



“Dalmia Bharat Limited Q2 FY13 Results Conference Call”

November 20, 2012

MANAGEMENT:

- MR. PUNEET YADU DALMIA – MANAGING DIRECTOR**
- MR. V P SHARMA – CHIEF OPERATING OFFICER**
- MR. CHANDRASHEKAR KINI – SENIOR EXECUTIVE DIRECTOR**
- MR. DEEPAK SOGANI – EXECUTIVE DIRECTOR, STRATEGY & CORPORATE FINANCE**
- MR. VIPIN AGARWAL – CHIEF FINANCIAL OFFICER**
- MS. HIMMI GUPTA – ASSISTANT GENERAL MANAGER, INVESTOR RELATIONS**

SPEAKERS:

- MR. VAIBHAV AGARWAL – ANALYST, PHILLIP CAPITAL INDIA PVT. LTD.**
- MR. JINESH GANDHI – ANALYST, MOTILAL OSWAL SECURITIES LTD.**
- MR. MANGESH BHADANG- QUANT BROKING PVT. LTD.**
- MR. AMITABH SONTALIA- SKS CAPITAL & RESEARCH**
- MR. CHOKALINGAM NARAYANAN- DEUTSCHE BANK**
- MR. GIRISH CHAUDHARY- SPARK CAPITAL**
- MR. ASHISH JAIN- MORGAN STANLEY**
- MR. NITESH JAIN- AXIS CAPITAL**
- MR. KAMLESH BAGMAR- PRABHUDAS LILADHER PVT LTD**



*Dalmia Bharat Limited
November 20, 2012*

Moderator

Ladies and gentlemen, good day and welcome to the Q2 FY13 Results Conference Call of Dalmia Bharat Limited hosted by PhillipCapital India Pvt. Ltd. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Vaibhav Agarwal of PhillipCapital India Pvt. Ltd. Thank you and over to you sir.

Vaibhav Agarwal

Thank you Mohsin. On behalf of PhillipCapital India Pvt. Ltd. we welcome you to the Q2 FY13 Earnings Conference Call of Dalmia Bharat Ltd. On the call we have with us Mr. Puneet Yadu Dalmia – Managing Director, Mr. V P Sharma – Chief Operating Officer, Mr. Deepak Sogani – Executive Director, Corporate Finance & Strategy, Mr. Vipin Agarwal – Chief Financial Officer and Ms. Himmi Gupta – Assistant General Manager, Investor Relations. At this point of time I will hand over the floor to Himmi Gupta for opening comments which will be followed by presentation and the interactive Q&A session. Over to you Himmi.

Himmi Gupta

Thank you Vaibhav. Good afternoon ladies and gentlemen. Welcome to Dalmia Bharat Limited Financial Year 2013 second quarter conference call. I have with me on the call Mr. Puneet Dalmia – Managing Director; Mr. Deepak Sogani – Executive Director, Strategy & Corporate Finance; Mr. V P Sharma – Chief Operating Officer; Mr. Vipin Agarwal – Chief Financial Officer; and Mr. Chandrashekar Kini – Senior Executive Director to discuss some of the recent events and results of the company.

We will commence our call with comments from management team followed by an interactive Q&A session. I would like to mention that certain statements that may be made or discussed on the conference call may be forward looking statements. The actual results may vary significantly from these statements. The company does not offer to update them publicly to reflect the change in performance. A detailed statement in this regard is available in the results presentation made available by the company. I would now like to invite Mr. Puneet Dalmia to share the key highlights of Dalmia Bharat Limited.

Puneet Dalmia

Good afternoon everyone. We trust you have received and gone through the results presentation shared a while ago. Let me share some perspective on the performance for DBL in the quarter gone by. We would begin by saying that during the quarter under review our overall performance of the business as a whole has been fairly good led by the cement side of the business in the southern market and further supported by stable performance of other miscellaneous businesses. We are pleased to announce that the consolidated performance of Q2FY13 shows a gross revenue of Rs. 766 crore, up 13% on YoY basis. The gross revenue for half year ended September 30, 2012 was at Rs. 1493 crore up 18% on YoY basis. At the

EBITDA level for Q2FY13 the company has recorded a consolidated EBITDA of Rs. 174 crore up by 7% on YoY basis and up by 6% on QoQ basis. For half year the consolidated EBITDA stands at Rs. 337 crore up 19% on YoY basis. The macroeconomic environment has been stable for the industry as the all India demand for cement has grown 5% for the quarter and 8% for the half year on YoY basis. Monsoon in the country led to slower growth during the quarter. Demand in south has grown by 5% in Q2 FY13 and 7% for half year on YoY basis. We are pleased to announce that we have delivered a 3% volume growth for the quarter and 8% for half year. Our associate company, OCL India Ltd. in which we hold 45% stake has reported its financial results a few days back. The company has a plant located in Odisha and is catering to eastern market. Their cement realization has improved during the quarter under review. The company has recorded a growth in gross revenue of 22% in Q2 FY13 at Rs. 471 crore and net revenue of Rs. 411 crore up by 21% on YoY basis. The EBITDA for Q2 FY13 is Rs. 84 crore which is higher by 220% on a YoY basis mainly due to significant improvement in price realizations in the region. During the quarter under review the eastern market demand has grown by 3% on YoY basis and 7% for the first half of financial year 2013 in which OCL dispatches have shown a negative growth due to AP players infusion in the region. Realizations in AP were weak and quite robust in the eastern region in Q2 FY13. Price for bag in Hyderabad was around Rs. 244 as compared to 323 in the eastern region in Q2 FY13. As a part of its growth plan, Dalmia Cement Bharat Ltd. has acquired 100% stake in Meghalaya based Adhunik Cement. Adhunik Cement has a robust presence in markets of Northeast with a 10% market share and a capacity of 1.5 million tons per annum. Ownership of this business comes at a phased investment of Rs. 560 crore and follows a non-organic acquisition based growth strategy of Dalmia Cement Bharat Ltd. under which the company acquired 50% stake earlier this year in Calcom Cement. We have started the construction work at our integrated Greenfield project in Belgaum, Karnataka of 2.5 million ton in August 2012 and we expect the completion to be in September 2014. Total estimated cost for the project is Rs. 1300 crore excluding the TPP and would be funded in the debt equity ratio of 70:30. In September 2012 the ground breaking has also taken place for 1 million ton clinker unit at Umrangshu, in Calcom wherein the company currently has 50% stake taking the total clinker capacity to 1.3 million tons. In OCL also we have announced the ground breaking of a Greenfield split grinding unit of around 1.35 million ton in Medinipur in West Bengal in August 2012. The total estimated cost is Rs. 550 crore and the estimated completion period will reach the second half of financial year 2014. Cement has yet to see a lot of growth and we are poised for a sectoral leadership in terms of capacity, profitability, sustainability and CSR. The focus of the management is to continue to enhance operating performance. Now I would like to hand over to Mr. Sharma, our Chief Operating Officer, who will take you through the details of the operating performance.

V P Sharma

Thank you Mr. Dalmia. Well against the South India demand growth of 5% on YoY growth we have grown in Tamil Nadu by 10%, Kerala 8%, Karnataka 8% and there is a negative growth in AP for Q2 financial year 2013. For the half year Dalmia has registered 14% growth in Tamil Nadu, 16% in Kerala, 7% in Karnataka and negative growth of 29% in AP. We

consciously restricted ourselves to core-markets in AP to protect our EBITDA due to weak pricing on AP led by aggressive volume pushed by local AP players. On the sale front the company continued to make head winds its co-markets of Tamil Nadu, Kerala, AP and Karnataka, and is expecting higher growth rates in coming quarters led by demand from both trade and non-trade sectors. On the operation side all efforts on the energy efficient is held up to reduce power consumption per metric ton from 74 KWH in Q2 FY12 to 73 KWH in Q1 FY13. Also there is significant reduction in station heat rate for our captive power plant from 3445 in Q2 FY12 to 3364 in FY13. We are also being vigilant towards the dynamic prices of import-export and usage of pet coke significantly higher in proportion as well as high moisture coal which we import from Indonesian at a lower price. In the power business, total power sold in H1 FY13 is 14 mw as compared to 10 MW in corresponding period of pervious year, growth of around 40%. For the quarter around 15 MW is sold as compared to 7 MW in Q2 FY13, growth of more than 100%. TNSEB rates have gone up to Rs. 5.4 per KWH during the quarter under review from Rs. 3.6 KWH in Q2 FY12 versus Rs. 5.1 per KWH in Q1 FY13. In pursuit of our journey towards energy efficiency continuous and focused activities are undertaken on a regular basis. I am pleased to inform that in reorganization of our efforts from Dalmia plant in Tamil Nadu has bagged national award for excellence in Energy management for 2012 from CII. We have been working on attaining excellence in logistics, marketing and operations by creating center for excellence for each of these functions which would help us by creating and formulating strategies and adopting the best practices which we believe will help in creating added value for the organization. Now I would like to hand over to Mr. Deepak Sogani who will take you through the detailed financial performance.

Deepak Sogani

Thank you Mr. Sharma. Ladies and gentlemen I thank you once again for taking interest in Dalmia Bharat Ltd. and for being present on this call. We shall discuss the performance of the company for the quarter under review period. For the benefit of the listeners I would state that all comparisons will be made with the comparable period of previous year except where specifically highlighted. Further I shall be referring to consolidated performance of Dalmia Bharat Limited. To provide you some color of the cement volume we sold 1.5 million ton of cement in the quarter as compared to 1.4 million ton of cement in the quarter as compared to 1.4 million ton in the comparable quarter last year thus showing an increase of 3% on a YoY basis. For half year ended 30th September, 2012 we sold 2.9 million tons as compared to 2.7 million tons in the corresponding period of the previous year, up 8% on YoY basis. Net revenue at Rs. 671 crore for Q2 FY13 has grown up by 12% on YoY basis and for half year net revenue has grown to Rs. 1314 crore up to 17% on YoY basis. Average realizations in cement stood at Rs. 4291 per ton in Q2 FY13 up by 7% YoY and down by 1% on QoQ comparison which is in line with the regional price movement. For HY1 FY13 our NSR per ton stands at Rs. 4310 up 9% YoY. The EBITDA of cement sales has improved to Rs. 1087 per metric ton for Q2FY13 which is higher by 6% on YoY basis and up by 1% sequentially. EBITDA per metric ton for half year is up 13% YoY and is at Rs. 1082 from Rs. 956 in HY1 FY12. On a per metric ton comparison power and fuel cost has gone up 7% on YoY basis and down by 4% sequentially which is reflecting the downward trend in coal in international

prices. Dalmiapuram operation would have shut down for a brief period during the quarter for repair and maintenance which was covered up by running our Ariyalur plant at higher utilization levels. Freight charges have increased by 22% on a YoY basis and 5% sequentially. There has been a diesel price hike of 14% and increase of railway freight service tax by 3.76% in September 2012 which had a partial impact on sequential increase in the freight cost. Total impact on road freight due to diesel price hike would be approximately 14% and 2-3% on rail freight. During the quarter ended September 2012 Dalmia Cement will be a subsidiary of the Dalmia Cement Bharat Ltd. subsidiary the company has signed definitive agreements for acquisition of 100% shareholding of Adhunik Cement Ltd. for a total equity value of 560 crore. The acquisition in consideration shall be made in multiple tranches subject to adjustments and various other terms and conditions set out in the definitive agreement. Till quarter end, subsidiaries of the company has invested Rs. 331 crore in the Adhunik Cement business. The company continued to make headway in this core market of Tamil Nadu, Kerala, AP and Karnataka and expected to show higher growth rate in the coming quarters backed by demand from both trade and non-trade sectors. In OCL the volume decreased by 5% in Q2FY13 to 0.77 million tons on YoY comparison and by 9% on sequential quarter comparison. For half year sales volumes were down by 2% to 1.61 million tons. Prices have improved during the quarter under review and the average realization has increased to Rs. 4290 per ton up by 35% on YoY basis and down by 12% on QoQ comparison. From last year the NSR per ton was up 37% at Rs. 4611. EBITDA per metric ton has improved to Rs. 1036 per metric ton for the quarter under review as against Rs. 253 per metric ton on YoY comparison, growth of over 300%. EBITDA per ton for HY1 FY13 has improved from Rs. 566 to Rs. 1367, up 141%. EBITDA has improved primarily on account of improved realization. Coming back to DBL consolidated results the total net debt of the company stands at Rs. 2050 crore at the end of Q2 FY13 this includes net debt of Adhunik Cement of around Rs. 515 crore of which Rs. 343 crore is term loan. The net debt to equity ratio is at 0.6x as at the end of Q2 FY13. We have consolidated Adhunik Financials of 2 days in the quarterly P&L reporting as we entered into the Adhunik transaction of September 28th, 2012. Moving on our finance cost in Q2 FY13 stands at Rs. 42 crore, the same has increased from Rs. 39 crore during the same period last year primarily due to foreign exchange loss mainly on the foreign currency loans in Q2 FY13. DBL has earned treasury income on its liquid investments, during Q2 FY13 it has earned a treasury income of Rs. 24 crore as against 27 crore earned in Q2 FY12. Taking into account the DCBL's stake in OCL India, the latter contributed to Rs. 15 crore, DBL's consolidated bottom line for the Q2 FY13 as against (-2) crore in Q2 FY12. For half year it has contributed 43 crore as against 9 crore in the corresponding period of previous year. That brings us to the end of our comments and the results and we would now like to request the moderator to open the forum for queries. Thanks.

Moderator

Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Jinesh Gandhi from Motilal Oswal Securities Ltd, please go ahead.



*Dalmia Bharat Limited
November 20, 2012*

- Jinesh Gandhi** Hi good evening. My question pertains to your consolidated numbers. I presume they are not yet consolidated for Calcom.
- Deepak Sogani** That is true.
- Jinesh Gandhi** By when will we be consolidating for Calcom and Adhunik?
- Deepak Sogani** Adhunik is already consolidated, two days numbers are consolidated in the current financials because it is acquired towards the end of the quarter and already we have owned a majority stake in Adhunik, 100% stake actually so that is going to get consolidated on an ongoing basis. In Calcom, we are working towards the 50% stake in tranches, so as and when we are moving towards the majority control that time we will consolidate.
- Deepak Sogani** See it is in tranches. It is not kind of working out or disclosing these stakes at different tranches level because it is based on the definitive docs bound by certain level of confidentiality but as we have shared and we have agreed for 50% ownership in the first definitive agreement that we sign with them, which will be the end state as and when we put the entire money that is required by us towards the project also. So we had disclosed a 238 crore transaction in Calcom, only part of it has been closed out so far.
- Jinesh Gandhi** Okay, but any indication which you give by then will be reaching 50% stake and by then we will start consolidating.
- Deepak Sogani** I think on this call we would not want to kind of give a clear guidance on this issue. I think it depends on how the project progress happens over there. So perhaps on a subsequent call at the right time we will be able to share it with you.
- Jinesh Gandhi** Secondly pertaining to performance of the Calcom as well as Adhunik can you share some numbers with respect to what kind of profitability they enjoy, what would be their absolute profit level, need not be accurate numbers but indicative.
- Deepak Sogani** See as you are aware the Northeast market has been pretty good from a pricing point of view for the last quarter. We have seen prices in the mid-300 range over there in the last quarter. We are pretty robust on the pricing side, #1. #2 between Adhunik and Calcom, clearly Adhunik is a fully operational plant and we have been able to streamline the operations and we are already selling significantly more on a run-rate basis than when we acquired the plant. That is one important thing to note when we acquired the plant, the last month's sales were significantly lower may be 30,000-40,000 tons of cement which is now significantly better than that. That's doing well. All and all Adhunik seems to be playing out pretty well. Seems to be doing stable kind of volumes and we see a lot of growth happening in that business and lot of profitability also building up there in due course. Calcom on the other hand, as you are aware, is still in project situation for a long period of time. The clinker unit is under construction and we are doing a small piece of operation there either getting our own clinker



*Dalmia Bharat Limited
November 20, 2012*

from various units OCL, or buying some clinker and doing some basic kind of grinding over there because the grinding unit is already being put up over there but it's not a very large volume. We have to really balance it in the light of the fact that we are working on the project over there at this point of time.

Jinesh Gandhi

Okay. So what kind of EBITDA per ton Adhunik would have done in this quarter?

Deepak Sogani

We would rather anchor the EBITDA per ton number for the entire business as a whole. We are not kind of, at this point of time we would not like to share the regional profitability's like we do not share EBITDA per ton for each of our states in the south.

Jinesh Gandhi

Sir I understand but for a new business may be you are not comfortable right now, it is okay. And coming to lastly on your gross debt or rather net debt of about 2050 crore, considering the meaningful CAPEX which you are undertaking across companies, where do we see our net debt peaking at?

Deepak Sogani

Based on what we have already kind of set out in motion, right. There are 2-3 drivers there clearly, the net debt number that you are seeing of 2,050 there will be, as the Belgaum project progresses obviously another 950 crore odd debt will get added. So this 2000 net debt will progressively move towards 3000 crore. There is no further debt coming into the main Adhunik debt is already consolidated in the balance sheet. If Calcom did get consolidated then that point of time that is going to be a separate number. Other than this 950 crore another may be 300-400 crore of additional loan will be added in the current fiscal, that is the overall debt position.

Jinesh Gandhi

So this 300 to 400 would be part of this 950 crore-debt for Belgaum project or that would be separate?

Deepak Sogani

In addition to that but these are gross debt numbers. You must appreciate that in parallel we have a liquid treasury and the operating cash flow will also generate cash, so the net debt number will certainly be may be in the ballpark region of 800 to 900 crore addition, not more than that. And that also not in the current, Belgaum will actually be in 2 years. Current years, it will be 300-400 crore perhaps.

Jinesh Gandhi

Last question from my side is to Puneet. Can you just highlight why are we doing open offer for Dalmia Bharat Sugar Ltd? What is the rationale behind that?

Puneet Dalmia

We think that currently it is significantly depressed in terms of value and we are sitting on a lot of cash so we felt that given the fact that the sector is generating good returns this year and we think that future outlook is positive. That is the reason why we have made an open offer and we think it is a good investment to make.



*Dalmia Bharat Limited
November 20, 2012*

- Jinesh Gandhi** So but this will always remain as a strategic investment rather than a trading investment for us, right?
- Puneet Dalmia** I think we can take a call on that right now. I think we are pretty flexible on how we will ultimately decide to hold it or sell it.
- Jinesh Gandhi** Okay. And what is the status on this open offer? How much you will be investing and all?
- Puneet Dalmia** I think if it is fully subscribed then the total investment will be about 40 to 50 crore for a 25% stake.
- Jinesh Gandhi** Okay sir thanks.
- Moderator** The next question is from the line of Mangesh Bhadang from Quant Broking, please go ahead.
- Mangesh Bhadang** Question is on OCL, like your presentation mentions in the eastern region lot of states have shown very good growth in demand, so when do we expect that to translate into volume growth for OCL because it has been languishing for sometime?
- Puneet Dalmia** I think it should happen by next year, because we had some problems in the mining permit last year and this year also we had some small breakdowns in the plant. So from next year onwards we are confident that there will be robust volume growth in OCL also.
- Mangesh Bhadang** Sir because I guess we expanded capacity in FY10 to almost 5.3 million tons and we are barely reaching say 3 or 3.5 million tons, so how much utilization can we expect in FY14?
- Puneet Dalmia** I cannot give a guidance right now. I think we should be able to show double digit growth next year for sure.
- Mangesh Bhadang** So there is no regulatory or any other technical problem that is stopping us from reaching higher utilization, right?
- Puneet Dalmia** No.
- Mangesh Bhadang** And sir just one more thing in your southern as well as eastern markets what has been the pricing trend in this quarter, post September? How has been the pricing? Is it up or down?
- V P Sharma** In the quarter 2 pricing in the southern markets were more or less stable as far as Tamil Nadu is concerned, Karnataka is concerned and Kerala is concerned. But yes in AP there were a lot of pressure on the pricing and it has touched the rock bottom if you ask me. As MD was mentioning in his speech that 240 in Hyderabad and that was in trade markets, but non-trade which is always 50% to 60% of this business, it has gone as low as Rs. 200 so pricing in the AP was very poor in the quarter but otherwise in southern market it was more or less the same.

- Mangesh Bhadang** In East?
- V P Sharma** It started seeing up in the second quarter.
- Mangesh Bhadang** So what is the current picture that is what I am saying? Post second quarter is there been something because I have been hearing there is a pressure in eastern markets currently on prices.
- V P Sharma** Currently yes, currently in quarter 3 going there is a pressure because again the AP supplies, AP has a maximum capacity and lot of capacity addition has also come in the last year particularly plants like JP, Jindal, BMM and these plants because the prices are very poor in Andhra, they had been pushing big volumes to Odisha so there were lot of pressure on the prices in Odisha and similarly we are also affected in the volume growth in Tamil Nadu or Kerala or Karnataka because of this pressure. But now if you ask me going quarter 3 AP prices are again firming up and in last month itself it has started positive trend so that should help us in easing the decline particularly Odisha and AP.
- Mangesh Bhadang** So I guess even on a QoQ basis the prices remain flat, we should be happy in that.
- V P Sharma** Yes.
- Moderator** The next question is from Amitabh Sonthalia from SKS Capital, please go ahead.
- Amitabh Sonthalia** Couple of questions, one is related follow-up question to someone who asked about the sugar acquisition so you mentioned that you have cash available for this investment but you also have a huge amount of CAPEX planned and investments that you have committed to recently like Adhunik for example, and your gross debt has increased substantially to 2700 crore. So does that logic completely hold that, I mean it is not like you have surplus cash available to increase investments in an unrelated business even though it is a relatively small compared to your existing operation. Would not a better route be through the unlisted promoter level and not through the cement entity?
- Puneet Dalmia** I think Dalmia Bharat is a company which holds our cement assets and the power assets and it has a small refractory business embedded in it. So basically the cement company balance sheet we think is being managed separately and independently and our view is that yes when we are expanding aggressively the balance sheet temporarily may look a little stretched in terms of organic and inorganic growth but we think in a couple of years if the operations performed which we are very bullish on, the balance sheet will look very healthy.
- Amitabh Sonthalia** So then investors like us should view listed Dalmia Bharat as more of a holding entity then?
- Puneet Dalmia** I think it is already being viewed like that.



*Dalmia Bharat Limited
November 20, 2012*

- Amitabh Sonthalia** As a holding company rather than a direct play on cement?
- Puneet Dalmia** I think cement is the major contributor but it holds our power assets as well.
- Amitabh Sonthalia** What are the investments in our power assets?
- Puneet Dalmia** We have about 72 MW of power.
- Amitabh Sonthalia** That is non-captive?
- Puneet Dalmia** I think it is mostly captive but we sell about 20-25% on a merchant basis.
- V P Sharma** And 72 MW is only in south plants but we have in OCL too if you want to add that.
- Amitabh Sonthalia** And what would be a peak gross debt, say post the CAPEX and acquisitions in the next one year or two? Where will our gross debt peak at is the question?
- Deepak Sogani** Our net debt right now is around 2000 crore, after Adhunik debt has also been consolidated, right. Our sense is that over the next 2 years about 1000 crore of gross debt will get added in the Belgaum project and another Rs.300 crore will get added or Rs.400 crore will get added other than the Belgaum project, okay. That is what I have said. Now in addition to that there will be perhaps some operating cash flow post normal maintenance and everything that will get generated from the operations. In this year and next year put together perhaps may be 600-700 crore obviously after all other expenses income tax, etc., may get generated. So the gross debt or the net debt addition perhaps will be in the range of somewhere around 800 crore or 700 crore, that would be my estimate.
- Amitabh Sonthalia** So it would probably peak in FY14 you would think?
- Deepak Sogani** That is true because Belgaum the fully drawn debt of Belgaum will be in FY14.
- Amitabh Sonthalia** And just coming back to the earlier stated rationale for acquiring the sugar stake the same logic should you not be undertaking a buyback of your own shares because even Dalmia Bharat as well as its listed associate, OCL, is steering at a fraction of book value and fraction of replacement cost much cheaper than the asset, any thoughts on that?
- Puneet Dalmia** I think that is a good suggestion we will look at it, we will examine it.
- Moderator** The next question is from the line of Arush Goyal from NV Capital Advisors, please go ahead.
- Arush Goyal** I just wanted to know what are the current utilization at the Adhunik plant?
- Puneet Dalmia** As we said we are currently running at about 40 to 50% utilization.

- Moderator** The next question is from the line of Jinesh Gandhi from Motilal Oswal Securities Limited, please go ahead
- Jinesh Gandhi** Just wanted to get clarity on this capacity addition which you have indicated in the presentation in Karnataka of 14.8 million tons, can you give breakup of that? I believe 5 million ton is of UltraTech?
- Puneet Dalmia** Jinesh can you take this offline? Himmi will send you the breakup offline.
- Moderator** The next question is from the line of Chockalingam Narayanan from Deutsche Bank, please go ahead.
- C Narayanan** Just wanted to find out on the OCL expansion as far as the grinding capacity is concerned, the capital cost at about 500-odd crore for a 1.5 million ton grinding what portion of this is land and what portion of this is purely the equipment?
- Puneet Dalmia** We cannot give you that breakup at the moment but I would say land and infrastructure put together will be about 20-25% of the total CAPEX.
- C Narayanan** So does that mean the capital cost per ton of a grinding unit has moved up to about 250-300 crore, is that a fair number to say?
- Puneet Dalmia** I think it depends on whether it is slag based or a PPC based facility. A slag based facility costs a little bit more and basically we have gone in for a vertical mill rather than a ball mill which is a little bit more expensive in CAPEX but more energy efficient. So it depends on what equipment you are basically choosing but yes, I think the cost for a slag based facility are significantly higher because you have to grind cement finer and for the same capacity of the mill, you get less output.
- V P Sharma** And you need to put a drier for drying up the slag which is an extra cost in slag grinding unit which is normally not there if you are making PPC or OPC.
- C Narayanan** And as far as the Karnataka unit is concerned the capital cost which is mentioned is purely for the pyro processing units and the grinding or does that include any cost for the captive power plant or railway sidings?
- Puneet Dalmia** There is no railway siding and no captive power plant in this cost estimate which we gave.
- C Narayanan** So there is no proposal to put up a captive power plant or would that be put up under separate entity?
- Puneet Dalmia** We are examining that right now. We have not taken a final decision.



*Dalmia Bharat Limited
November 20, 2012*

- C Narayanan** And lastly any particular reason on choosing Karnataka as a location for Greenfield expansion or whether other alternative locations which you have thought of?
- Puneet Dalmia** I think we had a choice between Northeast and Karnataka and in Northeast we had already taken significant exposure through acquisition. So we thought Karnataka will give us access to the West India market, half of this capacity will be sold in Maharashtra and that will just give us a little bit more extension of our South footprint.
- C Narayanan** The reason why I was asking was still at least 30-40% will find its way into the Mangalore market and is not the Kadapa unit of ours more closer to Bangalore than this current unit?
- Puneet Dalmia** I think south Karnataka will still be served by Kadapa. Belgaum will mostly serve north Karnataka and Maharashtra.
- Moderator** The next question is from the line of Girish Chaudhary from Spark Capital, please go ahead.
- Girish Chaudhary** Off-late I have been reading a few press articles that there has been an indefinite strike in the State of Kerala by the local cement dealers. Can you update on this like how will it impact the volume on prices?
- V P Sharma** See Kerala today there is a news that tomorrow government has invited the team for discussions association. And we expect that by day after tomorrow some decision should come and we are very hopeful that dispatches and sales would again start because for the last 15 days it has gone down and particularly for the last one week there is no cement in Kerala. So government has to take a call on this. We are hopeful that by day after tomorrow it should be over.
- Girish Chaudhary** So have you seen any sharp increase in prices there?
- V P Sharma** Yes lastly they have quoted Rs. 410-420 because there was no cement on the outlets.
- Girish Chaudhary** My next question is what is the current demand outlook in your key southern states?
- V P Sharma** We are looking at 8% to 9% demand particularly in Tamil Nadu, Karnataka and Kerala put together but AP continues to be negative as of now.
- Moderator** The next question is from the line of Ashish Jain from Morgan Stanley, please go ahead.
- Ashish Jain** My first question was on how much investment could Dalmia be actually doing in Calcom, apart from the 240 crore that we are doing to acquire the company itself?

- Deepak Sogani** We have already said 238 crore is what we will do and then we have a plan to acquire the residual 50% also but that is over a much longer investment horizon. So nothing has been planned as of date. It will take over a period of time.
- Ashish Jain** My question was more in context of the CAPEX that Calcom itself has to do. So will you be funding that as well or it is completely on Calcom's balance sheet?
- Deepak Sogani** It is on Calcom balance sheet. Other than 238 crore, Calcom has already some borrowings on the bank and some additional loans have been tied up on Calcom balance sheet itself.
- Ashish Jain** So we are not infusing anything apart from -
- Deepak Sogani** No, not at the moment.
- Ashish Jain** Okay. And secondly on the project cost for Belgaum which is Rs. 13 billion, does that include land and if yes, then how much? Can you kind of indicate that?
- Deepak Sogani** Land is obviously included in that. Meaning you cannot obviously segregate just the pure land value for you but it was purchased quite sometime back so relatively lower cost.
- Moderator** The next question is from the line of Nitesh Jain from Axis Capital, please go ahead.
- Nitesh Jain** Hi sir can you tell me this OCL expansion, grinding at Medinipur, from where we would supply clinker to this unit?
- Puneet Dalmia** Rajgangpur.
- Nitesh Jain** From our existing operation only?
- Puneet Dalmia** Yes. Or may be we can obviously buy from elsewhere also but currently that is the thought you know.
- Nitesh Jain** But I believe that we already have 5 million ton of integrated clinker plus cemented OCL, right?
- Puneet Dalmia** Yes, that is true.
- Nitesh Jain** So basically putting up only grinding unit, I mean where would we get clinker?
- Puneet Dalmia** See we are actually coming closer to the market over there because we are already sending cement in West Bengal and by this grinding unit we are coming closer to the market to kind of create a larger market presence, so that is the situation.

- Himmi Gupta** Moreover, CC ratio for slag unit is higher. It is around 2.1-2.2.
- Nitesh Jain** Alright and sir my second question is this with respect to OCL only, problem related to this limestone mining has completely been resolved in Odisha related to environmental laws and shutdown had happened I think six months back. So that has been resolved and we have permission and everything in place now?
- Puneet Dalmia** Yes.
- Nitesh Jain** So that issue has been closed, right?
- Puneet Dalmia** Yes.
- Moderator** The next question is from the line of Kamlesh Bagmar from Prabhudas Lilladher, please go ahead.
- Kamlesh Bagmar** It is about Karnataka expansion again a Greenfield project, can you share what incentives do we have at this particular expansion? Do we have sales tax benefits or other tax benefits associated with this particular expansion?
- Puneet Dalmia** Yes, we do but that is as per the industrial policy of the government.
- Kamlesh Bagmar** Is that like sales tax incentives or what it pertains to?
- Puneet Dalmia** It is basically a sales tax incentive.
- Kamlesh Bagmar** And apart from that like sir in the case of Calcom project, like what I have learned that sir it is more of a like secret investments or like we have not been able to get much information about this particular project and even if we see like this particular investment we have been harping on this particular investment for the past one year and even if we would have gone through on our own we would have been able to like invest in that same identical investment in a 2-year horizon, so why to go for this particular acquisition and all that because I believe from now on also it would take another one year time to get this particular expansion on track. So we have not gone on our own?
- Puneet Dalmia** I think in Assam we believe this is probably the only investment opportunity available in terms of an integrated plant. All other opportunities in Northeast are basically in Meghalaya. So even though it has taken slightly longer than we expected in terms of getting a project off the ground we feel it is a very positive investment in the long term.
- Moderator** The next question is from the line of Chokalingam Narayanan from Deutsche Bank, please go ahead.

- C Narayanan** Just want to understand what is the mix as far as fuel is concerned at this point in time?
- V P Sharma** For southern plants our mix is, we are using almost 60-70% Indonesian coal, high moisture which is nowadays available at regionally Rs. 1000-1100 per million kilo calories. Then whenever there is opportunity of pet coke availability internationally we buy pet coke, which normally comes at Rs. 950 to Rs. 1000 per million kcal. So most of our efforts are on the Indonesian coal and pet coke, but pet coke availability is very poor off late.
- C Narayanan** You source it only from overseas? You do not source it from the Indian refineries?
- V P Sharma** Indian refineries landed at my plant because all the three plants are situated in south are very costly and it is only Reliance. So which is very costly than imported.
- C Narayanan** Okay and linkage is how much for the southern plants?
- V P Sharma** Linkage is because it is a very high ash coal and normally is not available so we are not depending on that. Sometimes we take for our power plant or something, whenever it is available. One or two rakes in a month for power plant only.
- C Narayanan** Okay. And what about OCL?
- V P Sharma** OCL has a linkage coal plus they use Meghalaya coal to collect and then they use some imported coal also but they have good linkage.
- C Narayanan** What is the mix there?
- V P Sharma** They use linkage coal plus they import also sometimes Indonesian coal and they use Meghalaya coal.
- C Narayanan** I was asking the percentage mix.
- Himmi Gupta** Linkage is around 45% for OCL. Then they are using around 20% to 25% open source coal. Balance is the imported coal.
- C Narayanan** As far as current dispatch mix is concern what is the railroad mix for the southern plants and for OCL?
- V P Sharma** Southern plants will have 20% rail because Tamil Nadu, say if you ask me state wise Tamil Nadu I mean 95% is by road only because we are within 350 km to 400 is the maximum distance otherwise mostly within 200 km. Kerala we supply by rail to some destination which are say 400 to 500 km which is around 20% overall on the company.
- C Narayanan** And what about OCL?



*Dalmia Bharat Limited
November 20, 2012*

- V P Sharma** But going forward it may go high because now recently in last quarter we have commissioned our railway siding at Kadapa plant. So now we can look for the distant market like in AP the Vizag or such markets or in Karnataka some markets are distant in where we can send by rail but today it is 20%.
- C Narayanan** Sorry I missed which markets you mentioned from Kadapa unit?
- V P Sharma** Kadapa unit Karnataka, Karnataka markets, North Karnataka similarly like Vizag in Andhra which are at a distance of 100 km something like that. Going forward we will be sending to those places by rail.
- C Narayanan** And what about OCL?
- V P Sharma** OCL Himmi you will be able to give some figure?
- Himmi Gupta** OCL railroad mix is, rail is 53% and road is 47%.
- Moderator** As there are no further questions I would now like to handover the floor back to Mr. Vaibhav Agarwal for closing comments.
- Vaibhav Agarwal** Thank you Mohsin. Sir I have one question. On the last call you had indicated that we are working on a brand strategy for integrating all our operations so any progress on how to integrate all?
- Puneet Dalmia** I think it is still work in process. We will update you when we have something to announce. Thanks.
- Vaibhav Agarwal** No problem sir. Thanks a lot for all the participants for joining the call and we also thank the management of Dalmia Bharat for this opportunity.
- Moderator** On behalf of PhillipCapital India Pvt. Ltd. that concludes this conference. Thank you for joining us and you may now disconnect your line.