



“HeidelbergCement India Limited Q4 FY 2017  
Earnings Conference Call”

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**HEIDELBERGCEMENT**



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

**Moderator:** Good Day, Ladies and Gentlemen, and Welcome to Q4 FY 2017 Conference Call of HeidelbergCement India Limited 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 from PhillipCapital (India) Private Limited. Thank you and over to you, Mr. Agarwal!

**Vaibhav Agarwal:** Yes, thank you, Margret. Good afternoon, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q4 FY 2017 and FY 2017 Call of HeidelbergCement India Limited. On the call, we have with us Mr. Jamshed Naval Cooper -- the Managing Director and Mr. Anil Sharma -- Chief Financial Officer.

I would like to mention on behalf of HeidelbergCement India Limited and its management that certain statements that may be made or discussed on this conference call maybe forward-looking statements relating with future development and economic performance. These statements may be subject to a number of risks, uncertainties and other important factors which may cause the actual developments and results to differ materially from the statement made. HeidelbergCement India Limited and the management of the Company assumes no obligation to update or alter these forward-looking statements whether as a result of new information or future events or otherwise. Also, HeidelbergCement India Limited has uploaded a ‘Presentation’ on their website and the exchange. Participants may download a copy of the ‘Presentation’ from there.

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

**Management:** Thank you, Vaibhav and first of all welcome to everyone for today’s call. The Presentation would be in front of you. I will just run through the presentation and then we can go for the questions.

We started this time to give you an overview of what the industry is about. You can see that in this quarter our fourth quarter the month wise figures which are there, there has been a little subdued figures for the industry, it started with quarter which was ended of quarter third when there was a little bit of cash crunch in the market and that results has impacted kept on going on further. There has been a reduction in these last three and the cue for the industry as the quarter as such was a little subdued.

Against this, against the industry capacity utilization of about marginally less than 70% Heidelberg has clocked 70% capacity utilization. So, this is one point. On an overall, for the whole year if you look at the volume growth for Heidelberg it has been flattish.

The highlights for Q4 volumes have increased by 9%. Gross realization has gone up by 4.8% close to 5% and about 5.7% operating cost have been higher. EBITDA has increased by 14%. On an per tonne EBITDA basis we did Rs. 654 per tonne and volume was 1.21 million tonnes.

On the volume development, we have given you all the four quarters and including the volume for the whole year. If you look at it quarter one was we had a positive volume and again, in the quarter four we had a positive volume, in between there was a little suppression and as I said, Q3 was a little suppressed because of various factors. For the whole year it is flattish almost just a 12% growth.

On gross realizations, throughout the year all the quarters and for the whole year we have maintained positive trajectory. So, I think this should be a positive point from the view point for the management view point.

On logistics cost, yes, in Q1 we did better but for the other parts of the quarter and for the whole year there has been increase, margin increase of about 2% and that has been mainly because of some logistics cost being up, diesel costs have gone up significantly, so that has impacted. Although the lead distance we have tried to maintain below 400 kilometers, so this is a thing in terms of our railroad mix it is 50-50.

Coming to total operating cost, you can a whole overall India basis for the whole year if you look at it then we are about 0.5% higher which is just marginally higher and major we tried to contain cost for many other parts but ultimately we could not beat the inflation which was coming because of pet coke and other fuel cost and power cost especially two power increases which went through in the year in Madhya Pradesh one and again, in Madhya Pradesh in April again, there has been an increase. Somewhere we could offset it by our waste heat recovery to an extent it came to a rescue but there has been a marginal increase and I think, we will try to contain it in the coming quarters.

On financial performance on EBITDA which we have given you. The brighter side was the volume and the price which added about 172 million, 170 a tonne. And on the other operating income 29 million added. We saw a little as I said impact on raw materials power and freight and other cost have been about 36 plus. So, it added to it and makes it to 654.

Coming to the slide nine, we thought let us give because it has been a ten year since the time Heidelberg acquired this company and we said let us help you to take a feel of the whole trajectory and how the travel has been so far. So, we took over this company in 2006 and as we stand in 2016 volumes have significantly increased. We did an expansion in 2013 and post 2013 we have clearly indicated how the company has evolved. In terms of gross realizations volumes have gone up. In terms of gross realizations, during the last three years it has been almost flattish. But the markets are also under pressure unless the economy looks up, I think the future will be better. We are waiting of the economy to boom.

In terms of if you look at EBITDA INR per tonne, that has if you look at it post expansion we have started improving in terms of EBITDA percentage margins and now for 2016 we added we closed it at 16.5% and about 17.5% margin was for the quarter four.

So, far the management has worked on cost controls and rating agencies have given rating the India rating has increased our rating during the last three years from 2015 we were AA- and in 2016 we stand taller at AA+. Because some of you may want to know what are the things which we do other than making cement. So, we said let us add one slide, a few slides on what we do. Safety as measure we look safety as the top most priority, is our foremost priority and a lot of activities we do in terms of ensuring that people who work for Heidelberg Cement return back home safely. So, this is one commitment which is our is to our employees that you come to work at Heidelberg we ensure that you return safe home smiling back. So, do a lot of activities in terms of how do we manage, somebody wants to be interested in knowing more of about it, we can always explain. But just one this slide will give you that what are the things which we do, a lot of training on the field job we have the safety zones, we do every day, there is a safety gate meeting, the work cannot start without the safety briefing or a safety gate meeting.

Sustainability is again very critical part, very important part for us because we believe that clean and green environment is a must and you can see that we do a lot of greening in the plants, the plants are greener. In this last three years, we have really added up to the greenery, green belt of the company, water bodies have been added, cleanliness has improved significantly. So, this is what it is. And today, being the World Environment Day, we are doing a lot of activities in the plant also in terms of you know getting the people together making them aware and how they can control the pollution and anti-pollutant and things like that. There is a lot of things which will happen today also across the plants.

In terms of CSR. We do again, a lot of work, just a snapshot of this which is on slide 13, from education to ensuring clean drinking water to medical assistance to the people around surrounding plants to ensuring that the girl child gets comforted, they get the education in terms of their safety, in terms of many things which happen around the plant. So, these are some glimpses of that.

I am happy to inform you that our Patharia Mines in Central India was awarded as the five star rating by the ministry and this is the question of pride company that it is mining operations were acknowledged one of the best mining activities the team who came to audit this spent a lot many days there to see each and everything including the greening of the environment what we did including the safety measures what we have put and how well we are controlling our emissions also.

In terms of summary of assets and liabilities, today this is one slide which is their which is self-explanatory, I need talk too much on it. But in 2016 - 2017 we have paid up for about €47 million €45 million of our ECB and the net debt stands at about Rs. 711 crores - Rs. 712 crores as of now.

On debt position coming to slide 16, you can see that it has been consistently reducing and this mix is more confident for the years to come in the months to come. And in the debt-equity as **(Inaudible) 11:52.3** is almost now below 1 and this gives the company a little more savings on interest cost.

Taking from this the management recommended to the board dividend after span of 20 years which was never given in 20 years, we have said that let us recommend to a share dividend of Rs. 2 per share and now this will be raised before the AGM.

Taking forward on the outlook prospects of good monsoon are there and there is agriculture we expect the agriculture to be positive turnout to this year also the agricultural output has been good and we are seeing the benefit in our sales excepting for a little bit of problems with the sand in U. P. otherwise, things should have been much better. Launch of smart cities is there and concrete roads are happening and implementation of GST is right in front of us. I hope it goes through on 1st of July or may it gets postponed, we will wait for the next committee meeting of GST, committee meeting which will happen on 11th, we will come to know a little more on this.

The challenges were remained over supply can cause concern because the country is operating below 70% capacity utilization. There is a risk there. And infrastructure in case if it does not take up but I do not think it is too bigger risk but now things I see that our infrastructure projects can definitely get delayed if issues of NGT come in the picture and sand and aggregate become an issue then you cannot take on infrastructure. So, this is one vulnerability which we have in our system.

Hardening of fuel can always happen, one cannot expect anything there is no forecast of this, so it can be a yo-yo situation here and we are expecting cement demand growth in the years ahead is about 6% to 7% and we are hopeful that this should come through.

So, this is all from my side and if there are any questions we will be more than happy to take that.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Nitesh Jain from Axis Capital. Please go ahead.

**Nitesh Jain:** I have two questions. Number one is how is the demand situation in your key regions which are like mainly the M. P., U. P. market and particularly say February - March some momentum was there and then, how is the situation there in April month? This number one and number two, if you can just confirm that this government's affordable housing program has it seen any impact in terms of generating the cement demand on the ground or so far it is just the plan the execution is yet to happen? And lastly, apart from the affordable housing the broader private housing how is the situation? These are the three questions. Thank you very much.

**Management:** Nitesh, for the first question you asked was how are the market situation in Central India. In Madhya Pradesh it was okay, I would say it is positive. But in terms of Uttar Pradesh there is a

slow down because sand availability is a concern in the central part of U. P. where the sand was being mined in the areas which are close approximately in Jhansi and other places there is a mining ban. But having said that government has done some auctioning and they have issued the tenders, the tenders have been cleared and I think people should start getting the mining leases issued very soon and sand should come may be around 15th of this month things should start improving that is what the expectation is that sand will start coming to the market that is point. Another point you said about the affordable housing. Affordable housing we are seeing some places, small-small things which are happening but not the way it should expect was expected out of it, so we will wait and see and in terms of an overall scenario I would say if the government has decided to spend more money and put more money in infra and the way announcements are being made mobilization does take time. If government project approves highway project it may take at least six months to nine months for the contractor to mobilize, so we expect that things will improve. Today the major concerns are not the demand as such. I think, the raw material availability is becoming a question mark and one does not know when you strike or hit a road block and which state and which part of the thing which will happen. Because in Madhya Pradesh recently there was something which was mentioned that they will stop mining from Narmada sand, so all of sudden the market saw a spurt of sand rising from Rs. 30 crores to going to Rs. 90 and again, now it has come down to Rs. 70. So, these statements when they come to the market sometimes you do not know what will happen in the next day and whether the construction will get hit. It is a little difficult to comment on that. But money in the market, I think everybody wants to construct a house. The IHB segment is keen on constructing house, so we do not see in our markets especially any limitation of anybody saying that I am postponing the decision because of money shortage.

**Nitesh Jain:** Okay. Sir, this was actually my third part of the question like the housing piece other than that affordable housing. So, we have seen for last three years this segment has particularly been quite soft and now, interest rates have gone down. I am talking about the housing segment other than that government program. So, has there been any pick-up there or as you are saying that money is not a problem then why it is not like showing up in the consistent cement demand growth.

**Management:** As I said the raw materials are becoming a constraint, today if sand is available, I think we would not have cement to supply. So, that is the situation today.

**Moderator:** Thank you. The next question is from the line of Gunjan Prithyani from J. P. Morgan. Please go ahead.

**Gunjan Prithyani:** I just had a couple of questions on your fuel mix, if you could give some sense what is the proportion of pet coke for you guys and with the recent I mean they have been at fairly elevated levels, so how are you approaching it now in the sense does it still make sense to continue using pet coke or you could evaluate a shift to other fuels now?

**Management:** As of now the mix is about 70% pet coke is there. So, still with the prices of pet coke, still pet coke is marginally cheaper. Yes, I agree with you that it is a time, time has come it will be both will at par and that is the point of time you will have to, you can move, you can decide whether

you want to continue with pet coke or you want to continue with coal. That decision we take any moment.

**Gunjan Prithyani:** Sir, 70% in this pet coke and remaining would be what domestic coal?

**Management:** Domestic coal.

**Gunjan Prithyani:** Okay. Do you guys use international coal at all because I think with the recent softening is pet coke in international coal at parity now?

**Management:** We have linkage coal, so we right now we are not looking at it.

**Gunjan Prithyani:** Okay, got it. And secondly, sir on the market in general, what we hear is that Jaypee plants are really operating at fairly low levels. Now, that is clearly opened-up the volume is available for others at the moment. But with, let us say UltraTech when the plants are with UltraTech you will see those ramping up fairly aggressively. So, do you see that as a risk in terms of overall growth for the other players? And secondly, is there big capacity coming on-stream in next two years - three years in your core markets?

**Management:** Okay. Answering to your first question was ramping-up of Jaypee capacity, they are still operating at (+50%). So, there is no plant which is operating less than 50% of capacity that we got, I understand. So, if I would say industry standard is 70% then you have a upside on 20%, 20% of capacity utilization can increase from Jaypee plants. But I think, it will happen over a period of time. By that time the market should look up also, I think this is the period, during the monsoon period there could be a little bit of stretch but things would not happen in monsoon's also if they take over the plant it may take them about two months to three months to come back to the market. So, that is from that perspective. I do not think there will be a pressure on market things should go up.

**Gunjan Prithyani:** Okay. And in terms of new supply any new commissioning that you are seeing?

**Management:** Nothing happening as such. I think there is nothing I the pipeline which is major worry which would come up in the coming one year.

**Moderator:** Thank you. The next question is from the line of Jaspreet Singh Arora from Systematix Shares. Please go ahead.

**Jaspreet Singh Arora:** My first question sir, on the pet coke, last quarter I believe you had mentioned it is in the range of 8,000 to 8,500, what could be the range for 4Q?

**Management:** Right now, it is rates are around 9,000 pet coke.

**Jaspreet Singh Arora:** Okay. So, is it fair to assume there is a Q-on-Q 10% inflation?

**Management:** Q-on-Q more than 40%.

- Management:** Compared to corresponding quarter of last year Q4 versus Q4 pet coke price increased by 40% you compare with the last quarter this December quarter it is around 10% to 15%.
- Jaspreet Singh Arora:** So, it is upwards of 9,000 today you are saying?
- Management:** Yes, I think more than 9,000 at this moment.
- Jaspreet Singh Arora:** Right. and 4Q average would be closer to 8,000 is?
- Management:** This Q4 average is around 9,000.
- Jaspreet Singh Arora:** 9,000, okay so it continuous to be around the same level as of today.
- Management:** If further increase happens during this quarter also.
- Jaspreet Singh Arora:** What would be that, sir?
- Management:** Last months it was Rs. 100 increase.
- Jaspreet Singh Arora:** Okay, got it. And in terms of the realization side again we ended at about 37 a tonne, 45 a tonne in the March quarter, so vis-à-vis that how are things looking, I mean not a number but just broadly our current cement prices in our core markets vis-à-vis the last quarter average.
- Management:** They have been flattish I would say not too much of pressure on price because at this point of time when the raw materials are not available the prices will never come under pressure.
- Jaspreet Singh Arora:** Sure. And lastly, in terms of demand outlook I mean all the areas from where this could come out I mean 6% to 7% versus almost a negative number last year. What could be that area that could throw surprise because all these elements were there last year as well except the GST part? So, are you looking at one of this to drive it or from the smart cities concrete roads, infra outlay in the normal monsoon was more or less there in fiscal 2017 as well? Still we saw a negative number.
- Management:** See, what happens since if you look at U. P. the sand ban came in June 2016, so it is continuing, so if that is going to continue, you would not see that growth coming in out of U. P. and it is about almost I would say 30 million tonne market which is one of the second largest consuming states of the country. So, unless things change there this growth we are basing it that this whole thing will get settled down and infrastructure projects what have been awarded will start rolling out.
- Jaspreet Singh Arora:** And within infra, the road seems to be right on top or there are other pockets which are looking up?
- Management:** Road housing everything is there. Everything is there, ports are there but for our central part, I would say roads and rural housing is one major key area and we are expecting that the

government before win to elections for the next elections in 2019 M. P. will have elections in 2018, the government spending has to be there.

**Jaspreet Singh Arora:** Sure. And just lastly, on the CAPEX side, does it continue to be that Rs. 45 crores - Rs. 50 crores, in terms of our targets?

**Management:** CAPEX is almost same between Rs. 40 crores and Rs. 50 crores.

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

**Sanjay Nandi:** Do you have any capacity expansion plan as of now like you are operating at 90% utilization, so do you have any plan of expansion of your capacities?

**Management:** Not right now, but we will do some amendments in the plant to improve the capacity a little bit of tweaking in the equipments which we can add about 5% to 10% improvement can be added.

**Sanjay Nandi:** Okay, 5% to 10% improvement. And sir, what has been the utilization in first two months of this Q1 2018 if you could throw some guidelines on that things like in April and May?

**Management:** It is being almost flattish also I would say.

**Sanjay Nandi:** Yes. Sir, just now you told that on a growth outlook the M. P. is flat positive, sir can you give some numbers like totally how much it is positive in the market?

**Management:** I would not be able to give because the data we see that there is a positive moment in the market, volumes are positive, I do not have figures for the entire industry as of now.

**Sanjay Nandi:** Okay. And the Birla Corp. already has consolidated its book with that Reliance Cement and they have operated at roughly 80% utilization the Reliance Cement. So, do you feel that in days to come the volume might get some big pressure because of those all those coming up new players?

**Management:** I do not think for us it is not making any difference.

**Moderator:** Thank you. We will move to our next question which is from the line of H. R. Gala from Panav Advisors. Please go ahead.

**H. R. Gala:** Sir, just wanted to know a couple of things, there have been a lot of news that the state government are forcing cement companies to reduce the prices to give boost to the construction industry. So, in our areas of operation, are we facing any such pressure from the government agencies?

**Management:** In Central India would now, I would say. So far there has been no pressure on that and I think so, they want to what pressure will put Central India prices have not gone up may be some states

which have taken up massive increase are the ones which are being questioned, so Chhattisgarh or I would say Andhra Pradesh, Telangana.

**H. R. Gala:** Yes, mainly the southern states.

**Management:** Yes.

**H. R. Gala:** Okay. So, at present we are not facing any such constraint.

**Management:** No, we have not faced.

**H. R. Gala:** Okay. Sir, second question was that we did a lot of cost optimization over last few years. Is there anything still left or you know the cost per tonne that we are now seeing should more or less hold on to the next year?

**Management:** See, we keep doing improvement. If we can reduce our consumption parameter which we have keep working, so I cannot say that we have reached at the bottom. Always there is room for improvement.

**H. R. Gala:** Okay, that is heartening. And how has been the pricing trend sir so far?

**Management:** Pricing as I said that so far, the price has been more or less flattish.

**H. R. Gala:** Flattish and are you witnessing any volume growth except in you said there is positive what about the other markets?

**Management:** As I said U. P. is dealing under pressure of shortage of raw material, construction material so that is why it is.

**H. R. Gala:** Okay. Sir, any thinking on the part of our group or with the merger that is still in the earlier whi Zuari?

**Management:** No, it is not. Last time also I mentioned, it is not going to happen.

**H. R. Gala:** Not going to happen, okay.

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

**Pratik Kumar:** Sir, I have few questions. Firstly, like till last quarter, we had some demand constraint from government projects related to this year elections and code of conduct there. So, has that opened up or I mean nothing on that front has changed?

**Management:** Which one you said?

- Pratik Kumar:** So, in U. P. there was this election code of conduct was there in terms of new government projects which had I guess some pressure in Q4?
- Management:** That is over, elections were over in February.
- Pratik Kumar:** So, there is any change versus I mean there are new government projects or is it completely related to constraint on raw material availability as you mentioned?
- Management:** I think right U. P. government has not announced too many projects also. Post the formation of the new government, they have not announced many projects. But there is a latent demand which is pending to take off in the housing sector and that is the private housing.
- Pratik Kumar:** Okay. And sir, can you put some numbers on FY 2017 growth for U. P. and M. P. and Bihar where you operate for FY 2017 what was the industry growth?
- Management:** It should be about 3% to 4%.
- Pratik Kumar:** So, 3% to 4% across all three markets or like M. P. was higher.
- Management:** I suppose.
- Pratik Kumar:** Okay. And sir, regarding prices you mentioned that there has been flattish trend. So, Q4 average would be similar to Q4 exit price I mean you mean this and they have been like Q4 exit is similar to April, May as well?
- Management:** Exit price I cannot say at the moment what the exit price will be. But I would expect it should be remaining a flattish.
- Pratik Kumar:** Okay. So, Q1 generally would be flattish versus Q4?
- Management:** This is what should look like because now monsoons are around the corner, we are waiting this time the monsoons probably will be advanced also.
- Pratik Kumar:** Okay. And sir, in your specific markets, what is the general price which has been tendered for like the road projects or the government projects, is this fixed or is tender related prices?
- Management:** Government has started one site INAM-Pro where the companies have given the prices and there the prices quoted are around in the range of between Rs. 160 to Rs. 180 per bag. So, the factory gates, excise duty with all taxes. So, that gives you to a gross realization of about Rs. 3,200.
- Pratik Kumar:** Okay. So, profitability for this project related pricing would be lower.
- Management:** Normally those are projects which if you get this sort of price I think it is okay.
- Pratik Kumar:** Okay. And sir, for your trade, non-trade mix, this would be similar to last 80-20 mix?

- Management:** 80-20 correct.
- Pratik Kumar:** Yes. And sir, just one last question sir, your region M. P. had seen that price increase in the power segment last year April. So, are there any further increases which you are looking at grade pricing or?
- Management:** This April also we saw another price increase in Madhya Pradesh.
- Pratik Kumar:** Sir, what was the quantum?
- Management:** 6%.
- Moderator:** Thank you. The next question is from the line of Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.
- Abhishek Ghosh:** Sir, would it possible to have your sales mix in terms of U. P., M. P., Bihar volume mix?
- Management:** I would not be able to give that.
- Abhishek Ghosh:** Okay, sure. And sir, just one thing, in the current quarter we have seen some reduction in diesel prices should that translate into some amount of freight cost relates in the first quarter on Q-on-Q basis?
- Management:** Once it came down again it has gone up by Rs. 2. For a very short period it is.
- Abhishek Ghosh:** Sure. And sir, any view on GST in terms of how are we seeing the implementation impact on the sector?
- Management:** See, we are preparing ourselves we are in readiness to implement it from 1st of July. The rest depends on whether the systems at the GST mainframe they will be ready and the banking sector will be ready with all these changes. So, if the government says okay you have to go up from 1st of July, we will implement it.
- Moderator:** Thank you. The next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.
- Manish Bhandari:** Sir, how much brand premium we would be enjoying versus the average industry?
- Management:** A little difficult but you say Rs. 5 a bag.
- Manish Bhandari:** And that would be consistent in U. P. as well as in M. P.?
- Management:** Correct, that is right.

- Manish Bhandari:** Okay. Sir, second thing, I wanted to know in your Presentation you said about the industry client from the U. P., how much is left is how much is total what we have received now?
- Management:** So, far we have received about Rs. 96 crores.
- Manish Bhandari:** Yes.
- Management:** And I think, the further we will have to it has to be negotiated every year with them.
- Manish Bhandari:** Okay. And sir, how much the VAT now position left with the M. P.?
- Management:** This is fourth year, we are having fourth year and we have ten years benefit from the M. P. government.
- Moderator:** Thank you. The next question is from the line of Rajesh Ravi from Centrum Broking. Please go ahead.
- Rajesh Ravi:** I wanted to know two things. One is on pet coke that the green tribunal recently asking the state governments to evaluate pet coke usage. So, what is the Heidelberg's point of view on the same? And second on this government projects pricing that you earlier in the call you discussed, so that Rs. 160 - Rs. 180 pricing is without excluding excise or you have to pay excise and VAT on that?
- Management:** You have to pay excise and VAT on that.
- Rajesh Ravi:** Okay. So, that versus the normal pricing what is difference sir pricing realization difference versus your normal sales?
- Management:** See, it depends again the freight which markets they want to take. So, it will all decide logistics will decide. So, there could be changes somewhere closer to the markets they may be cheaper, to the plant distance they will be costlier. So, those things change depending and how they source their cement it will depend on the agencies.
- Rajesh Ravi:** Okay. And as a proportion of the total sales in those markets in Central market, how much would these constitute?
- Management:** See, how of now the orders have not come in from there? We have started, they have just enrolled this about a weak back the site has been put up INAM by Mr. Gadkari it has been inaugurated, so now things will start coming out of that.
- Rajesh Ravi:** So, this will be only for road project?
- Management:** It is for all government projects we have made this site.
- Rajesh Ravi:** So, all government related projects will have to bid at these rates only?

**Management:** They can buy from this, this is the government nominated rate. We can decide from which company they want to buy, government has provide them a platform to transact.

**Rajesh Ravi:** Okay. And there is no restrictions on companies on how much supply they have to ensure on this route?

**Management:** There is nothing has specified as such.

**Rajesh Ravi:** Okay. So, it is upon your wishes that how much utilization you want to increase and how much supply you want to give. Okay, and this pet coke one sir? This pet coke government...

**Management:** The NGT part we cannot comment when it will...we have asked the MoEF for a clarification whether pet coke is an alternative fuel. So, but in the MoEF has only approval to use pet coke. So, what reply they will give we will see. And even if today they have to stop pet coke the entire industry will have to stop using pet coke.

**Rajesh Ravi:** So, is there sufficient alternative fuels like coal?

**Management:** No, it is available, you start importing if it fall short.

**Moderator:** Thank you. We will take our last question is from the line of Milind Raginwar from SBICAP Securities. Please go ahead.

**Milind Raginwar:** Correct me, our clinker capacity at Damoh is 3.2?

**Management:** Clinker capacity 3.1.

**Milind Raginwar:** 3.1. Sir, going forward I mean what would will be available reserves at Damoh for us to go for a Brownfield in case you decide for that?

**Management:** We are not going any further Brownfield demand.

**Milind Raginwar:** At Damoh?

**Management:** Yes.

**Milind Raginwar:** And you indicated the debottlenecking would...

**Management:** Those are the equipment management.

**Milind Raginwar:** So, that will increase our cement capacity by 10%?

**Management:** By 5% to 10% there is a upside.

**Milind Raginwar:** Okay. Beyond that are we looking for anything sir if not Brownfield then the only option that...

**Management:** Is basically we will look at acquisitions.

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

**Vaibhav Agarwal:** Yes, thank you. On behalf of PhillipCapital, I like to thank the management of HeidelbergCement India for the call and also many thanks to the participants for joining the call. Margret we will now conclude the call. Thank you, sir.

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