"HeidelbergCement India Limited Q4 & Year-Ended FY18 Conference Call"

May 28, 2018

MANAGEMENT: **MR. JAMSHED NAVAL COOPER – MANAGING DIRECTOR**
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MODERATOR: **MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Good Day, Ladies and Gentlemen. And welcome to Q4 and Year Ended March 31st, 2018 Conference Call of HeidelbergCement, hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now 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, Margret. Good afternoon, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to this call for HeidelbergCement India Limited for the quarter and year ending 31st March 2018. On the call we have with us Mr. Jamshed Naval Cooper – Managing Director and Mr. Anil Sharma – Chief Financial Officer.

I would like to mention on behalf of HeidelbergCement India Limited and its management that certain statements that may be made or discussed on this conference call may be forward-looking statements relating with future developments and economic performance. These statements may be subject to a number or 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 on the exchange a copy of presentation, participants may download a copy of the presentation or from the website of the company.

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

Management: Thank you, Vaibhav. Thank you, everybody, for joining this earnings call. I suppose you would have seen the results and made your points. But just to take you through the results which are there in front of you, the presentation is there in front of you.

Straight going to page #4, you can see the Indian cement industry how it is progressing from last quarter and how it is progressing in last two quarters, both seem to be coming in and that is a good sign for the Indian industry. If you look at even on this one point which I would like to mention here, earlier if you looked at something 10-15 years back there used to be a correlation between GDP growth and cement demand which had gone wonky in between and for the last we could say from 2009-2010 onwards it had gone vary. And there was no correlation between GDP growth and this, but if you look at it now we see that in the last months and few quarters and the year and the forecast which we have also have made there seems to be some positive correlation which is happening, so that is some good sign to look at it.

Coming to the highlights. Sales volume, EBITDA, everything has been the highest ever produce given by this company so far. On premium products we introduced Mycem Power, 2 - 2.5 years back and we find that it is about 2.5x, the volume has grown and it occupies almost 9% of the share of our total trade business. There is a focus to produce premium products and as the market becomes more and more sensitive going forward and people have the purchasing power we will go for the premium products. Lead distance reduced to 355 kilometers which is mentioned in our presentation, and the entire US$125 million repaid and net debt is reduced to about Rs. 468 crores. Net debt to EBITDA is about 1.29x and there is a further improvement which is on the working capital that is again a focus area for us.

In the recently concluded board meeting on the 21st, the board has recommended a dividend of 25% which is 5% more than previous year, subject to approval by AGM. On the WHR, we installed WHR and we have been true upon it, still there is room in WHR. But yes, results have been relatively better than the previous year because it has now been 2.5 years for the WHR to settle down. So it has delivering results and generation was about close to 70 million units. And the biggest achievement what we call it, which gives us more pride is that we got a certification from TÜV SÜD which states that we are 6.37x net water positive. this was one of the vision which we had been drawing for at least last three, four years and we succeeded in achieving this. So in terms of if you would have seen our slides in our later part, the result of this is we have been able to create a better green cover on the plants.

I will skip Slide #6 because I have already spoken on this, coming to Slide #7. EBITDA on a year-on-year there is a growth of about 52% on a year wise basis it is 30%. On EBIT level it is growth of 73% and 39% for the year, and profit after tax is 41% growth, it translates into about Rs. 52 crores and 75% translates to about Rs. 133 crores. on profit after tax. Volumes, gross realizations, everything has gone up because of very astute planning about the market, management of the market from a logistics point, so that says it all in this.

Coming to Slide #8, you can the waterfall, it is very clear that the GSR has been the biggest contributor, that is because of the market the brand positioning and things like that. Do not be worried about the freight part because that has been an amendment in the method of operation, so post GST that has affected and there is definitely a contribution to this negative impact because of the fuel price increase.

On the balance sheet side, balance sheet was better. The size of balance sheet has increased. The cash conversion cycle has been about 1.1 days, so there is a significant improvement in the cash conversion cycle. All this translates and takes us to Slide #10 where the company has been able to retain its rating to AA+. So this is as far as performance of the company is concerned.

Coming to next slide, we have launched a new product which is Mycem Power in front of you which is visible. Coming just to brief you certain areas, which we have always been talking about, financial figures, on the qualitative part, the backend that we have not been talking too much over these years. But I said let us give you some idea on what we do besides making cement also. The part is we talk about health and safety which has been a driving force as per the global parent, the health and safety is our foremost priority and it remains. And we have done many programs, the target is to achieve zero harm by 2020. So this is what the target on health and safety is.

On sustainability and green development, we prefer to give back to mother earth whatever we take out and keep the earth environment clean. So our target here again is to spread maximum green cover in the plants wherever possible, every inch what is possible, and as long as we have water to sustain that we will prefer to plant a tree. And so that is what is going on. From the pictures you can see the green cover of the plants has been growing. And there is another slide which is #14 which shows you a lovely picture of plant mines which was old mines where we converted into actually a lake. It is a huge piece of water body and there real-we are developing some picnic spots around it, so that is also one of the aim. We do this everything by volunteering and people volunteer for all these things. The investments is very low in these type of activities, it is more driven by the contribution as people think that they should contribute to mother earth and to the environment, this is all a generation out of that.

On awards and accolades, we got a number of certificates at the national levels, whether it is in mines, in energy, efficiency, in terms of size targeting at our mines at Patharia. Again, in mines we got another award for our Ammasandra also and environment monitoring and overall performance in the mines there is also an award given to us.

Coming to the outlook, cement demand likely to grow, we are expecting this to continue to grow and we hope that 7% growth should come if nothing goes seriously wrong as far as the things are there, the only caveat here is the oil prices which can make the scene a different. We are seeing lot of government spending because we operate in other regions, not only in central, but we have fairly good idea of what is happening on ground, progress is seen. State elections in Madhya Pradesh are going to be there and we expect that things will be positive. There are some news which you can check on YouTube and other places where the grain production has gone up significantly in the markets where we operate, in MP the food grain production, reserve price given by the government has been very, very lucrative, so everybody is thronging to give the material to the government. So there are lines of people and tractors and trucks are waiting to deliver the product to the government and getting their money from there.

Monsoon forecast is good, we are expecting 97% of the long period average monsoons this year, so again a very good note to be very happy about it. As I mentioned, the concern, with the green picture we also have a brown picture, and that gives us a picture of crude prices going up and that is something to worry about. Depreciation of the Indian rupee against the dollar that is also one of the concern, but yes somebody loses, and somebody gains, the exporters will have a hay day, their exports would go up. So, anyway, the country gains in the overall way. The other concern which we have is the ban on pet coke, this could become a big issue for the industry. As much as for us, there are other people who use far more pet coke than us, and for them it could be more of a concern. But anyway, if there is a ruling we have to all abide by it and we already having plan B what to do about it. So we have not yet firmed it up but we have been carrying plan B always what is to be done in case such a type of situation comes up.

On compliance norms and GST e-way bill is now in place and things are moving on. Now it is a good thing, I think the dealers are falling in line with it, so some good system is coming in thanks to the stringent measures by the government. I think the government is more serious, becomes much better business scenario. Initially there will be hiccups, there will be pain, but in the long run we will all tend to benefit because you will have a system which is much more a robust system in place where the government, ex-checker gets its money and it does not land into individual pockets. So I think the nation's wealth improves and I see the future is bright for India.

Thank you very much. We can take the questions from here. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Sir, is there any capacity expansion in the pipeline, can you highlight?

Management: As of now there is nothing with us on capacity expansion. But yes, minor tweaking happening in the plant to improve the capacity utilization.

Dheeresh Pathak: So wherever our assets like Madhya Pradesh, what is the scope for Brownfield expansion, can you just highlight the potential at least?

Management: See, as I said right now the potential is not there, which I mentioned in my past earnings call also. But I do have the headroom to improve the existing equipment to deliver more.

Dheeresh Pathak So when you say that does it mean you do not have the land for Brownfield expansion and the mines there?

Management: Mines is an issue, I have the land, land is not an issue. But if I were to run the plant for 40 years of limestone with existing limestone quarry, so I need to have this 40-year period for that.

Dheeresh Pathak: And sir, the volume growth, although our profitability is good, but volume growth has been lagging for the last two years versus the industry growth rates. So in your target markets was the growth 4% only or why did we grow below industry?

Management: It should be around the same. See, in target markets in Central India, specifically we operate in let us be clear that we operate in Madhya Pradesh an Uttar Pradesh, we do not spread, if you look at my distance to the customer that is reducing. So we are very clear about it in which markets we want to sell, we do not sell our products, I am already operating for the year around it is at 85% capacity utilization, I can go 100%. But if I do not see value for money coming in it is no sense stretching beyond that point.

Dheeresh Pathak: And last question sir, the fuel mix if you can give, how much is domestic, how much is pet coke, how much is imported coal?

Management: As I said, I will give you a pet coke idea, it is about 70% pet coke being used. Rest coal is 30%, linkage coal, not an issue, so we have that linkage going on till end of this year, so that will sustain us.

Dheeresh Pathak: And after the end of the year what will happen to that linkage coal?

Management: Then we will go for auction.

Moderator: Thank you. Our next question is from the line of Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.

Abhishek Ghosh: Sir, just wanted to understand one thing, what will be trade to non-trade mix now?

Management: About 80:20.

Abhishek Ghosh: And in terms of premium products which constitute about 9% of our overall sales mix now…

Management: Overall trade sales.

Abhishek Ghosh: Yes, so it will be closer to about 7% of our overall sales. What is the scope of increase there in terms of, is there further scope or how should one look at it from say two to three years' perspective?

Management: I would say the target is to convert 100% to that.

Abhishek Ghosh: And what will be the realization gap here?

Management: The realization gap is as of now Rs. 10 per bag.

Abhishek Ghosh: And sir just one thing, if you could just help me fourth quarter utilization, capacity utilization would be closer to 94% - 95%?

Management: About 92%.

Moderator: Thank you. Our next question is from the line of Vinay Menon from Centrum Broking. Please go ahead.

Vinay Menon: Sir, I would like to ask, how have the prices been for the first two months of Q1 FY19?

Management: Flattish.

Vinay Menon: Prices across the markets?

Management: Marginal dip, but I would say it is more flattish.

Vinay Menon: And sir pet coke price for Q4 FY18, if you can give me an average of pet coke landed price?

Management: Pet coke landed price is about 10,000+.

Vinay Menon: And the same continues sir for Q1 FY19?

Management: As of now it is stable.

Moderator: Thank you Our next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Sir, the clinker capacity that we have, this is in the Satna region, right?

Management: Yes, you can call it Satna cluster.

Dheeresh Pathak: So in that cluster we are running at 94% exit capacity utilization?

Management: For HCIL, 92%. In the last quarter only, otherwise it is around 85%.

Dheeresh Pathak: I would assume clinker utilization would be in similar levels. So what you have sense in terms of aggregate industry the Satna cluster clinker utilization?

Management: I will not have idea on this because these figures are now not available in the market.

Dheeresh Pathak: Okay. But because you are running at this high utilization will it be fair to assume that it would be not very far away from the overall aggregate clinker utilization would not be like too much deviation from 85% that you have?

Management: I really cannot tell you because some people operate at what capacities really we cannot tell you. But it should be around 80%, I do not expect it to cross 80%.

Dheeresh Pathak: Sir, why are you not seeing much higher price, can we expect to see much higher price increase going forward because the utilization is really high?

Management: Utilization can also mean reverse of it, you dump more and the prices will come down. probably somebody reduces the utilization by 10% you may see a 30% increase in price. So utilization is never an indicator that you have reached 90% so the prices will now boom up. Sometimes when people say industry is crazy can also push volumes and bring down the prices, you may have a higher utilization but low value realization.

Moderator: Thank you. Our next question is from the line of Mudit Agarwal from India Nivesh. Please go ahead.

Mudit Agarwal: Sir, I just want to know the current maturities are not included in the other financial liability?

Management: Today it is Rs. 150 crores, 1.5 billion which are scheduled to be paid during financial year 2018-2019.

Mudit Agarwal: Sir, the incentive amount which is included in the other operating income for this quarter?

Management: It is based on the tax incentive given by the Madhya Pradesh state government, and based on that calculation, designs and industrial policy we accrue that incentive every quarter in our books.

Mudit Agarwal: Okay. Sir, for the whole year how much it is booked in the book?

Management: It depends on the quantity we sold in state of Madhya Pradesh, but it is in the range of Rs. 20 crores - Rs. 22 crores per annum.

Moderator: Thank you. Our next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.

Gunjan Prithyani: I just had a related question on this pricing, now that the utilization of the cluster is fairly high and the competitive issues that we faced last year with the M&A, JP assets being ramped up, that is also largely behind. Do you think that these prices hold on because there is no big expansion coming in the region as well?

Management: If you are asking me if the prices will hold on, I would say yes the prices will continue to hold on, because monsoons are going to be good. and the way the agricultural income has come in which should be realized in this quarter is going to be phenomenal. So I do not think going forward I do not see a big issue. As long as the demand can clock around 5% to 6% things should be okay.

Gunjan Prithyani: Do you foresee any risk from these in terms of new capacity expansion or any big M&A ramp-up which can have an implication on the region? On the similar lines, does this Century JP deal would have any implication on the region?

Management: See, Century is already operating in the market, so it is just only a change of management, so that should not be a problem. It could have an implication marginally on to some markets which are towards western side.

Gunjan Prithyani: So you do not see any big competition risk like we faced last year, having said that, even prices did not collapse with that M&A as well. Sir, the second question was on this demand, you said 4% to 5% for FY18 for central region?

Management: About 6% should be central.

Gunjan Prithyani: And any sense on what is driving this, is it more of trade segment, is it more of non-trade segment, what are the drivers?

Management: It is all the drivers, I think non-trade is also equally picked up, we are not in non-trade too much.

Gunjan Prithyani: And lastly, on your expansion thing, given there could be some scope for debottlenecking at your existing plant, but if we were to think more from a three to four year perspective, are we working towards participating in any limestone bids, more from the perspective how do we see capacity growth coming within Heidelberg?

Management: Even if we are today operating at 85% capacity utilization I have got debottlenecking ability to ramp-up by production by another 10%, so we are already having headroom of 25% even if you grow at close to 7%, 3.5 - 4 years of growth we already have. And yes of course if there is an opportunity of any availability, we will look at but there are not too many mines left, we will have to see.

Gunjan Prithyani: Open to any newer markets to expand capacity?

Management: Sure. We are looking at.

Moderator: Thank you. Our next question is from the line of Parag Khare from TCS. Please go ahead.

Parag Khare: Sir, my question is, what kind of top-line growth we are targeting for FY19? Top-line and EBITDA growth.

Management: Targeting, that I would not be able to give you any number on this.

Parag Khare: Okay. But do we see any pressure on EBITDA margins because of the competition, maybe internal productivity and efficiency rate?

Management: No, I do not think we see any negative part, we are not able to foresee anything, as I said excepting barring one or two factors which the government will surely intervene and take action on that.

Parag Khare: And sir because of state election in MP do we see any negative impact on our shelf because the government tenders may not be out because of code of conduct or any other related demand slowdown if there is any government intervention in any of the project or any tender?

Management: I think we have seen number of elections all our life and we know that what will happen, as far as MP election it is not going to be much different. So it will happen only three months earlier, they have stopped giving new orders but the pipeline anyway today is the condition that in three years you will not be able to execute those projects.

Parag Khare: Okay and sir where are we targeting, is it housing, infrastructure, where are the other areas where you see demand coming?

Management: See, very clearly housing is one major and one is road project and canals, these are some areas which is consuming cement as of now.

Parag Khare: Sir one final question, debt reduction, how much outstanding debt we have as on 31st March, 2018?

Management: Exact is about 468 crores.

Parag Khare: And how much we are planning to repay this year?

Management: Rs. 150 crores.

Moderator: Thank you. Our next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Sir, what was the product in 2018 and what is expected to be in FY19?

Management: Normal replacement CAPEX we have planned for 2018-2019, and generally we keep around Rs. 50 crores.

Dheeresh Pathak: And sir on the volume growth outlook for the region, did you share that, I think I missed it?

Management: As I said, our volume we can tell you, we cannot tell what the competition volume is.

Dheeresh Pathak: No, I am saying just with the industry outlook in markets which you are present.

Management: It should be between 5 and 6 it should be there.

Dheeresh Pathak: And what is the incremental clinker capacity in that cluster, that growth is also 5% to 6% or do you think it is lesser?

Management: There is no incremental, excepting Dhar which will come in, that is all.

Dheeresh Pathak: That is on the west side you mentioned.

Management: So that is only incremental capacity which will come in, otherwise there is no incremental capacity.

Dheeresh Pathak: And next two, three years after that?

Management: I do not see, there is nothing which is visible.

Dheeresh Pathak: And are there larger players with brownfield expansion capabilities that can add capacities in short time?

Management: May be I think there are people who might be having already but they are not able to sell, so they will have to setup grinding units elsewhere outside the state.

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

Pratik Kumar: Sir, my first question is regarding the sand mining issue in the two states, how is the status now versus say like past year, past quarter?

Management: I think the nightmare is over, there is no issue now.

Pratik Kumar: So we heard that in UP some of the issues have come back again, so you do not think there are any more issues, either in availability neither in price of sand?

Management: In fact, the UP government has gone a step forward and relaxed the things as they were in the past. So whatever tightening they have done they have given up a loose rope there.

Pratik Kumar: So, sir, like in MP state there was a new policy which came like six months back, similar would be policy of UP government where you auction sand mines and accordingly improve the availability**.**

Management: I think right now there is no auction, whatever mines are operating there is enough sand available today.

Pratik Kumar: And sir regarding your fuel price of Rs. 10,000, it was pet coke price but was that also average fuel price which was 9500 in Q3?

Management: Close to that, about 300 GJ per tonne odd, during this quarter there is increase in the pet coke price which is around 15% compared to last year, these are the pet coke price.

Pratik Kumar: When is the decrease in pet coke price?

Management: It is increase, in this quarter January to March quarter pet coke price has increased as compared to December.

Pratik Kumar: And sir regarding now your WHR would have completely now stabilized, still it contributes around 20% of your captive power requirement, and what be now your average cost of production of power?

Management: It would be less than Rs. 1.

Pratik Kumar: No, I mean your average cost of power for you?

Management: My average cost of power is close to Rs. 6 including waste heat recovery.

Pratik Kumar: Sir, I was asking actually per unit basis which was total around 6.25 in last quarter.

Management: Now it will be about close to Rs. 6, close to.

Pratik Kumar: And sir regarding is there any increase in regional grid power prices in your region, like annual there is generally price increase in MP which happens.

Management: So, this year they have changed the tariff also but it has no impact on us, for us it is more or less same what we used to pay till March.

Pratik Kumar: And sir one last question regarding this volume push from other regional players, like last quarter you mentioned about haven't being this UltraTech ramp-up the price hike would have been Rs. 30 - Rs. 40. So is that pressure on volumes behind now in terms of additional push in volumes from competition?

Management: We do not want to comment on other players' strategy; we are confident that we will be able to grow in line with Industry demand growth.

Moderator: Thank you. Our next question is from the line of Milind Raginwar from Nirmal Bang Securities. Please go ahead.

Milind Raginwar: Sir, just a few questions. One, our clinker capacity currently would be around 3.5 million tons, is that a right assumption?

Management: Yes.

Milind Raginwar: And grinding capacity would be 5.4?

Management: 5 million in Central India.

Milind Raginwar: So the 10% incremental that will come through refurbishment, bottlenecking will be on?

Management: Central India.

Milind Raginwar: And the second question is on the cost if I see for the whole year, the raw material cost and the power cost, based on whatever information was given to us quarterly, if I aggregate that then the per ton cost of power is actually flat. And in terms of raw material it is declining. While the industry is observing a incremental or an inflated trend. So can you throw some light on as to how are we benefitting against what the industry is facing?

Management: See, if you look at power when we talk about power cost unit it is inclusive of average after taking WHR into that. So that has reduced if you look at it.

Milind Raginwar: Sir but WHR is only 20% odd.

Management: But you have to look at weightage it has, power unit which is going to cost you less than Rs. 1 and we have Rs. 6 tariff.

Milind Raginwar: No, I am saying the entire energy cost which includes power and fuel, we are also fighting inflation…

Management: On the fuel side if you look at it, my fuel cost has increased by almost Rs. 70.

Milind Raginwar: Exactly that is the question, when there is an increase by WHR the aggregate cost then comes down, is WHR impact that high that it offsets the pet coke as well as the power cost inflation?

Management: Because if you look at it, close to 70 million units we are using of WHR power, so that has got a significant contribution to it.

Milind Raginwar: Sorry, I did not get this. Power consumption has also come down, efficiency part we are looking at, is it?

Management: Yes. Continuously if you look at it, you look at our power consumption number of units we have been using, it has been gradually coming down quarter-after-quarter. We are doing a lot of work in energy and fuel, in terms of basically we are talking about consumption parameters.

Milind Raginwar: Actually it is showing a decline year-on-year, if I aggregate all the four quarters of last year and compare it with aggregate fourth quarter of this year.

Management: You are right, raw material cost had declined during 2017-2018 as compared to 2016-2017, it is mainly on account of major two parts, one is we started getting fly ash from cheaper sources as well as we negotiated very well on our different raw material items.

Milind Raginwar: So there is no change in the mix of something, because the trend is that the shift is from PPC to OPC, so in arc that is not the case?

Management: We are 100% PPC.

Milind Raginwar: So there we are not seeing any shift?

Management: No.

Milind Raginwar: And third question is, adjusted to this logistic cost post GST and all, what would be the like-on-like realization gain?

Management: You are talking about quarter?

Milind Raginwar: For quarter-to-quarter, yes, fourth quarter FY17 and fourth quarter FY18.

Management: The freight has increased by Rs. 130 per ton, out of that some portion is on account of diesel price increase and some portion is on account of change in business practice and that is basically on account of GSR side, you see some increase coming also on account of straight element. So may be out of 130 some part you can consider on account of GSR which is set of each other.

Moderator: Thank you. Our next question is from the line of Dheeral Shah from SFC Mehta. Please go ahead.

Dheeral Shah: Sir, what is our logistic mix between road and rail?

Management: Almost road is close to 58%.

Dheeral Shah: And rest is rail?

Management: About 42%.

Dheeral Shah: And sir this time we have breached EBITDA per ton of Rs. 946, so just wanted to know with all cost efficiency in place and utilization at much higher level how much EBITDA margins is sustainable in FY19?

Management: I think we have been continuously improving, so we will make our best effort we do not tank at all. We will try our best to keep at this level, always try to climb the mountain.

Dheeral Shah: Okay. So you are of the view that this kind of margins are sustainable, let's say about 19%?

Management: I think if the market supports we can definitely get.

Dheeral Shah: And sir thirdly, you are of the view that your debt reduction for FY19 will be Rs. 150 crores but if you see you have been generating a good cash flow year-after-year, so why not getting out of the debt in one go only and why just letting off only Rs. 150 crores year-by-year?

Management: Let us see. If you see the current bank balance of the company it is around Rs. 200 crores, considering the cash flow and the future CAPEX the board of directors have increased the dividend payout. Now the board of directors have said 25% and considering Rs. 150 crores I think the available cash balance will be used for repayment of loan, CAPEX and dividend payout. If we continue doing the same cash flow generation then we will see. For your information, next year there will be loan repayment of Rs. 125 crores and that will pay, the management is also working on different things how we can optimize available bank balance and generate cash flow for value creation, wealth creation of shareholders.

Dheeral Shah: For FY19 you will be doing debottlenecking by 10%, right?

Management: Yes, partially. We will go step by step. When there is investment to be made, we see that that capacity is going to start realizing value in nine months times. So I am just saying I am looking at up cycle in just nine months before we are investing.

Dheeral Shah: And sir lastly, how is the price realization quarter-on-quarter, you said on YoY it was flattish, on quarter-on-quarter basis has it improved?

Management: It is little better.

Moderator: Thank you. Our next question is from the line of Romil Jain from JM Financial. Please go ahead.

Romil Jain: Sir, just wanted to know in terms of your pet coke contracts, what would be the term of contracts in terms of tenure and pricing?

Management: There is no contract as such, there are only spot prices, the prices are fixed only on spot, only volume commitment is there.

Romil Jain: Volume commitment is there but prices is on spot basis?

Management: Correct.

Romil Jain: And can you just give us the mix, let's say how much would be import, largely it would be import?

Management: Nothing, no import.

Romil Jain: It is all domestic?

Management: Yes.

Romil Jain: And sir the other question is, in terms of trade and non-trade can you just give us some indication on the realization, how much that can be?

Management: Realization about close to, non-trade would be Rs. 300 per tonne difference.

Romil Jain: And lastly, sir if you can just tell us which would be top two players or brands in our region which are competing with us?

Management: It is like Holcim is there, UltraTech is there, Prism is there, Century is there, Sagar is there, Birla Corp is there. From now Rajasthan, players like JK is there, Oriental is also now a days there, Shree also comes.

Romil Jain: But since they are coming from Rajasthan we could assume that they may be unsustainable because of the lead distance and all?

Management: Today we have made the prices so attractive in central India that everybody wants to come here.

Romil Jain: And last question, any guidance on what kind of realization difference would be in terms of realization versus top one or two brands?

Management: I would not be able to comment on that.

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

Jaspreet Singh Arora: The question was on this Rs. 390 realization increase in the quarter versus same quarter last year, was it the same across both states of UP and MP?

Management: Yes, little difference would be there.

Jaspreet Singh Arora: So, which would be higher, and which would be lower?

Management: I will not be able to comment on it.

Jaspreet Singh Arora: And sir, what is our mix, what is the share between MP and UP currently?

Management: As I said, these are the figures I would not like to share.

Jaspreet Singh Arora: And possible to share the swing in EBITDA per ton for the full year, how much was contributed by NSR per ton, from 620 to 780, that is about 160-odd?

Management: It is there, as you see the waterfall you will see that the improvement in EBITDA is there.

Jaspreet Singh Arora: 280 number that I am saying, roughly is 3770 going up to 4000, is that number you are referring to?

Management: That I will have to check the details, because I am just having quarter figure. The 200 is on account of GSR.

Jaspreet Singh Arora: And sir this capacity utilization 85% for the full year, is there room to take it up to 90% on a whole year basis?

Management: Yes, why not.

Jaspreet Singh Arora: Sir, I am saying 92% was for this in March quarter which is typically the best quarter, but given we have maintenance shutdowns, we have monsoons as well, so you are saying 92% for the full year is possible based on current capacity?

Management: Yes, we can run at 99% and 100% utilization, not an issue. Our plant availability is very good.

Jaspreet Singh Arora: So out of 5.4 you are saying up to 5.4 million tons is definitely doable?

Management: Not a problem.

Moderator: Thank you. Our next question is from the line of Dhiraj Rai from SPA Securities Limited. Please go ahead.

Dhiraj Rai: Sorry, I just missed out. So I just wanted to know clinker to cement ratio.

Management: 62% is clinker.

Moderator: Thank you. The next question is from the line of Parag Khare from TCS. Please go ahead.

Parag Khare: Sir, what is going to be our tax rate for FY 2019?

Management: You are talking about tax rate?

Parag Khare: Yes.

Management: Currently we are paying MAT 2018 - 2019 fiscal year also we will continue paying MAT that will be around 22% the tax payout.

Parag Khare: 22%, okay. And sir, I know you may not be able to comment on the forecast. But do you think, things will start getting better and better from here considering the expenses and the input cost do not go up? Do you think the better days are ahead for the industry and for Heidelberg or there will be again some pressure on the demand?

Management: I think, this thing should sustain now. This is sustainable sort of a growth.

Parag Khare: And from the demand perspective as well and from the sales number as well because the sales numbers were not that great this quarter.

Management: There is a little bit dip you can see in monsoon depending on how the monsoons come into the states in the central area once it strikes in Kerala and then it proceeds further, we will keep monitoring it how it will be going to pan across into the central.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Vallum Capital. Please go ahead.

Abhishek Jain: Sir, how are you seeing for the EBITDA per tonne basis the difference which is created by your WHRS system? So can you just quantify things like on an EBITDA per tonne basis? And the second question from my side is how HAM model is like creating a revenue like how revenue is being shaped up by this voice propagated by the Government in the infra space?

Management: EBITDA Abhishek in the waterfall we have given you how the EBITDA has the pan. So you can go through the elements of that, there itself, the report is there.

Management: And the question is how is the contribution of the…

Management: So, if you see the Presentation given by the MD side Slide #05, we have mentioned that what is the net power generating of the WHR, it is around 70 million units during 2017 - 2018 and we have arbitrage of around Rs. 5 per unit. If you take that amount it is around Rs. 75 per tonne of cement contribution on account of WHR.

Abhishek Jain: Okay. And about this HAM model like your commentary for the same?

Management: This question is not clear to us. Your question is pertaining to either funding in the company then there is no loan basically on account of either from the market or from the third-party.

Abhishek Jain: Sir, I am asking, how like revenue is being shaped up by this Hybrid Annuity Model like is the cement consumption is like increasing by that thing?

Management: Maybe we can discuss offline to understand your question and the we can discuss with you.

Abhishek Jain: Okay, sure.

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

Pratik Kumar: Sir, you mentioned about procurement of Fly Ash from cheaper sources has helped your raw material cost during FY 2018. Sir, generally the commentary has been I mean although it is more from Rajasthan player that the Fly Ash cost is increasing because they are procuring from longer distances because availability is generally getting impacted. So for your case, your commentary is slightly different so if you can throw some light on this.

Management: See, we buy on sometimes on certain contracts, certain times some places we keep observing where the pockets of Fly Ash are full, okay then they are not able to evacuate. So we go there and we discuss and if that comes at a cheaper price the people are ready to move our trucks to those markets and fetch it. So it is a question of how earning manage and how much closer we are closer to the market. It is basically nothing to do with long-term contracts, it also comes in as our spot purchase.

Pratik Kumar: Okay. So sir, what would be general Fly Ash cost per tonne basis for the company?

Management: I will have to check.

Pratik Kumar: Sir, it will be around Rs. 800 - Rs. 900 per tonne?

Management: No, it will be far cheaper, upto Rs. 800 per tonne not more than that.

Pratik Kumar: Okay. And sir, regarding your lead distance you have said lead distance has come down to 355. So the previous comparison figure would be around 400 kilometers?

Management: I think it would be about 10 kilometers reduction or so.

Moderator: Thank you. Due to time constraints, we will take our last question from the line of Milind Raginwar from Nirmal Bang Securities. Please go ahead.

Milind Raginwar: Just follow-up on my earlier question itself. Our WHR was commissioned in February 2016. So is there anything incremental that we did this time to get the power cost muted in FY 2018 over FY 2017?

Management: No, I will tell you this WHR takes about sometimes a longer period to stabilize. So the issue is over a period of time and still, I would say it is not yet fully stabilized.

Milind Raginwar: So what would be the drawdown sir in terms of total megawatts?

Management: Again, it is not a question of total megawatts, it is sometimes it all depends, WHR is a very-very sensitive piece of equipment in the plant, it is a most sensitive piece of equipment. And you know it totally draws with fuel is in terms of steam from what you produce from outside for output from your plant. So if there is any fluctuation in the plant operation, you will get a hit on WHR straight.

Milind Raginwar: Okay. So, sir, my next question is are there any further cost levers available for us for the next year or two that we will see or the cost probably maintain at this level or whether we are seeing some inflation getting added here?

Management: Inflation will come in, no doubt about it. But we have to take that inflation out of the customer's pocket.

Milind Raginwar: Yes, that would be on the demand-supply dynamics. But from our perspective, we see some inflation coming. I mean FY 2018 probably may not be a repeat year for FY 2019, is that a safe assumption to put in?

Management: First of all, I do not understand because if you look at our results year-after-year okay at the PAT level, the things are very different.

Milind Raginwar: No, I am only restricting myself to the cost aspect.

Management: The cost aspect as I said the are the cost will go up, we cannot control cost. I can only tell you, how will I consume my material. So, whether my consumption parameters are the best in class in the India and that is more important for me.

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

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

Management: Thank you.

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