5, if you look at our interest and financial charges which is the highlight of this whole page is it has come down and it will come down further in the next year also. As I said, operating income net of taxes has already gone up by 8.5% despite a difficult market condition which it has gone through. It is not today's times when we talk about working capital when I just mentioned to you, in a crises of liquidity crunch to achieve a negative working capital is, I would say, that kudos to the team, people at the ground level who are in the procurement team and everybody who has managed the cash flows wonderfully well. There has been a marginal increase on the logistics costs. I should explain this to you. You would have seen that on a year-on-year basis there has been a diesel price increase by almost close to 5%. So there is some deflection of this in this and there has been some alignment what we are trying to do in terms of logistics. But considering today's logistics costs also of about Rs. 600 a tonnes, Heidelberg Cement India I am sure you will find it as one of the very promising on logistics account.

Let me take you to the waterfalls on Page #6. You will observe that the price has been one of the major key functions which has helped us improve our EBITDA. But unfortunately, or I would not say unfortunately but power and fuel there has been an upside. It was expected internally by us for the simple reason that these are one off costs which has come up, there is a

fuel cost marginal. Then we had a major shutdown which normally you know that we have a long OLVC, which is about 21 kilometers. And that belt requires a replacement once in eight or nine years, seven or eight, nine years. So that was to be put up so we had to shut down our line three which is one of our major lines. For that purpose, WHR does not work up. So my power cost goes up. But if I was to remove this on a one-to-one basis, I feel that the organization has done well in terms of its EBITDA margins. So if right now the EBITDA margins you are seeing is about 20 to 20.2 or something, which if I was to take it and account for that, it will again bounce back to about 23% EBITDA margin.

There are other costs, marginal freight cost, raw material cost has gone up because when these shutdowns take place, these small-small things do happen. But I am not worried about it because these are one off expenses, which we don't really bother us too much because it is a part of our business process which we have to keep rejuvenating our plant. We cannot keep our plant operating at risk. So we had to put some investments on that on repairs and maintenance.

Coming to Slide #7, 45% of our volumes are rates. You can see that there's a small change in this particular percentage because of rail freights, we adjust our movement very-very carefully depending on the freight available and this time the railway peak seasons surcharge has not come. So we have moved little about towards rail. So we keep blending our movements and evacuation on that basis. Now it is unfortunate that today petcoke is costlier than coal on gigajoule basis and this prompts us to again redesign and change our recipe of our fuel mix. We are planning now to go 50:50. Future also maybe a little here and there because let me put it for the benefit of all of you, that we use petcoke in order to consume low grade limestone also. If you want to consume low-grade limestone which is otherwise going to go waste and become a burden of disposal and the mining department is not going to allow you, one fine morning they will say, okay, you have to use certain amount of limestone. So we are not doing selective mining, we are ensuring that while we are reclaiming land, again with mines closure one after the other, so we have to use this low grade limestone also and for that reason, we have to use petcoke here. In my earlier sessions, I would have explained to you that by using a good mix we have been able to extend the life of our mine stones quarry by almost seven years. So this is one major chunk, so we spend a little more here but the long-term benefits are far more.

Coming to our products which we call it as the premium products, we launched one product which you see in this beige color bag. This is a new product which we launched and both the volumes of these combined is about 22% which is a growth of almost 33% year-on-year. There is a marginal decline in the trade sales. Earlier last previous quarter it was 85 which has come down to 80%. But I think this is good enough at the moment when we are able to get a good price in non-trade, so we are picking up non-trade also. When we don't get a good price in non-trade we switch to trade. So it is a blend of combinations which keep going on.

Now coming to Slide #8, I mentioned to you that now only about INR 1200 million is left which will be paid in the next year. After that the company is not having any interest to be paid on any

of the loans it has. Rest it has got an interest free loan on which it will keep earning a small interest. Weighted average of interest is decreased to almost 3.52. You can see the total net balance, we have got a good net balance in our account, but close to about 570 crores of cash is there in the banks. To tell you further, that we are also looking at some of the CAPEXs what we are going to do, the maintenance CAPEXs and things like that, sustainable CAPEXs. So it will be in the coming year is going to be about 90 crores of CAPEX which we will do for 2020-2021. Let me again, put one more point as a cautionary here that we have got this 21 kilometer belt, so this belt will undergo a further repair in the month of next June or second half of the second year. So we have got a time schedule to replace it. So you may see a small change, so don't get upset about it. This will come in just the similar lines, but I am just cautioning that sometimes people think that the results are bad but these happen once in 8-9-10 years. So I am just upfront cautioning that some small amount will come here about Rs. 3-4 crores of this will come and impact this and that time also when we have to shut down the line, it costs us about something like, because of this about 8-9 crores. So today also if you add up about 9 crores to our gross EBIDTA, then you will see that we have performed to your expectation, I suppose so.

Coming to our environment and social foot, ESG, we are talking about, you can see where we are, where we compare ourselves and our target is to reach below 500 much before 2030 and we are totally committed to get our carbon footprint well within, because we do not know when the government will bring a carbon CESS tax and then we will not know what to do. So we have been investing over a period of time, so you may not see those big CAPEXs with us, but small-small CAPEXs we have been doing to ensure that the sustainability of the business basically from the business sustainability environment sustainability we are scoring high.

As I said, we are a 100% blended cement company. 40% of our power is contributed by WHRS and we are putting up a 5.5-megawatt solar power plant. Ammasandra unit is almost full green power is 70% of the power comes from them. Water positive we are 5.2 times water positive and as I said earlier also that we are monitoring the temperatures of our plant vis-à-vis 1 kilometer outside and I am very happy to say that from 2014 to now, we have been able to take a reduction of 1.2. So this is plain by ensuring a good hygiene factor within the plants, good environment within the plants. We are preventing any fugitive emissions. We are ensuring that the green cover is increased, and this has been monitored on a weekly basis. These temperatures we are very concerned about it and the target is to reach two degrees lower, which is as per the Paris protocol that you have got to reduce the global climate temperature by about 2^o over 1990 levels. So our contribution, we can do it as best in our own area, in our mines anywhere and even in the society. So to support the society, we have started this "Friends of Earth" where we put up now trees, these trees are geo tagged on the website and about 1500 trees have been planted there. These are geo tag, there are far more we have to yet to tag them because the details of those geo tags are not available. So those are waiting to be uploaded. You will be happy to know that by this Quarry Life Program in which we monitor regularly the bird life. And the bird life is being monitored by Bombay History Society also, which is an independent agency and the group auditors have audited it and they found that there are about 117 bird species which are



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there, out of which there are about seven or five of them are under the endangered species, so we are getting these birds also in our Quarry Life. So we are rehabilitating the quarries whatever we are quarrying and we are putting it back and giving it back to the nature. At our Narsingharh plant we are putting up an AFR project and that should be commissioned somewhere in the second half of the year.

Coming to Corporate Social Responsibility, you can see that I have spends on social responsibility, the CSR budget has increased. We did this “Annam” scheme during the COVID times, giving food to the underprivileged, national award of excellence we got under CSR for education, for rural education too and these are some of the pictures you see of all the CSR activities we do. Right now we are doing a skill development program in both the places in Damoh and Jhansi and it is drawing a lot of crowds from the villages especially for computer classes the girls, the women empowering. They are coming to learn many things and we are very happy that our people are volunteering for that and we are also investing to see to it that the rural folk quality of life is uplifted in the periods to go forward.

The outlook, I mentioned to you that COVID has been a very big teacher to us also. It challenged us; it brought the best out of us. So I would say COVID has been a big teacher also to us. So, despite all that turbulent weathers, we have learnt many-many things and we have matured far more to take on. If we can take on this pandemic, rest of the things we seem to be much smaller. We are much better prepared, much more versatile, much more I would say stable now.

Demand recovery in the infrastructure we will see after this new CAPEX starts going in the government outlays. We are just waiting for some trigger for these mobilization of resources to take place. Nevertheless, we have seen a strong demand all this time in the rural housing and this rural housing has kept us up because Heidelberg Cement India is a cement seller into rural markets. We are focused most on the below class B Tier and Tier I-II and below Tier III-IV-V so that is where the strength is, where the retail is and where the people respect quality also and people pay the price also for the quality. The risk here is only of the hardening domestic fuel and the pet coke. As we speak today also the pet coke prices are hovering around \$115 and we may see further push up on that, but I said that we have to find out ways and means to how to conserve energy and how to reduce our fuel. We are working on that, we have taken up major measures to even now we will be studying our kills and seeing that which are the places where we can improve our, I think so this exercise will start now. Improvement in liquidity conditions is going to happen as the government start easing its pockets and starts putting the money but last quarter and the quarter after the COVID period, this one the tightening of the fist at every level and there was no money in the market despite that we have been able to carry out our business with all the respect and giving due respect to our channel partners and our business associates. Combined we have as an entity, taken the organization in the society together to fight this COVID period and still do keep our business on going on and keep our heads above the water. Implementation of labor codes are concerned, we are implementing them, and it is in a steady pace, we want to remain compliant and last but not the least sustainability we have been there, sustainability will

continue and sustainability in my view has never been an option, it is a compulsion. If we do not follow sustainability issues measures, ESG, SGDs, if we do not comply with it, I am sure we will not be into business in the long run.

So with this I and my brief to you and Anil and I will be very happy to answer your questions. Thank you very much.

Moderator: Thank you very much. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Chintan Sheth from Sameeksha Capital.

Chintan Sheth: Two set of questions, one is on the recent MMRDA that is mining bill which now has and now the mining lease transfer between the parties. Any thought process of the management for taking in sister concerns Zuari Cement in our fold that is one and second is on the volume front. We are already at around 80% of the utilization this quarter. How do we see a medium-term growth looks bit challenging given the capacity constraint? Any plans and thoughts where are we in terms of Greenfield plans, we were discussing couple of quarters back.

Management: Chintan going with your first question, yes there is some changes in the mining laws. This sets the base for future thinking on combining the companies but still let the document come out properly, let the details be available in full clear form and then we will definitely in the years to come, in the coming short-term near future we will try to see how do we because there is in Zuari also there is another company which is listed. There are three entities as of now but we will try to see that how do we optimize and get the best value for the shareholders. That we are waiting for it so once we get through it and when we know in our heart that we are not going to erode and we are not putting the company to risk then only we will take this forward and take any steps on that, that is one. Number two, you said was near-term growth; on the near-term growth we are running at 80% capacity utilization I agree. Today also if I am saying that if I was to do any major change in the plant, last year we did a major change, we added 1 million tonnes capacity in the month of March. Now still we are at 80% and about 81% is my clinker capacity utilization. Now if I am looking at 80% capacity utilization I have still much more headroom to go even if the market grows by about 9% on a yearly basis; says of 7% or 9% on a yearly basis, I still have 2 years to go, not bought down by this particular feature that what do will we do. We are already in the process of, you know that we have got a mining lease in Gujarat which we are working on. Now we will go for MOEF clearances and then we will look at this. In the meantime, if there are any opportunities which come our way of any acquisition or any mines which come up our way which are conveniently located to us or near to our mines we will definitely go for it. We are already doing the prospecting of the places which are adjoining to our mines, we are going to the government seeking their permissions and if we can get some limestone around our plant definitely, we will look at putting up a Brownfield project since we have the necessary cash for that. We are working on it so this is what I can answer to you. There is no urgency I would say in the medium-term. Yes, I will have an issue 3 years later after that, but we are working on it.



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Chintan Sheth: On the trade side, you did mention that you took a call on the non-trade side that rate cards are better and that's the reason why our trade mix were lower. How are we seeing in terms of trade, non-trade demand in terms of whole year, obviously looking focused more on pricing part to choose between these two markets. If you can provide an outlook on those trade and non-trade seg would be helpful.

Management: Chintan it is like this, normally today normally in Central India on the NSR front if I say NSR front usually on an average if I look at the industry's caliber status it is about Rs. 800 to 900 difference between you will get lower realization by Rs. 800 to 900 in non-trade. Now if we are getting a better deal say suppose in some places, we do get a deal which is about Rs. 200-300-400 differences, we capture that. We are not running for them but if they have some good ones which come to us at a good price and a good terms because we do not sell anything on credit. Every payment with us in Heidelberg is 100% advance. Any non-trade business happens in our company first is the payment in the bank of Heidelberg and then only the material moves. We are very choosy about our business, what we do but still we manage to see to it that and these orders also we took just only to improve our capacity utilizations. You will say that even if I am running at 80% capacity utilizations why don't I take the 900 even low orders also to improve the capacity utilization and improve the margin. Yes, I can say that, but I am doing it at the cost of putting to jeopardy the brand image of the company and also erosion of the limestone scarce resources which we will use it when the time comes. If there is a peak period I would like to run my plant at 100% utilization, if there is not a peak period then I would say okay let us wait for 3 more months and then let the run begin for that.

Moderator: The next question is from the line of Manish Saxena PineBridge Investments.

Manish Saxena: I have three set of questions, the first one is you have put up a slide, very nice slide on that ESD footprint. I just wanted to know from you, you are thinking of putting a 5.5 MW solar plant and then AFR project which is upcoming. Could you tell us that how much do you think this has reduced the CO2 emission which is currently at about 511? Do you have a target in mind, or this is just?

Management: It is a target; we have a target of coming down below 500 by 2030. This is our carbon footprint roadmap. This is a 2030 target it will move very slowly because we are already at the very low level than the standards which are there at the moment. If you look at the Indian cement industry it is closing around 580, from there we are at 511. It is a big jump, after this particular point the progress becomes much and much difficult unless we go for some more carbon capture technologies or things like that. This will come down, but the target is that we have promised to the group and our commitment is there on our roadmap that every year we will reduce some CO2 emissions and this will come down significantly if there is a change in the law which allows us to add more fly ash into PPC, making of PPC. We are very hopeful if that comes in then we would be touching it immediately. This 11 kg is good so I will be able to touch if I am allowed

to add another 5% to 7% more of fly ash and little bit of things which we do will come down to close to about 500 odd.

Manish Saxena: You were talking about a carbon tax. Is that a thing that has already started in some European countries or some other parts of the world?

Management: Absolutely right.

Manish Saxena: What would be that quantum?

Management: There it is about €30. This €30 was the cost which they had put as on September announcement in Europe and it is subject to revision, I think they will revise it in '21 and this €30 may go to €35 now.

Management: That €30 is from the Europe point of view.

Manish Saxena: My second question is on this repairs that you had to do on this conveyor belt that you mentioned about. If I were to understand you right from your presentation this was about 9 to 10 crores of capital expenditure which was expensed in the quarter. Is that the way we should think about it?

Management: It is not 9 to 10 crores. The CAPEX for this particular thing is, the total impact of this like my plant was shut down for almost 25. I am thinking out of cost, on the cost deal. The investment on that was a part of our plan so that is not bothering me too much, it is 3 crores, investment from the bench part but my WHR did not turn out almost 3 MW so almost 3 million units of power. My plant was shut down, my fuel consumption went up during that period because I was running Line 1 and 2. My Line 1 is a very costly line in terms of the fuel guzzler but that we do not operate it, we only operate it maximum about 100 days in a year. This is our target to keep it only lying low. Only when there is a certain spurt in demand, we run that and make extra cement and use it. If I add up to all these costs it adds up to close to about Rs. 80 to Rs. 100 between Rs. 80 to 90 a ton was my impact because of this shutdown.

Manish Saxena: The tax rate was slightly lower compared to the previous quarters. How much of MAT credit is still lying with you for you to take it in the future quarters?

Management: Manish at this moment we still continue the old income tax rate of 35% and as on 31st December we have around Rs. 70-75 crores unutilized MAT and going forward we will continue using the old tax regime of 35% until utilized this MAT amount. We are expecting that maybe in next 1 or 2 years depending upon the profitability this will be utilized. Till that time the tax expenditure you will see the tax rate in the range of this 33% to 35% and thereafter it will significantly reduce to 25%.

Manish Saxena: But right now, it is 75 crores is the unutilized amount?



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- Management:** As on 31st December 2020.
- Moderator:** The next question is from the line of Simran Bhatia from SMC Global Securities.
- Simran Bhatia:** I want to ask that you have just stated that your EBITDA margin will be bounce back to 23%, can you state us means in how much time it will be bounce back whether it is in the short term or in the long term means in the next one year?
- Management:** Similar thing is what I was telling you that even today if I was to take off this one-off expenses and add up to this then I am at 23 only today. So it is not that I am going to bounce back I am already there and this one off expense is not coming.
- Simran Bhatia:** Sir second question sir for the first 9 months your interest costs have bring down to 41 crores from 57 crores which is almost decline of 28% in the first 9 months when we are comparing with the YoY I just want to ask that means in the upcoming years can we see this run rate means your interest cost is going to come down very sharply going forward?
- Management:** Yes, it should because as I said now only interest-bearing loan which is non-convertible NCA only 1,200 million INR so that is the only one on which it will be interested rest is all there is no interest bearing any amount with us.
- Simran Bhatia:** And sir last question what is the percentage from your premium segment contribution in the revenues because last time you had stated that you are targeting for 25% in the premium segment so are you means in that target you are going to have if you can?
- Management:** You have seen in our Slide #7 we are close to 22% of our trade volume. So our trajectory is okay I would say.
- Simran Bhatia:** Any expansion plans further means in the new geographies or existing will go on?
- Management:** As I said in the beginning that we are looking at our Gujarat project going forward we will look at possibility of if there is some limestone additional available in a year or so after this whole prospecting of this place takes place and if we can acquire that mine then we will put up something here only and either try to improve do you still got something like that and try to add about a million ton more around this place and if it is to be going then it will go in a multiple of 3 million only.
- Moderator:** Thank you. The next question is from the line of Raghav Maheshwari from Asian Market. Please go ahead.
- Raghav Maheshwari:** Sir my question is our number for the 9-month EBITDA per ton and the EBITDA in million absolute number is very much lower as compared to our peers even compared to 9 months on

FY20 basis, what is the reason behind that this is any geographical barrier to us or otherwise the realization we have shifted the volume into the nontrade?

Management: We are offering predominantly a Central India player so if you are comparing our EBITDA with All India players than it is not a fair thing.

Raghav Maheshwari: Sir companies like Prisma which are the operating in that area their per ton is better from us that is why?

Management: You take the last five years average and then compare and then you see that you tell me that if we are lower than this. My total EBITDA earnings during the last five years my revenue compared to any other company in this region you will find the difference straight away.

Raghav Maheshwari: But my question is because the Central and Eastern UP is basically the market companies generating good realization as compared to other like North India, so that is why my question why our realization year-on-year basis drop because of the volume or something which we are shifted to nontrade much from trade?

Management: No we have not shifted at all from trade to nontrade it is just only this one otherwise we have been if you look at my gross realization it has grown by 2.5% on 9 months basis.

Management: You will appreciate that there is increase in realization using the quarter by 5% and even if you compare the full 9 months then also you will see the increase in the realization by 2.5%.

Raghav Maheshwari: That is definitely increased in the realization, but for EBITDA is like not increased year-on-year or quarter-on-quarter both basis?

Management: When you are operating at a very high level we have been at 1,100 for last so many quarters whereas our peers were operating at somewhere around 800 so that is also to be seen.

Management: In our presentation in Slide #6 we have shown this waterfall and this waterfall you will see that there is two areas where the negative variance is there. One is the power and fuel and another is the others and what Mr. Copper also explained in the opening remarks that there is one off items which happens generally 8 to 10 years in the life of the company where we replace this overland belt conveyors. Overland belt conveyors is the longest one 21 kilometer and both the side put together total size of the belt is 42 out of 42 we have replaced 20 kilometer this year in this quarter and the remaining 22 kilometer will be replaced in the second or third quarter of the calendar year 2021 and during this 8 to 10 years' time when the replacement happens we have to take the longer shutdown for largest kiln which is from the fuel and the power point of view the efficient kiln and that impact put together for the power and fuel in the replacement agency is coming Rs. 80 to Rs. 100 per ton only total operation of the company this quarter if I eliminate this one-off item then our EBITDA per ton which is at this moment and the waterfall shows around Rs. 950 that will be 1,050 which then is very comparable after eliminating the one-off



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item and that we actually try to explain that this is the things which happen this quarter and after 10 years and again it will come and the remaining part of the belt will be replaced that time also little bit jerk will come with respect to EBITDA per ton. Overall if you see volume growth is there, price growth is there and we try to optimize the cost wherever possible.

Moderator: Thank you. The next question is from the line of Sumedha Srinivasan from ICICI Prudential AMC. Please go ahead.

Sumedha Srinivasan: So, my question was right now I understand that the debt is roughly around 3,550 million as of December end, can you help us what is the similar number was as of September end?

Management: Just we had 1.25, we had take this 1.25 on 16th December 2020 debt amount we have paid. So our debt gross debt reduced by 1.25 as on 31st December for 4.8 below.

Sumedha Srinivasan: My second question so I think in the media release in the result it mentioned around 5,700 million of cash as of December end, as of September end it was around it was little higher is it because I think the media release mentions cash balance increase to 5,700 million, so I just wanted to check what does the cash balance in the previous quarter to see the moment?

Management: You want to know as on 30th September what was our cash balance.

Sumedha Srinivasan: If I am not wrong I think 5,720?

Management: Sir it was on the similar line for the 30th September and during the quarter whatever we have optimized on account of profitability that amount has been used for the repayment of the loan.

Sumedha Srinivasan: Just one last question from my end the ASR as well as Solar projects that are coming up what is the capital outlay plans for these two?

Management: This is on a purchase power on CAPEX there is no CAPEX on this one, but there is a CAPEX of about something like 20 crores on our AFR. On the Solar power it is on a BOT basis.

Sumedha Srinivasan: And this 20 crore in AFR has some already been spent in this year or will most of it will come up only in FY22?

Management: It is gradually under spending where somewhat will be spent over a period of another coming six months. So about 7, 8 crores has been done and about 12, 13 crores will go out in this coming 7, 8 months.

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

Amit Srivastava: Sir just wanted to understand about the line 1 which you discussed, so what is the capacity of that line 1, second thing is that how inefficient was line 3 cost difference if you can give us idea on a per ton basis?

Management: Line 1 is just only 1,600 to 1,700 TPD it is a very old plant it is a first line of company, so it is there. Inefficiency wise if you look at in terms of heat consumption it will absorb about 3.4 gigajoule whereas this will be 3.1 gigajoule on a line 3 basis so this is the inefficiency on the thermal power plant thermal also and power wise also it will consumer far more energy than line 3. So if line 3 if I can make clinker at something like around 65 units this will take you around something like 80 units.

Amit Srivastava: So whenever we will run up the peak level like on a peak quarters then we will have to operate the third line also this line?

Management: Sometime we have to operate it because if you keep it lying also sometime you have to use it because otherwise it will get rusted it will give major write off So we have to keep it in good position also to keep it oiled in working at any point of time, but it is a very savior for the company whenever it is required or something line 3 goes down or something major maintenance comes up line 1 is the supportive line.

Amit Srivastava: Second thing sir on a premium cement which we are now keep on increasing on a overall debt, sir just wanted to understand versus our product was already premium so this premium product is how much difference we are realizing in terms of the units?

Management: So in terms of net, you get about something like Rs. 15 a bag more.

Amit Srivastava: No I just missed it how much you said sir?

Management: About Rs. 10 to Rs. 15. Rs. 15 on a power and about Rs. 10 on the other bag.

Moderator: Thank you. The next question is from the line of Manoj Shah from Laxco Investments. Please go ahead.

Manoj Shah: Sir the energy mix as you said that the target would be to use the petcoke and the coal in the ratio of 50% any other alternative are you looking at so that you are independently on this price fluctuation is minimized kind of it may be like the municipal waste or RDF and so on kind of things?

Management: So Manoj on this AFR as I said that we are going to look at right now in the initial stages we are looking at biomasses. We are talking to the municipal corporation around us so there is one place where they have said that they can provide us municipal waste and we are looking at it the energy is the thermal substitution which will happen is beginning with about 3% and it will go to about 8% to 9% of 7% to 8% it will go to on the thermal substitution part. This is phase 1 once we are

clear that so much of x amount of AFR is available that will consume about close to about 44,000 to 45,000 tons of alternate fuel in this material and once we are clear that we are able to get these type of fuels available as AFR then we will put up the second line which will take us to add up to another 4 to 5 another TSR substitution can happen about 5%. So we are targeting about 12% to 13% of AFR in the medium term.

Manoj Shah: The petcoke prices keeps on fluctuating and with this provide you a stable **(Inaudible) 50.52** there will not be much of a price variation as well as it will be more environmental friendly kind of it and I have seen that some of the cement companies like visited on company in Egypt they were using RDF and used to work they they were having plant of around 5 million ton, so it has been that companies are already using it across the globe?

Management: So Manoj AFR is not sometimes it becomes a costly affair also, but the advantage only of this is that on the sustainability side it gives you a better footprint.

Manoj Shah: You can change the mix depending on which one is cheaper kind of ton accordingly you can choose between the two?

Management: AFR business is not easy it comes with a lot of pain, there is a lot of handling required it is a very smelly waste. So you have to maintain lot of hygiene factor while using AFR so it looks like it is very easy to say that you put in AFR but then AFR has to be having a certain calorific value also, you just cannot put up into the preheater area into calciner something which you will diffuse the fire it has to add up to the fire.

Moderator: Thank you. The next question is from the line of Amit Murarka from Motilal Oswal. Please go ahead.

Amit Murarka: So I just had two questions from a competitive landscape point of view one near term and one longer term, so near term like what we have been hearing is that because of the many scheme some volumes are coming in from South and longer distances, so I just want to understand like what kind of impact is it having on the regional demand supply pricing dynamics?

Management: Amit we are facing consistently influx of materials coming from neighboring states earlier it used to be about 100,000 tons now it has reached to about something like 10 lakh tons of material is coming from different states, but the demand of the state has continuously grown. So to that extent we have been able to the domestic players of this market have been able to balance their portfolio and continue shares in the market. So definitely there is a pressure there, but we cannot help it these pressures will continue we have to continue to stay with our team of dealers our channel partners and keep our business going on.

Amit Murarka: Also like in the medium to longer term there seems to be quite a few new clinkers coming up in the region ACC Ametha and UltraTech is coming up plus now even JK cement has announced

a thermal capacity so like what do you think of the competitive landscape will be or will be region be able to observe all these capacities in a two, three year timeframe?

Management: As I see this market will continue to grow about if I am not mistaken to be very safe also it is 7%, 8% 6% to 7%, 8% it will keep growing this market should not have a problem the Central India, but most of the capacity which are coming out in the Eastern part of this region that flows into Eastern side that goes to find this way into Bihar. So you will find that most of these capacities if they come also in the Eastern side they will flow into Bihar and go towards East which is a deficit market.

Amit Murarka: And on your Gujarat capacity like any timeframe which you are looking at to start work on?

Management: Amit we have started work on it we are now in the process of filing our TOR environmental studies and things like that work has commence.

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

Ritesh Shah: Just continuing to the prior question on Gujarat sir what are the timeline that we should look at over here and are there any particular variables which will decide whether we are going ahead with the project or not?

Management: There is no question on that we are not going ahead with the project. We are going ahead with the project, we are in the process of getting our clearances environmental clearances take their own time.

Ritesh Shah: Sir would it possible to highlight the scope of the project probably capital outland capacity over there?

Management: You can say it will be about a 3 million ton plant to begin with.

Ritesh Shah: Sir my second question is how different is our distribution channel as compared to the [56:12] like is it like it goes to distributors and dealers and the reason I am asking this is one of our peer companies they have started to sell material directly from the plant or from the depot, is it something which is a common practice how should one understand this?

Management: There are two things in this one is directly the process follows like this in cement industry you have a warehouse, you have a dealer, and you have a retailer I think Heidelberg was one of the early company which has been into going directly to the retail also. So virtually like Heidelberg in Heidelberg where the material is sold every sales person knows about it so we keep a record of each and every outlet although we do not enjoy direct relationship with them, but we know where the material is sold and we have got a relationship at this level, it goes to the dealer but most of the orders I would say 80% of the orders or another 90% of the orders are directly supplied to the retailer or to the place of consumption, very few orders which go through a routed

that means the truck or the dealer wants the material please send the material to my place and I will distribute it in small lots that is the only time the material goes, but if there is a truck load order at least half a truck load order it directly goes inland into the consuming centers. In terms of our you say that amount of warehouse movement we have a certain place where we move only by rail this is the only place where our cement passes through the warehouse otherwise it is directly from the plant, directly to the place of use.

Moderator: Thank you. The next question is from the line of Arijit Dutta from Axis Capital. Please go ahead.

Arijit Dutta: You just mentioned that the conveyor belt of 21 kilometers is only half of the total 42 kilometers belt where you are taking a shutdown once in an 8-year kind of thing, but curious to know that why we are taking it in two phases because again a 20 day shutdown will happen in May, June why cannot we do together because opportunity cost is higher than the CAPEX cost here?

Management: If you see the way of the construct of the belt is such you cannot do everything in one shot and the shutdown would have been doubled. There is a method of pulling a belt and laying it. So there is a technical issue in this so we have to do and the belt is into three stages so we have two transfer points. So we have to manage this part it is if you come to the side then you will come to know that to put up that belt of magnitude the time which we have taken in fact when the project started to put up this same belt has taken almost three months because that time we were not experienced, but now with experience we have been able to reduce the time slab.

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

Amish Kanani: Sir given our spare capacity and capacity utilization at the current point is it possible to give us directional view about the growth next year may be not in the quantum terms, but directionally and given our mix of trade and nontrade and the kind of demand that you know is emerging post budget is it possible to give us some sense of directionally whether we grow better than the market or we may not be able to participate at the market rate growth?

Management: I can only say that we have grown little better than the market trend and we will continue to grow that way only. In terms of trade and nontrade bifurcation it will fluctuate between we have grown as high as 95% in trade also and we have gone as low as 75 also, but now we have fixed up a certain that we will try to remain above 80% we will not go below unless the government demand is so good and you start getting orders at a very good price under nontrade then we can increase our nontrade and improve our capacity utilizations. So this will be our way forward, but definitely the trajectory of positive trajectory will only remain.

Amish Kanani: Because sir we got a sense that we want to participate in profitable trade segment and hence we may not want to change the growth, so are we looking at say a volume versus EBITDA per ton kind of a mix, so you are saying you will not shy away from taking growth from nontrade if it is reasonably profitable?



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Management: reasonably profitable and comes on our terms basically whereas in nontrade you have to sometimes people have to give also credit of 60 days, 80 days. We do not want to put our money into those baskets. I am clear about it that the cost of recovery is far more than the cost of sales. The salesman person whose each call cost the company Rs. 600 a call if he is going to sit for half a day in the soft business to recover money when he is going to sell so this is the biggest problem of the cement industry. So we prefer that the money is with us if we get a good price if that money is with us then we should go for it otherwise we will in the long run we will lose whatever we have in trade also.

Amish Kanani: Sir just related question is the EBITDA per ton there is kept between 800 and 1,000 or may be below 800 hence we do not want to participate?

Management: No there is never an issue of participation of 800 when the markets are bad even participated at 800. See it depends on the overall scenario of your basket if your basket is loaded more on the 1,000 side plus or 1,100 side plus then you do not mind taking a little bit on the lower side, but if your entire basket is coming to 900 then you know you start pushing yourself on the upper side.

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

Gaurav Rateria: Two questions firstly just to get a better understanding of the total market size which we cater to would be around 45 million, 50 million ton annually and roughly 25% of that is being catered by influx of material from other state, is that a correct understanding and secondly you were mentioning last time about expectation of prices moving up post the festive season somehow looks like it has not happened, any particular view on that is the price hikes getting delayed despite demand being pretty okay?

Management: To answer this movement about which is influx of material becomes now we cannot say even influx because these people have become now gradually common players in the market so it is about 15% of the materials come from outside which were nontraditional players earlier about 15% is from their side I would say maximum 20%. With respect to other point you mentioned was what was the other point Gaurav sorry I missed it.

Gaurav Rateria: Sir I said that you were indicating last time price hikes to happen?

Management: The price hike has unfortunately been little delayed for the simple reason that winters were severe there was little bit of disturbance in the market on cash flow also, there has been a little depression also had come in the month of November, but December again soft, January was the little softer, February is again looking up. So things like this we are going through than I am saying that prices anyway for your information we are already taken up small price increase in day before which is gradual and the next weeks to come also we will start taking some small increases depending on it will not be across the state it will be on pocket-to-pocket deciding on

the availability of material how the pull is coming. So if there is a market there is a drag then we will go slow, but if there is a pull in the market then we will go little positive.

Moderator: Thank you. The next question is from the line of Kamlesh Bagmar from Prabhudas Lilladher. Please go ahead.

Kamlesh Bagmar: Sir just one question on the part of our limestone reserves which we have so as we have now better visibility on the mine side, so current reserves can supply for how long given the current capacity which we have?

Management: About 27 years to 28 years.

Kamlesh Bagmar: Like say the grade of reserves which we have so would we required to show some sweetness from the outside or it would be entirely met with the internal mine reserves?

Management: About 3.5% to 4% of sweeter we source from outside.

Kamlesh Bagmar: And lastly sir I know that question has been repeated many times now like so on the Gujarat side what can be the timeline from now let us say is it three years, four years how long what could be the timeline for commissioning of that project?

Management: Everything depends upon there are two things on the project which matters one is the environmental clearance that takes the maximum amount of time once that is through then you have to go for land purchase and then you have to start building the plant. So even if you acquire 20% of the land once you get the MOEF clearance then you start building up the plant. Yes it can take about three years. Two years only I do not think within before two years we will get even the MOEF clearance.

Moderator: Thank you. We will take the last question from the line of Milind Raginwar from Centrum. Please go ahead.

Milind Raginwar: Just one thing is on the current clinker capacity would be around 3.75 is that the right understanding including at Damol or Ammasandra?

Management: Only Ammarsandra.

Milind Raginwar: So just wanted to understand in case of whether we were picking off some buoyancy coming back in demand we will be free to get clinker purchases in case we want to get higher cement?

Management: I am not very sure whether you will get clinker. Clinker is not a tradable commodity these days people do not want to sell clinker.



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- Management:** But Milind you will appreciate that this 3.5-million-ton capacity is sufficient at this moment and at the same time last time we explained that we are working for some debottlenecking on the clinker side some small debottlenecking that also will support little bit on our clinker availability. So we do not foresee that for the purpose of 5.75 million ton our grinding capacity will need to have clinker purchase from the outside.
- Milind Raginwar:** I wanted to understand, variable expenses how much of that would be there in the other expenses you said that we have only 3 crore of being spent for that purpose, is that what I heard correctly?
- Management:** Yes.
- Milind Raginwar:** So the other expense increase that we see in the quarter whether eventually or on an year-on-year basis is attributable to any specific thing?
- Management:** In other maintenances which has gone up during that period because when the line was taken for shutdown we did lot of a maintenance.
- Management:** And Milind this Rs. 10 crore you are referring to this Rs. 10 crore increase in the other expenditure as compared to corresponding quarter of last year.
- Milind Raginwar:** I am looking at it from a percentage perspective probably yes it is about this, but then in terms of the volume we are more or less there on but just wanted to understand 3 crore is knocked off there?
- Management:** You are right there is the increase of Rs. 10 crore in other expenditure but this other expenditure includes all the kind of repairs maintenance, stores consumption, administrative cost as well as the handling cost for the cement and clinker. So volume increase during the quarter of around 4% so that also we need to cater to right the real increase of the other expenditure and on top of that this Rs. 3 crore of the repairs maintenance in addition to that this also part of this Rs. 10 crore hike.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint that would be our last question I now hand the conference over to Mr. Vaibhav Agarwal for closing comments. Thank you and over to you, sir.
- Vaibhav Agarwal:** Thank you Aman. On behalf of PhillipCapital (India) Private Limited I would like to thank the management of HeidelbergCement India Limited for the call and many thanks to the participants joining the call. Thank you very much sir.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.