



“HeidelbergCement India Limited Q1 FY22 Earnings  
Conference Call”

**July 23, 2021**



**MANAGEMENT: MR. JAMSHED NAVAL COOPER –MANAGING  
DIRECTOR, HEIDELBERGCEMENT INDIA LIMITED  
MR. ANIL SHARMA - CFO, HEIDELBERGCEMENT  
INDIA LIMITED**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the HeidelbergCement India Limited Q1 FY22 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 would now like to hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, Mr. Agarwal.

**Vaibhav Agarwal:** Thank you Janis. Good afternoon everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q1 FY22 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 at HeidelbergCement India Limited.

I would like to mention on behalf of HeidelbergCement India Limited and its managements that certain statements that may be made or discussed on this conference call may be 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, HeidelbergCement India Limited has uploaded a copy of the Q1 FY22 presentation on the stock exchanges and its website. Participants may download a copy of the 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 interactive Q&A. Thank you and over to you, Cooper sir.

**Management:** Thank you Vaibhav and welcome to all who has joined in the conference today. Thank you for your presence and your continuing interest in HeidelbergCement. Wishing, hoping that everyone is safe and healthy in these difficult times, I wish everyone a healthy and a safe life. Talking about our June quarter results, we have uploaded our presentation which you have seen and the key highlights of this is we are on the ESG front, we are looking at the CO2 emission to achieve 500 Kgs per tonne of cement against from our 511 as we stand today by 2025. So, this is one of our focus areas on sustainability. On ESG projects, we are putting to support the ESG projects, we are putting up 5 megawatt Solar power plant which will be operational now anytime, so we are looking at that.

In terms of the capacity utilization, our company has touched 74% utilization and this capacity looks a little tad softer because we added about a million-tonne last March, so this looks

otherwise we were operating close to about 90% plus. We continue to produce 100%, I think this is a hallmark of HeidelbergCement across. I don't think there is anybody in this industry who is on 100% blended cement. So, on the compliance side, we will be careful on the environmental side, we will be having the lowest CO2 footprint because being a 100% PPC market producer. In terms of our green power, we are very proud that we are right now about 23% of our power, used in HeidelbergCement is 23% is green power,

On the EBITDA side, which is there, which we have slipped a little by 12%, but giving the times which we are into, we have clocked about 1107 EBITDA per tonne, but on an absolute EBITDA, there is an increase of 21%. Net cash in bank it is almost 2.3 billion, we have negative working capital which are some of the highlights and these hallmarks what we have, we continue to drive in the future also.

Talking about Slide #4, we are just talking about if you go through it, this is our road map, we are talking about alternative fuels which will start sometime in the quarter 2 and we should be ready with EFR used in Narsingharh plant. Renewable energy as we said that we are looking at a 5 megawatt and the table which is shown to you and the graph which is shown to you which says clearly that from 511 in HCIL, 2020 target is to reach 500. So, this is our road map. For comparison purposes, we have given, where the world cement industry stands at 640 Kgs for CO2 emission. Indian cement industry stands close to about 580 Kgs. Our company stands at about currently 511, so we have a lesser road to travel, but we unrelentingly continue to pursue our target of becoming carbon neutral by 2050. This is our group's target also, global target also and we align ourselves to that.

In terms of COVID times, progressing to Slide #5, we have done whatever possible to support in a society which is around our plants by giving them whether it is oxygen cylinders or providing them beds and we tried to give them masks. So, with education only also is not giving enough devoting, enough time to educate people on the necessity of putting up masks, bringing in the sense of responsibility among the people, so those were some initiatives from distribution of medicines and all those things which we have done and which have been also recognized by the media at various stages. Under our CSR activities, we have also started operating a very small hospital for children will benefit. These are things which we have done. We are not very, I would say admit that the society needs far more than what we can do and we also look forward, over a period of time to support as much as possible from our side to the society, the needy and elevate their status also in the world's global environment.

Referring to Slide #6, here I am giving you a very broader view, which I always say that sometimes, the ups and downs because 2020 and 2021 was a very unpredictable year, we had lot of ups and downs, but when you look at an averaging up of last 4 quarters, how it looks like, so it averages out that we have maintained 12% growth in our volume of the last 12 trailing months. So, this is our way of looking at business, may be because we are not pan India player, I cannot tell you but all our efforts are there to ensure that we remain aligned to the market growth or market will be little better than a market growth perspective also.

Referring to the Slide #7, I need not say too much. You people would have analyzed this much clearly. On the EBITDA side, we have increased by almost 21%. On PAT side, we are 40% plus. The sales volume are 38%, a little bit of impact on the South in Karnataka because we sell also cement in Karnataka from Ammasandra. So, there it was a little softening of volume, otherwise we could have clocked a little better. And the gross realization softened a little, mainly because of today the markets were little under pressure at point of time and cost has gone up more, mainly driven by fuel. Power and fuel have been game spoiler in the last quarter.

The waterfall chart, you can see it about Rs. 160, it has just gone away, taken away by power and power fuel which has been to an extent compensated by freight and others, so this is some benefit there, but yes, had power and fuel been a little better for us, we could have improved our EBITDA, we could have at least reached there. These almost is equal to 12% reduction what you are seeing, Rs. 160 is equal to almost 12% of the reduction what you are observing in the EBITDA per tonne.

Drawing your attention to Slide #9, 45% of our volumes are road and in terms of rail, it has a little bit increased because of various benefits which we get from the railway, so it keeps switching here and there. Coal has become 65% because pet coke gradually has shot up through the roof and as of now it is too costly to think of also pet coke. On premium quality cements, what we are talking about, our share is now 20% which has grown by almost 88% over last year. Trade, we have slipped a little, only saying that because if you look at year-on-year basis, last year we were 89%, now it is 83% and this is also because of some non-trade orders which are government orders which are coming in and in a big way and to fill up. This is more for us filling up area. So, we have extended a little bit and moved to 83, otherwise our target is to remain to around 85% that is our target and 15%, we don't prefer to do more non-trade. Anyway, this will be getting made up. Last year, there was the difference was also because there was a cement shortage in the market and the government projects were not working last year in June. More, private demand was very high, so we have served that time the private demand and IHB segments and this time the demand has been almost the same it has come back to the normal standard. That is where we move.

Outlook, we have vaccinated, we have given a free vaccination drive to our entire employees, not only our employees, our workmen, it is also to even our contract workmen who are working and including their families. It is not that only to those people, but also to their families we have extended because we believe that if people have to be safe, their families also have to be safe, so we have extended across the length and breadth of the society wherever we can serve. Demand recovery on the housing side, infrastructure, we are seeing good demand pull from the government projects, so that will continue, I think. Government wants to spend and improve and if you really look at the recent trend of unemployment, it is again back to 10% and 11% which in COVID one has shot up close to about 23-24%, so there is a significant improvement, I would say, the world is trying to learn to live with COVID. The risk is hardening of our domestic fuel prices and international fuel prices. So, customer sentiment, I will say that rural sentiments are significantly strong across. If you look at the CMI data, recent CMI published data, rural demand

is looking to be much stronger than the urban demand. So, I will have very positive note on this that we being a very rural player in a B class or C class or even tier 3, 5, 6 tier cities it is a good time for Heidelberg Cement to strengthen its position there. All said and done, 2020 is an election year in Central India, that is UP and there is no relenting by the government on spending on projects, so I think the demand will continue to be strong in Uttar Pradesh. Madhya Pradesh would not lag behind because that is also in a strong position. We have not seen any setback coming in there. Raw materials, we had to source and that has got a little costly. Logistics will become, because of the diesel prices have shot up through the roof. Now, I think in the months to come, we do not know how the logistics market unfolds. It has yet not reacted to those so much of major increases, but in the months to come, we do not know how the logistics market will unfold.

Today, I will always see with a caution that demand is going at about 8-9%, we anticipate for the year, but we cannot say what will COVID wave 3 do to us, whether we will be worse, good, better, but possible chances are there that the way the government has moved and people have now realized, the wave 3 may not be as harsh, but let me keep my fingers crossed because we are not an expert at health or hygiene or anything or doctors in this industry. We will have to wait. If we have to look at the examples of Indonesia and Europe, then the things are bad. If you look at Australia also, the third wave is bad. Australia has already been declared as a lockout. So, things are in a very fluid situation. We will keep our fingers crossed, we will ensure that our plans are working, our people are safe and our dealer network also, our channel partners, we try to see that they are safe, so they can continue their business uninterrupted. We are assisting them if they are having problems in their life. There are many dealers who suffered out of COVID, but our company has helped them to come out of this crisis situation.

So, this is all from my side and I leave the floor to you for questions. Happy to answer those. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gaurav Birmiwal from Credit Suisse. Please go ahead.

**Gaurav Birmiwal:** Sir, can you throw some more light on your power cost, so I wanted to understand what is your consumption or cost of pet coke and coal was in 4Q, 1Q and what are its spot rates . So, I just wanted to understand the potential impact on power cost going forward?

**Management:** Right now, as I said in my slide, it is 65%, so about 35% is pet coke in the quarter ended June. In terms of, you asked about the price of pet coke. In terms of our power, power is about 72 units to 73 units is the power consumption per tonne of cement. In terms of our fuel, it is about 3.05 gigajoule is our consumption on fuel. I think that is okay, that is more or less strong, may be a little bit one unit of power here and there and 0.01 or something can be happening in a safe method on coal, but now in the pet coke being getting lower and lower, there are other issues which will come about, so we have to learn to live with those things also.

- Gaurav Birmiwal:** On the price sir, what is your average purchase price or consumption price versus sport rate purchase for pet coke and coal?
- Management:** Pet coke is right now trading at about 16,500 odd for pet coke and that is about 8500 for coal. This is the average price which is delivered.
- Moderator:** Thank you. The next question is from the line of Ben Aiken from JP Morgan. Please go ahead.
- Ben Aiken:** Sir, you have mentioned that pet coke has come down to 35% and at this point of time, the deliver cost of coal is roughly around Rs. 8.5,000, so what kind of coal are we talking about, is it Richards Bay, is it Newcastle and essentially at this point of time, does this reflect spot prices of Rs. 8.5,000 mandate or the June quarter average?
- Management:** We are buying coal from the open market, mostly it is domestic coal only.
- Ben Aiken:** So, this will essentially be the e-auction coal that you are talking about?
- Management:** That is right. This is for the e-auction or who are importing that also from those imported coal also, if it is available at a good price.
- Ben Aiken:** And it is fair to say this will be more than 5500 Kcal coal?
- Management:** This includes the domestic coal which we get under our fuel supply agreement and when we talk about the open market coal, yes you are right, it is between 5200 to 5500 NCB where when you talk about the domestic coal, the domestic coal under fuel supply agreement, it is around 4400.
- Ben Aiken:** Now sir, just taking this question forward, because what has happened in the energy markets is that L&G prices have shot through the roof even though it is seasonally the weak quarter for L&G and thermal coal has again started raising, Newcastle has hit \$140-\$150 a tonne and there are worries that when China's winter starts, coal prices could take another leg. So, at this point of time, sir, the way how you are seeing your energy cost evolve over the next two quarters, do you think that energy cost for the company will remain flat over year or can we see double digit increases?
- Management:** If you look at our last 9 quarter, if you look at it, it is hovering around 6.3 per unit, so it is very much similar, but our WHR, this time the WHR output has also been very good compared to last year, almost 16 gigawatt hour compared to 13 last year, so it is a better output we get with very cheap price, but of course yes you are right, if the energy price keeps going up, we will have just, but we are adding 5 megawatt of our solar power plant, okay then we are getting it from the open exchange also, open access also we are getting. So, it is the balancing, we are trying to balance if you look at it in last 9 quarters it is virtually almost similar hovering around between Rs. 6 to almost 6.3. So, I think the team has managed this power sourcing very well.

- Ben Aiken:** For the coal that will be used in the kiln, cement kiln over there we should see material cost inflation?
- Management:** As I said, coal is increased by almost 3% for us and pet coke has risen by almost 57%.
- Ben Aiken:** And sir, my last question is that you have mentioned in an earlier comment that the lower usage of pet coke there are other issues that you have to live with, sir, operationally what are the challenges or issues faced when you are migrating from a high pet coke usage to a high coal usage?
- Management:** You have to maintain your place, SO3 and SO2 you have to maintain in your cement, so that becomes a challenge. Every time, you have to keep changing the recipe plus you have to use less. You have to use high-grade limestone. So, these are challenges which will come when you are using coal alone.
- Moderator:** Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** Sir, I have a few questions, first is, if I adjust for the GST gains in Q4 and Q1, our realization appears to be flattish versus our channel check suggesting that 3 to 5% sequential improvement in realization, so is there any major change in sales mix quarter-on-quarter?
- Management:** Not so much, I would say little bit, the pricing would have become a little, we would have sold it to a little distant market, but also not so much, very small quantity. I don't see any much major change in, there is a small drop for about Rs. 80 to Rs. 90 per tonne in terms of our realization. Our non-trade is a little higher.
- Rajesh Ravi:** No, Q-on-Q it is flat only as sales mix, the trade mix is similar both in 4Q and 1Q as you have said in presentation, 53%, 83%?
- Management:** Yes, you are right, there is a little bit of pressure on price in Central India, must have been.
- Rajesh Ravi:** Okay because our channel check are suggesting a gain sequentially. That is why I was surprised that why we have posted flattish numbers?
- Management:** I think this could be made mainly because of little bit of price pressure because market where we might be selling there must be more ingress of material which has come from outside.
- Rajesh Ravi:** And sir, are you selling any clinker also?
- Management:** No, we are not selling any clinker.
- Rajesh Ravi:** And possible to share your clinker production numbers for 1Q and for FY21, please?



- Management:** Clinker production for us was about 690 odd.
- Rajesh Ravi:** And for full year sir, FY21?
- Management:** For whole year of 21, it was about 2600 odd something.
- Rajesh Ravi:** And sir, second is on the costing side when you said that pet coke prices are up more than 50% while coal prices are up just 3% for you, so is it like what portion of your fuel mix is domestic coal, sir, I think that is where the most of the benefit is there in terms of inflation?
- Management:** Most of the fuel for us in Central India is domestic only.
- Rajesh Ravi:** And sir, on the power cost, though you are very strong on the efficiency metric, 72 unit, but are you seeing any inflationary pressure on that also, the great power supply cost going up or are they still stable?
- Management:** I think after this 5 megawatt ticks in and we are signing one more contract for our Jhansi unit, I think on the grid, dependability will come down to 30% or so.
- Rajesh Ravi:** No, that is fine, but I am saying the purchase cost?
- Management:** During this year, we don't foresee any big increase because in Madhya Pradesh, government had already revised their tariff in December 2020, so we don't think they are going to revise their power rate, grid rate this year and similarly in Uttar Pradesh also, we don't foresee that in next 2 to 3 quarters, we don't have any increase in the grid prices because in UP election is there, so from the power side, we can say there should not be a net inflationary impact in the coming 2 to 3 quarters.
- Rajesh Ravi:** So, only on the fuel side, whatever the pet coke usage you are doing, inflationary impact will be there and one last question on your AFR which you have mentioned, this project to start in September this year, could you speak more on this, what is actually this project and what sort of cost saving and all if you see from this project?
- Management:** It is basically more of sustainability on an ESG size of this to reduce our carbon footprint. So, TSR basis, it will be about starting with 6 to 7% on the TSR and then in a phase-wise manner, it will go up to 20%-22%, we will try to see that, it goes to that level within a period of 2-3 years' time that is our target.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.
- Ritesh Shah:** Couple of questions, sir, in one of the earlier questions, you did comment upon shift in interregional trade or more material coming into central region impacting pricing, sir can you provide some more color on this particular variable?

- Management:** Central India markets for the last few years, I would say at least 3 years or 4 years, that has remained much more stable. This has attracted the attention of quite a few people who are wanting to dump in their extra surplus from the industry, so they are something in these materials which come to our market, but of course they sell it about Rs. 70, Rs. 80, Rs. 90 a bag cheaper than us than the traditional players, most of the player. So, they have a destabilization impact on, some people can wear it, some people cannot wear it, so that is the only issue. So, nothing much about it. It is like this, if you are keeping sugar on the table, probably the bees will fly to it.
- Ritesh Shah:** But sir, has the volume reduced on a sequential basis, if one look at percentage of consumption basis, basically imported into the region specifically for the regions where we sell our material?
- Management:** Essentially, we had the degrowth only 5%, so when we see the volume wise...
- Ritesh Shah:** Sir, I am not worried about volume, I am worried about pricing, given we are such a strong brand, we are 100% blended, we have significant percentage in the trade side, so is this a particular variable which does impact our pricing as well, given we have no pressure to push incremental volume in the market place, so I am just trying to understand how the business works, does interregional trade significantly or adversely impact us?
- Management:** Yes, it did impact, it does impact from time to time. If the markets are sluggish and if you sell this, to sell this volume also during a period of this difficult time has not been an easy thing, so just a little additional volume push has given us a little bit set back on prices, but I think it will happen in some quarter, this will not happen because we have to also balance, safeguard our markets, so we will keep doing this. Different pricing strategy, we will do it from time to time.
- Ritesh Shah:** And sir, just a related question, just wanted to understand has the peer side competition changed the discounting structures in the region? We hear about this in Southern India, has it something of that sort happened in Central India as well and have we changed our market policy on back of this?
- Management:** No, we do not have a change in market policy at all. We fix up our discount structure, our incentive structure on 1st of January and then it stays there for the whole year. It is written in document; it is given to every dealer in writing. So, our documents are very clear where we fully compliance with the tax laws, whatever we give, whatever we put on paper, that is it, so that does not change from day to day.
- Ritesh Shah:** And sir for competition, if you are able to comment on that?
- Management:** I cannot comment on competition.
- Ritesh Shah:** And sir, my second question is any update on group simplification and the Gujarat expansion, we have been waiting to hear on those particular variables from you?



- Management:** Ritesh, clearly, we are working on Gujarat project which is already there, so the work is going on. It is the environmental clearances and all those that will take its own time, so we are proceeding with it. How long it takes, because these are not in our hand, 100%. There is a government agency involved, environmental clearances are involved, surveys have to be done, so it is a very long process which takes its own course. Normally, as I said that it takes about year and a half or two, sometime even two to get a clearance.
- Ritesh Shah:** And sir, group simplification around Zuari, Heidelberg India, any update over here?
- Management:** So, Ritesh, we are looking at it now since the laws are changed and the mining laws have changed because it does not erode the wealth of the shareholder, so we are looking at it now for we have started the working on this. How fast it happens, I cannot tell you, but yes, it is on our cards. We have started thinking about it.
- Moderator:** Thank you. The next question is from the line of Amit Murarka from Motilal Oswal AMC. Please go ahead.
- Amit Murarka:** Sir, my first question was on production numbers, so like is there quarter ending clinker inventory that you would have in your books, like from the P&L it doesn't look like there is much change in the inventory evaluation?
- Management:** Any point of time, we carry about 75,000 to 80,000 tonnes of clinker.
- Amit Murarka:** I ask that is that because generally in this quarter, we have seen like companies trying to build some clinker inventory because anyways the demand was a bit softer which could then have helped you do better volumes in the rest of the 9 months and in fact effectively utilize the full year capacity?
- Management:** Amit, we had major OLBC change, so during that period the line 3 was stopped, so we had little depletion on stop of our clinker, but we had built up enough clinker to sustain our dispatches and sales. Earlier when we took the shutdown, it was almost for 18 days to 20 days.
- Amit Murarka:** And what was the cost for that, this is the second phase of the OLBC replacement, right?
- Management:** Absolutely, right.
- Amit Murarka:** That work is completed now, right and what was the cost for that, sorry I missed the opening comments if it was shared?
- Management:** It is about the CAPEX, it was not flowing through profit and loss account. The last time also we had done the 50% OLBC replacement and this time also. This time, we could actually reduce the number of shutdown days for the other bigger lines.
- Management:** The total CAPEX we have incurred on this replacement of both the year is around Rs. 118 crores.

- Amit Murarka:** Just realizations for you seems to have been flat Q-o-Q whereas I believe like the other players and broader industry has seen improvement in sequential realizations, so was it because of some mix change or something, like could you just explain that a bit, please?
- Management:** I cannot say about because there are people whose results have come in, so far we have pan India players, of course South has seen an improvement about Rs. 150 in the realization, so there could be having some benefit out of those markets which we are not privy to it, neither we are operating in a big way. Our major markets are Central India, so we did not see this sort of price boost coming out here.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, just to clarify post June in terms of this July, have we seen further reduction in prices for us or is it stable?
- Management:** Shravan it is stable right now, nothing much change, but of course we cannot say that it will remain like this. Monsoon has just set in about a week back, so we will have to wait and watch.
- Shravan Shah:** Yes, because that is the main thing, that is where I think most of the people are worrying because even, we adjust for the GST benefit of the last quarter, then also we are flattish or may be Rs. 7- Rs. 8 decline or people would have expected some improvement and if it is not there and this part also, we will see a decline. Then it is done for the full year, maybe we need significant increase in realization for that place in the third and fourth quarter. That is where the people are worried and we are also having some cost pressures that may come, so that is the worry. That is what I was worrying. Whether we have seen some decline, even around Rs. 5 to Rs. 10 also, at the same time in terms of the premium share also, would we stabilizing at this level or 20% or we can see further improvement there?
- Management:** Shravan, two things, one is, last point which is about, we have a target to reach 25% of premium cements, not beyond that as of now. We do not want to push too much of premium cements beyond the point, otherwise it leads to dilution of the price line, so that is one. Number two, in terms of price reductions or anything that is not much of change alteration which is happening in the prices, but yes, going forward I will expect some prices to slip little bit here and there, but not too much for the simple reason the cost have shot through the roof, so there is no too much of tracking back, so I cannot be on a back foot, very soon cement companies will find there selves back to the wall, if they don't make profit then it will be a problem, so I don't think any company at this juncture think of dropping prices unreasonably even to pick up volumes, it is not suitable. Going in the quarter 3 and quarter 4, definitely I am very hopeful that by the time, your COVID wave 3 would be over, it is the fear which is hanging sword on our head which people keep talking about, but if it happens it happens, it does not happen, but this time COVID 2 and if I compare the demand and methods and how the industry has behaved, the employment has changed and how the growth demand pockets have changed and how they have moved, I

can say that only that COVID was not as frightful as COVID one was. The way it pushed down the index of the 8 core industries, it was a total lockdown in wave one, in wave two it was everything was working, markets were opening, partial lockdown, partial working, so it is not, I think in the COVID wave 3 happens, probably you will not see much lockdowns also happening. People will try to access their own tones and tenure and try to exist themselves rather than forcing the government to go for lockdowns. That is what my reading is, but yes, quarter 3 and 4, I am expecting price to really improve significantly.

**Shravan Shah:** Sir, the last two clarifications, one, the tenure base, the work of the 20 kilometers to 22 kilometers has been done or it will be done in this July, August, September quarter and last time in the third quarter, we have spoken about 9 to 10 odd crores whenever it will happen, we can see other expenses to go up, so clarification needed on that?

**Management:** Shravan, it is already all over the belt is on and live and it is working, we are out of this and there is no further thing to be done in the rest of the year.

**Shravan Shah:** So, now for the full year, how much CAPEX we can see?

**Management:** It is only done; it is all by last year and this year the total CAPEX was Rs. 18 to Rs. 20 crores.

**Shravan Shah:** I am saying, now for the full year, last time we talked about 95 odd crores CAPEX. So, will the numbers remain the same or any change in that number for FY22?

**Management:** There is no change.

**Moderator:** Thank you. The next question is from the line of Uttam Kumar Srimal from Axis Securities. Please go ahead.

**Uttam Kumar Srimal:** Sir, can you just tell me what was the lead distance during the quarter?

**Management:** About 350.

**Uttam Kumar Srimal:** What was the CAPEX incurred for building this conveyor belt?

**Management:** We have done this CAPEX in two years, last year and current year. Total CAPEX for the entire 21 KM was around 20 crores. So, most of the part of the CAPEX we did last year and the balance we did this year. Just to correct you, I thought you have written down 250, it is 350.

**Uttam Kumar Srimal:** Okay, sir.

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

**Prateek Kumar:** My first question is, we were looking at certain clinkers, I mean we were scouting for some limestone in central market for the clinker debottlenecking. Have we moved forward in that respect?

**Management:** Yes, we have moved forward in that respect. Whatever excavation we have done, once the results are out then we will approach the government for that.

**Prateek Kumar:** So, the clinker expansion could be possible in this location?

**Management:** It depends. When the results come out, just the drilling and all those things have got over recently. So, I don't have full data about the reserve.

**Prateek Kumar:** And sir, how much according to you on per tonne basis inflation would be, we would see inflation over like next two quarters, fuel inflation?

**Management:** It is very difficult to predict. I cannot comment on fuel inflation at all. Absolutely no clue. We never thought that pet coke could trade at \$150 and \$155, unimaginable.

**Prateek Kumar:** And how much inventory we maintain for the fuel. As because you have said that coal mix has gone to like 65%. Is it further going to go up which will contain our overall fuel inflation?

**Management:** Generally, it is very difficult for the people to carry the huge coal and pet coke inventory. We then try to keep the 30 days inventory and therefore any major increase or decrease in the fuel prices will affect the profitability in that quarter.

**Moderator:** Thank you. We would take the next question from the line of [0:44:22]Kedhar Kajli from Fortress Group. Please go ahead.

**Participant:** Sir, my first question is, what is your logistics mix in terms of road and rail? And secondly with this dedicated trade corridor coming up, do you see any benefit for your company?

**Management:** Today it is about 55% rail and 45% road for the quarter ended. So, this is what our mix has changed. Earlier it used to be 50:50 and it keeps changing depending on how the railway freights pan out and how the logistics is available.. As far as freight corridors are concerned, I do not foresee any major benefit coming out of it because cement is limited to its geographical boundaries. It cannot exceed beyond certain levels. If you try to do that it can become a negative impact on your realization. So, I don't think today freight corridors are long haul for movement, material moving from north corridor to south corridor and east to west. Those corridors will help those type of material movement. Cement, not too much.

**Moderator:** Thank you. The next question is from the line of Vishal Thanvi from ValueQuest. Please go ahead.

- Vishal Thanvi:** I have seen one trend of cement company's reserve. In the raw material cost, they gain the benefit from change in inventory. And in our case, the reserves that benefit was not there. Can you highlight what was the benefit which you did not get it?
- Management:** It depends upon how much clinker and cement inventory you carry in a plant as well as in warehouses. As on 30<sup>th</sup> June, we have not so increase in the inventory as compared to the March. March we have seen that our inventory has increased, whereas in the June quarter our inventory has reduced. So, depending upon your production and dispatch, we have taken our diesel kiln shutdown during the month of June, and which was coupled with our replacement of our over length belt conveyor of 20 km. So, therefore, our clinker inventory as well as cement inventory were lower and therefore the inventory gain was not there in this quarter. And whenever inventory increase, yes, you are right that the company in that particular quarter has the benefit and that is the benefit on account of only book keeping or accounting benefit, is what the real benefit. Now during the quarter okay, you make these kind changes. But ultimately end of the year, it will even out from one quarter to another quarter.
- Moderator:** Thank you. The next question is from the line of Milind Suresh from Centrum Broking. Please go ahead.
- Milind Suresh:** Sir, I just wanted to understand how has this moved from September quarter to, I mean the last 2-3 quarters in terms of access to domestic coal?
- Management:** That is what we have replaced, right? You are talking about domestic coal, right?
- Milind Suresh:** Yes. So, what was the proportion in the December quarter and would be it now?
- Management:** If we look at the June quarter last year, it was 38% was coal. Today it is 65.
- Milind Suresh:** And largely we are procuring from e-auction or from FSA?
- Management:** From all possible resources. Wherever it is available on the best possible auctions we take, plus we have got an FSA as Anil has already informed. We have got an FSA also.
- Milind Suresh:** That is one part of it. And secondly, we see on a per tonne basis, actually our logistic cost also showing some kind of a decline. So, any reason there because our volume has gone up. So, can you please throw some light there?
- Management:** So, it is very clear that if you look at it, the rail movement has increased. At that point of time the rail was 48, now rail is 55. So, whenever there is an option, if you have to shift material, so you take the advantage of the railway freight and when you take the advantage of more railway freight and it was available at a good price and since our distance which we travelled also are little extended into some markets, so there the advantage has come for 614 also. And it is also right now the issue is not that. It should have gone up. It is a team which has managed it,

otherwise the diesel prices have shot through the roof, the freights would have been more. Now the pressures will build up on this.

**Management:** Milind, we have also postponed freight rebate from railways during this quarter and maybe we will be able to get this kind of rebate in the next coming 2 quarters to 3 quarters.

**Milind Suresh:** Or should be a need that, we have moved to more of newer markets through the railways or it was in our own markets?

**Management:** So, it is there, one or two markets are new markets also, where we have given some seeding materials.

**Milind Suresh:** And that we indicate that that can sustain, if the demand in that market continues.

**Management:** If it continues, then we will try to push up the prices there.

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

**Ritesh Shah:** Sir, just one question, how would you reflect upon the recent limestone auction and how do you see the pipeline for auctions in the regions that we operate?

**Management:** The limestone auctions are okay, good. I think the recent one which occurred, we also participated in. But clarity was a little low on that. So, we participated in auction, we had a certain target beyond the point, but then it was not a very clear picture about, the reserves were not very transparent. So, we went to a certain level, beyond that point we did not go, exceed beyond a point. So, there will be some more pockets which will come up for auctioning in the near future. It was at a little distance away from us. We could have put up a greenfield, but we always look at everything from a perspective of the quality, the size, a little bit of more transparency as there is little forest land on to that. So, there are certain areas which put us probably on the basis of our own assessment. We said there was a certain prize to be paid for it. If it goes beyond that point, we don't take that, we don't proceed further.

**Ritesh Shah:** And just sir, related question. How should we look at the growth prospects for Heidelberg India, given you did indicate basically we are, so Gujarat is one which is there, we are looking at limestone auctions. But if I have to look say 3 years out, 5 years out, how should one picture as a company?

**Management:** Today, if we look at the group presence, it is close to about 14 million tonnes. If I combine Zuari entry. This is a 6.25 million and if I combine then, both together it is close to about 14 million tonnes of capacity in India. We are looking at organic growth also. If something is available, SAP is available, the group will always be interested in going for it. And of course, we are excluding some mines also, limestone mines also that will also add up. In Zuari, there is a sitting capacity, there is a market already, there is already one unit which is one greenfield can be done

here, one greenfield you can be done in Zuari. So, if you look at it, the potential is to go to almost 20 million tonnes, not a problem.

**Ritesh Shah:** And sir, just a follow up. Sir, when we go for auctions, is there a hurdle rate when we actually go and bid? How should one understand, did I understand that calcium content environment is different, logistics is different. But is there any hurdle rate or how should one look at basically when the company goes and bids for limestone deals?

**Management:** You have to assess based on the information given to you in the initial offer document, based on that and on the basis of that you do your calculation, you do your ROI and then you bid for it. The government decides the base price on that you quote a premium. If it suits you take it, if you don't suit you, don't take it. It is okay.

**Ritesh Shah:** Sir, just a follow up, but do we know that what is the sort of incentive that the state government will give. On that particular limestone auction when we go and bid for particularly? It is something which is known from before, it is something which is definitive on paper or it is something that has to be worked upon?

**Management:** Whatever the information is available, government will not, tomorrow if you find more limestone the government is not going to give anything on that.

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

**Vaibhav Agarwal:** Thank you. On behalf of Phillip Capital India Pvt. Ltd. we would like to thank the manager of Heidelberg Cement India Ltd. for the call and also many thanks for participating and joining the call. Thank you very much, sir. Janice, you may now conclude the call.

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