



“HeidelbergCement India Limited Q4 & FY’19 Earnings
Conference Call hosted by PhillipCapital (India) Private
Limited”

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HEIDELBERGCEMENT



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**MODERATOR: MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA)
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Moderator: Ladies and gentlemen, good day and welcome to the HeidelbergCement India Limited Q4 & FY'19 Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participants' 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, sir.

Vaibhav Agarwal: Thank you, Stanford. Good afternoon, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q4 & FY'19 conference call for HeidelbergCement India Limited. On the call we have with us Mr. Jamshed Naval Cooper – Managing Director and Mr. Anil Sharma – Chief Financial Officer.

I would like to mention on behalf of HeidelbergCement India Limited and its management that certain statements that may be made or discussed on this conference call maybe forward-looking statements relating to future developments and current performance. These statements may be subject to number of risks, uncertainties and other important factors which may cause the actual developments and results to differ materially from the statements made. HeidelbergCement India Limited and the management of the company assumes no obligation to update or alter the forward-looking statements whether as a result of new information or future events or otherwise.

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

Management: Thank you, Vaibhav and thank you, everybody for joining our investors call.

I suppose you would have seen the 'Presentation' which we have uploaded on our website and circulated also.

So taking you straightaway to slide #4, the industry's trajectory of growth is I would say very good; so far the utilizations have been close to for the industry 70%; it has improved over the last year. So, this is some very good positive numbers which are coming from the cement industry; growth rate across the country it is about 13% on a 12-month basis which is I would say reasonably doing better than many other industries it is doing. So good figures here.

Coming to HCIL Financials, Operations Figure Highlights are: Since we take pride in saying that as the organization we are safe organization and we work towards health and safety, that is our foremost priority also, and this is the slogan which we work with on and we have ensured that a zero loss time injury is there and zero fatality, the target is by 2020 we would like our organization to be absolutely a scratch free organization, we do not want the single person in our organization to be hurt even by a scratch. So, this is the agenda which we work on and this is the commitment we give to our own people that we will ensure that this is what we delivered to the people who come to work for HeidelbergCement in anywhere part of India.

On the utilization, we have done 90% utilization, 100% blended cement company we are which is another distinction and there we try to improve our positioning in the market by putting in value added products, about 19% growth we have seen on YoY basis. EBITDA at Rs.987 per ton, increase is almost 26% YoY basis.

In terms of debottlenecking of our projects, first phase is complete, two more are going to happen which will happen by end of this year and one more phase which will continue in the next financial year and I think with that we will add up about close to 0.4 mt of capacity in our system.

On the ECB, we have repaid almost 1,500 million. That has been a revised interest free loan of 687 million from UP government is still there which brings down our overall interest cost significantly lower. And we continue the distinction of our operations that we work on 100%. Most of the payments we are working on advance payment and with our vendors also there is arrangement of certain credit period and we work on a negative net working capital. So this is again a benefit which the company enjoys. Net debt is almost Rs.266 crores to Rs.267 crores and net debt-to-EBITDA is at almost 0.55x.

Happy to announce that...you would have known about it already, board has recommended dividend of Rs.3 per share, that is 30%, interim dividend was declared as Re.1 per share, that is 10% to be distributed during FY'19 and the other dividend is subject to the shareholder's approval.

Coming to Slide #6, I am very happy to say that we sold highest ever volume this company has ever sold in its history was in this financial year; volumes were the highest; realizations which we achieved were the highest ever in the record of the company. WHR generation of course it is the new one but yes, team managed to ensure that the WHR generation was at its peak maximum. EBITDA on absolute number also was at the highest. EBITDA per ton was also highest and so was profit after tax.

So on all the major parameters I would say on yearly basis we have created a new benchmark for us to work upon and sustain and improve upon. So this is the achievement which the organization is very proud of announcing and this will be our endeavor to see that we continue this trajectory, so far we have continued over the years and we have not let our investors down, so we will try to do our best and see to it that we deliver on future also. On annual sales, volume if you look at the slide which is clearly showing you, how we have grown. Now we are touching 91% utilization. On sales volume it is close to this. Somebody might want to know about clinker also for the annual basis. Our utilization is almost close to 85% on clinker side.

Coming to slide #8, you would have seen all the big numbers;;EBITDA was Rs.124 crores and in March '19 and for the financial year ended is Rs.483 crores, so it is a change of 33% on YoY basis. Profit after tax is also almost Rs.61 crores in March '19 and for the financial year ended it is also Rs.220 crores which is a substantial jump which is an improvement of almost 66% on YoY basis.

On the volume side, as I mentioned earlier, realization, total cost, everything we have improved. I think the numbers are looking good but now the challenge is for us to ensure that we keep this trajectory going on. On the EBITDA per ton bridge for the quarter, you can see that the maximum has come from the price.

So on the GSR price, we have got a very good support from the market. Raw material there is a minor increase. Power and fuel, yes, I can say that that was a little bad quarter for us because we had to source coal and pet coke at a little higher price because we did not get some support which we were expecting. So, that has been a little bit of deviation from the thing but going forward in this quarter we will see that it will soften it up. It is a one-time effect which has come.

On freight, we are exercising the maximum prudence on freight. On other elements it is a small increase which is automatically related to inflation, so that goes on. So we achieved an EBITDA per ton of Rs.1,032 against the same period that was Rs.946.

On the volume side, there has been a little bit dip. Let me put it upfront before you ask me this question "Why there has been a dip on this?" We have operated our Jhansi unit this year on 100% utilization. Earlier what used to happen is that during the first few quarters the volumes were used to be little weaker and the fourth quarter the volume used to be stronger. This time all the previous three quarters, we could sell a little better volumes from Jhansi. As a result, we did not have headroom to cross the operating limits in the license capacity what we have. So, we touched that licensing capacity as on something around 21st and 22nd and then we had to slow down our sales from there onwards. So almost eight to nine days of sales we lost because we could not cross that barrier and that is why the sales volume has dipped a little. On YoY basis, if you look at it, GSR remains stronger; power and fuel cost is okay; Rs.57 which is not too bad, I would say considering the market trends; freight and others are also combined. On an annual basis volume is about 5.2% we have shown a growth. We could have stretched a little more from Damoh and other places, but we are also looking at our product positioning. So we are little careful when it comes to sales volume. We are already close to sold out position and we can make a little better margin by keeping a little better prices in the market. I think that is what our tendency to see that we get a little better realization for our company.

Coming to slide #11, our Q4 share is 54% of road volume which is higher by almost 10% basis and about 40% coal which is also again 10% basis, it is higher and the trade volume as I said greater than 10% and Mycem Power is about (+31%) YoY, that is our premium product. This is basically to more to improve the product positioning than anything else I would say. Many people asked me, "How can you manage 85% of your volume under trade?" That is what is our forte and we do not believe in selling cement to non-trade customers, which sells at about Rs.400-600 and sometimes even Rs.800 lower than realizations compared to the trade sale. So we have predominantly remained in this trade segment. Our customers keep coming asking for more. So for us there is also no option unless we have additional volume we do not have cement also to serve our non-trade customers.

On the balance sheet side, I need not say much on this. On the debt repayment profile if you look at it, we have been paying our debt, it is coming down say year-after-year. If there are any questions on this, we can answer you. Not too much on this.

On the credit ratings by the India Ratings is concerned we have sustained our rating as AA+ and we will strive to improve upon it if possible.

As we make cement also, our tendency is to see to it that we remain highly compliant and we also do things which are improving the standard of the industry performance and look at if it is our mines, it maybe a small thing not to be talked about too much but we ensure that our mines are run in a manner which is such professional with all the safety measures, with all the equipments, compliances so that this has been recognized by the Ministry of Mining and we have got lot of awards – “Patharia Mines Five Star Rating” we have got. By the region also they awarded second prize for “Explosives and Dust Suspension” what we do it, so somebody must have got first, we got second. But if you look at overall the recognitions are there for the good work our team is doing whether it is a plant, whether it is our market.

Coming to ISO Certification, we have added a feather in our cap by adding 15001 Energy Management System Certificate which is on Slide #16. We had the earlier triple ones -- 9001, 14001 and 45001 already there which were related to quality environment and occupational health but now this time it is energy management systems we have achieved this.

Coming to the outlook, I think one good positive outlook is that cement demand will continue to sustain in the near future also and the longer run too. Normally the fear was that if there were certain changes, if it would happen at the government level, then there is a period of lull, you go through a time of about six to eight months, by the time the next government is in place, that is behind us, the new government is there in place and things will continue unabated. So there is no break which I can see as of now.

Investments by the government I think will accelerate. The government has enough funds with the GST collections which are happening positive. I think if we continue, the good raise will be there. On the housing side, because of the certain GST rules which have come in for the builder we expect that will lower the cost of acquisition and in turn little bit of buying at the housing sector should improve, and that will keep driving the demand for cement.

Monsoons, of course, everything in India is hinging on the monsoon and as per IMD the latest announcement is that the monsoon is going to be normal and I am happy that if that happens normal and especially we are predominantly in markets of M.P., U.P., Bihar and other small markets. These are agricultural driven markets and here if the monsoons are good, I can say everything will be good for us too. Concerns are there which always unpredictable in terms of the crude price and things like that, that will continue, we will have to face it but the company is very agile, internally we know how to manage our fuel mixes and the team has done so far very well and will continue to perform at the same optimum level.

On compliance norms, there could be little bit of hardening because we know that the country and the world has to achieve sustainability targets which are set at the global level. So those we have to work upon. By 2030 India has given a commitment to be compliant on all the environmental parameters. So we can see a little bit of stringent norms coming in. We are in the industry today, I can tell you that industry is one of the best managed cement industry in India because on the power side it is the lowest, on emission level it is the lowest, but there might be some more stringent norms which might come in the future. SOx, NOx, we are compliant now. Earlier this was not the issue. The only fear is that if compliance becomes more and more stringent, then there could be a little bit of CAPEX which might have to be coming in. So it might trigger some CAPEX on that.

So that is all I have to add on to this and I leave the floor open to you for question-and-answer and thank you for your patient listening.

Moderator: Thank you very much, sir. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.

Prateek Kumar: My first question is on the debottlenecking. You mentioned your utilization is at 85%. So, what is our clinker capacity now and are we looking at debottlenecking in clinker also in terms of expansion?

Management: Clinker capacity right now utilization as I said hit almost 85%. There is no room for further debottlenecking on clinker capacity. But yes, there can be always an upside on this. 15% of clinker is yet there with me. My problem is that we will have to only augment our grinding capability. So the silver lining is that in case with the ministry decides that you can add 40% fly ash, our clinker is so good, that we can add 40% of fly ash and we can make further more durable cement compared to what we are making today. Fly ash is supposed to add to the durability of the construction in a big way. So if we can add 40% fly ash, we will be doing good to the environment, at the same time we will be optimizing our limestone reserve. The industry I would say would do it. And also in terms of CO2 emissions, because every ton of clinker you produce, you produce 1 ton of carbon dioxide. So that is one big major thing which the government has to look into it and I think that is all.

Prateek Kumar: What would be our clinker production for last year?

Management: Clinker production for me is almost 2.9.

Prateek Kumar: Regarding grinding capacity, now capacity is already 5.6 after first phase of debottlenecking and it will go to 5.8 by FY'20, is that right?

Management: 5.9.

Prateek Kumar: One question on demand trend. Competition has suggested that there is some weakness in volume in April, May. So have this been similar trend in your markets also during Q1'20?

- Management:** Marked-to-market it has changed; in south, the impact was in April; in central impact was little bit in May; if you take an average there was impact of elections.
- Moderator:** Thank you. The next question is from the line of HR Gala from Finvest Advisors. Please go ahead.
- HR Gala:** Can you just tell us what kind of capital expenditure you will have to incur for increasing the grinding capacity?
- Management:** Grinding capacity expansion of total CAPEX will be around Rs.30 crores max, out of that we have already incurred Rs.8, 9 crores in phase-I per mill in financial year '18-19 and out of it 60%, that is Rs.20, 21 crores would come in this next two financial years '20 and '21, we have the three phases of debottlenecking.
- HR Gala:** On the debt amount which you said, under which heading does it lie? In the balance sheet the total borrowing is shown as Rs.392 crores.
- Management:** It is in two heads in the balance sheet; one is the long-term borrowing of Rs.391 crores, and then you have the other financial liability of Rs.300 crores, that includes Rs.125 crores which is payable in this financial year.
- HR Gala:** So, out of Rs.304 crores, the balance amount is there, that is gross debt is coming to Rs.605 crores?
- Management:** Right.
- HR Gala:** Another question is regarding your coal and coke combination. I think now we are getting close to very high content of coal as compared to in the past. Now do you think there is any ban by Reserve Bank of India on import of pet coke or coke which is limiting our efforts and increasing the price?
- Management:** We are in central India, that is our HCIL, we are consuming mostly domestic pet coke, so it is dependent on what Essar and the Reliance price that product. So now in this particular case, if coal becomes landed cheaper, we prefer going for coal. When pet coke becomes cheaper, then we go for pet coke. So you will find it changing very frequently and that we cannot help because we have to optimize our cost and production also. So, we can go to 70, 80% of pet coke easily, not an issue, we have reached about 75, 76% in certain points of time, but then we have to backlash because coal was becoming cheaper.
- HR Gala:** On kCal basis, what is the cost differential between coal and coke? In Q3 you had indicated it was 1.25 and 1.5.
- Management:** If you look at it on the CV basis, coal would be about Rs.1.20 and pet coke will be about Rs.1.60.
- HR Gala:** Coal, we are buying only from Coal India or do we have any other sources?

Management: Coal India.

HR Gala: Are we getting sufficient supplies?

Management: Yes, not an issue.

HR Gala: Next year or year after we will be closing on to our total demand which you said will increase marginally, are we planning any Greenfield or Brownfield major expansion?

Management: We will have to look at it. Today as of now we are looking at some assets which if we get them then we will see. It is little premature to comment at this moment but yes, we will have no option but to expand in some manner or the other because we have already sold out and we are actively looking for some assets which we can turn around in an enhanced value addition because today at least our product sales in the market at a little premium. So if it requires anything in terms of synergy we will add value to the product what we acquire.

HR Gala: So, we are looking at certain stress assets?

Management: Yes, in whatever form if that is available.

HR Gala: You will be looking at Central India or any other region also we are open?

Management: We are open to any region.

HR Gala: Any idea as to what kind of capacity we would be looking at optimum level?

Management: 7 mt is the good target to keep. Even if it is less, if anybody else any offers, do not forget that we are awaiting.

Moderator: Thank you. The next question is from the line of Mudit Agarwal from IndiaNivesh Securities. Please go ahead.

Mudit Agarwal: Sir, my question is related to the debt borrowing. If we take from the balance sheet borrowing non-current it is Rs.391 crores, but if we take the maturity which is due in '20-21 and after '22 it comes to the Rs.479 crores. So there is difference of something Rs.88 crores. So I want to know.

Management: This Rs.390 crores is the liability which is falling beyond one year. When you see our interest free loan, the total outstanding which has been shown in the total debt is the amount which we have received. But when we go for the IND AS accounting, you need to do discounting also because we have the seven years interest free loan. So, we will not find the direct amount matching with the actual amount in the balance sheet because some portion has already gone in the discounting and some portion has already gone in the government grant.

- Mudit Agarwal:** About the interest amount, since we paid the loan of 1500 million but our interest cost remains same YoY for the whole year?
- Management:** In the full year if you have seen that there is no reduction in interest, but in the quarter you have seen little bit of interest reduction, the reason is that in the state of Uttar Pradesh, there is one decision given by the Supreme Court about the entry Tax and as well as they have asked interest demand on the principal amount. So that is why we have taken some provision of that account. Although matter is pending before the High Court of Allahabad and you will see that what outcome comes from the court either from Allahabad high court or from the Supreme Court, so, some interest provision is there. Depending upon the situation of this entry tax liability in the State of Madhya Pradesh, the interest amount will slightly increase or decrease in the coming quarters.
- Moderator:** Thank you. The next question is from the line of Dhiral Shah from ACM Investments. Please go ahead.
- Dhiral Shah:** Sir, what is the aggregate total cement capacity in Central India?
- Management:** About 58 mt.
- Dhiral Shah:** Out of 480 mt, right?
- Management:** Yes.
- Dhiral Shah:** What kind of capacity addition you expect over next let us say two to three years in Central India?
- Management:** Maximum it will be about 3 or 4 mt, that is in UP.
- Dhiral Shah:** Is it going to commence or this is just Greenfield kind of ...?
- Management:** Futuristic I would say. Mostly it will be grinding capacity. Grinding capacity, you bring cement by road or anything, it really does not matter. You are just only shifting your base from one place to another. Unless you bring in clinkering capacity, that is the true sense you disturb the market.
- Dhiral Shah:** Today, we are hearing that cement prices in south has been fallen down by Rs.20, 25. So any price reduction you have witnessed in your region or you expect because of this monsoon?
- Management:** Normally, after the first shower, the demand peaks up. It is foolhardy to take a price reduction at a time when the market will pull cement inside, you have to wait for some time, just because few days sales does not happen and you just try pull down the prices, it is not really a wise decision to do. Normally after one or two showers, people try to speed up the working.
- Dhiral Shah:** What is the total power utilization from our WHR plant?

- Management:** 68, 69 million units.
- Management:** Whatever we produce, we consume.
- Management:** At clinker plant level, we consume around 35-40% of the total power requirement for the WHR.
- Management:** Grinding is outside the grid.
- Moderator:** Thank you. The next question is from the line of Tanuj Mukhija from Bank of America. Please go ahead.
- Tanuj Mukhija:** I have two questions: The first one pertains to the cement demand particularly in the State of Madhya Pradesh. Could you elaborate on cement demand from government CAPEX infra projects in Madhya Pradesh, what has been the volume growth trend for the last two months?
- Management:** I would not be able to comment much of the non-trade business with the government because we have just only 15% of our total sales happen there. What I do not track is the demand which comes from it but I know that our competition has sold a significant quantity to government and that continues to go ahead. We get tenders, we do not quote for those tenders, we do not go for many of these negotiations because we do not have enough cement to serve and whatever is OPC we leave it to our competition to service. We are a 100% blended cement company and we will like to stay this way considering the future obligations which we will have to fulfill in the long run when it comes to environment, so we will keep it mostly blended cement. But for a ballpark figure, you can comfortably say that this time if the total cement sale was 100, you can say about 35-37% of it was under government which I get the feeling from the market, otherwise it used to be about 31% and 32% around that, non-trade used to be there, now it has shot up to close to 40%.
- Tanuj Mukhija:** What is your long-term capacity expansion plan beyond FY'20? I understand you also have a debottlenecking in FY'20.
- Management:** As of now, as I said, till '21 we will be able to add about 0.4 mt which will take us to 5.9 mt capacity overall, beyond that everything will come through by acquisition route. There is no further I would say that I can do Brownfield or Greenfield as of now with the sources I have.
- Tanuj Mukhija:** Slightly two-year question perhaps is that the government expects to commission DFC by probably FY'22 and there will be a rail connection between Rajasthan to Dadar, Uttar Pradesh. Do you think that could lead to maybe flooding of cement from Rajasthan to Uttar Pradesh?
- Management:** It is already today most of the road material comes in it does not really make any difference. If you bring by rail, the cost is not going to come cheaper to you. If you handle material by rail, there is another secondary cost which comes up is huge in terms of handling of material. I do not think you bring cement at a cheaper way by bringing it through rail corridor.

Moderator: Thank you. The next question is from the line of Nandita Parker from Karma Capital. Please go ahead.

Nandita Parker: Could you just elaborate a little bit more on the whole fly ash component and what kind of change in government policy are you expecting in terms of environmental, pollution norms and what are some other things you are growing in there?

Management: In terms of environmental norms, as of now we have to comply with the emissions which are called the particulate emissions, the SOx, NOx, so far, the industry has not yet seen what is the mercury emissions but in the long run it will come in. In terms of CO2, today the industry is doing some work on it but there is nothing which is fixed because if you want to reduce CO2, you have to reduce your clinker factor, that is the only answer. There is no method in this country or in the world to produce clinker with low CO2. So, if you produce 1 ton of clinker, you produce 1 ton of CO2. If the companies have to work on that, the government regulations will have to support. Till date also one side we are talking about reducing emissions but there parallel order has to be passed by the government departments to stop using OPC. Use green cements which are the PPC and the slag cement. That is what the order of the day worldwide. There is no question on quality of blended cement. Today, blended cement performs far superior than your ordinary Portland Cement, but this is an age old thought process that OPC is good cement or something like that and PPC and white fly ash and slag cements are not. The government has to work on that. Till such time the country will produce close to about 40% of its cement as OPC.

Nandita Parker: You mentioned 2030 India is a signatory to the global environmental mandate. Do you think a roadmap of getting there from 2020 to 2030, is there something that industry has suggested and the government is drafting or is it too premature at this point?

Management: Let me tell you that there is called as WBCSD, which is independent body which now works on Cement Sustainability Initiatives which is called as the (CSI), which was working under the function and now what has happened is (GCCA) Global Cement and Concrete Association is going to work on a global basis which will take the causes of the cement industry in specific. So there is a roadmap which has already been made by about seven companies who are members of the CSI and they have made a roadmap, and that is very excellent I would say piece of document which has been created by CSI and that is, the industry will follow. Before the government could make a roadmap, already CSI has made a roadmap for that.

Nandita Parker: Is that available online?

Management: In (WBCSD) World Business Council for Sustainable Development website it should be available.

Nandita Parker: Would there be no limitation in terms of the amount of slag, fly ash etc., that is available?

Management: Not a problem. Fly ash and slag is available in plenty in this country.

Nandita Parker: What is the current use of it?

Management: Fly ash you can add maximum up to 35% as per BIS.

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

Dhiral Shah: Sir, regarding last year we have seen good improvement in margin. So do you expect this kind of margin sustainable or do you see there is further room of improvement?

Management: At this stage, the prices what are, they will sustain, that is what I expect. If the demand trajectory improves, then I think prices can have further headroom for about Rs.20-30 a bag. Cement should start selling in India something less than Rs.425 minimum. If you want to make this industry viable, you need not sell anywhere cement less than Rs.425.

Dhiral Shah: What is the current average price?

Management: Current average price is about Rs.360, 370.

Dhiral Shah: This is aggregate across India, right?

Management: Because some prices have dipped in south by about Rs.20, so you can take about Rs.5, 7 further erosion.

Dhiral Shah: What is the average price in Central India?

Management: Around Rs.360.

Dhiral Shah: Has it been improved or it has been maintained at Rs.360?

Management: For the last quarter you have not seen too much of difference. Today, the realizations are close to about Rs.3,800 crores.

Dhiral Shah: Do you expect this Rs.980-1,000 per MT EBITDA to be sustainable, right?

Management: Yes. Why not?

Dhiral Shah: Apart from this Rs.21 crores CAPEX, what would be the maintenance CAPEX?

Management: Maintenance CAPEX would be I think about Rs.20 crores.

Dhiral Shah: So CAPEX in overall FY'20 would be around Rs.50 crores?

Management: Yes.

Dhiral Shah: For the next year FY'21?

- Management:** It will be the same thing.
- Management:** Because certain projects will go to following year also, so sustainable CAPEX and the growth CAPEX could be around Rs.50 crores.
- Dhiral Shah:** Currently, our capacity is around 5.6 mt, right?
- Management:** Yes.
- Dhiral Shah:** We would be ending around 5.9 mt by FY'20 end?
- Management:** Little over.
- Moderator:** Thank you. The next question is from the line of Binod Modi from Reliance Securities. Please go ahead.
- Binod Modi:** Our freight cost has increased sequentially on per ton wise. So just wanted to understand, is it only because of the difference in railways level that probably we had got in the previous quarter and we might not have got in this current quarter or is there anything else?
- Management:** The freight cost has gone up, you are talking about on QoQ basis, because the incentive was locked in there.
- Binod Modi:** On the total sales volume of 4.89 mt for FY'19, what is clinker sales of that?
- Management:** 70,000 tons.
- Moderator:** Thank you. Ladies and gentlemen, we will take the last question from the line of Navin Sahadeo from Edelweiss. Please go ahead.
- Navin Sahadeo:** Sir, you mentioned this calendar year looking at about 7% sort of growth for the industry and Q1 has already seen a growth of almost around 11.5%. In your assessment, Q2 of the calendar year June, the industry growth what can one expect?
- Management:** I think in some places it might be difficult to project at the moment because I do not have all India figures with me right now. People are giving mixed responses; somebody is talking about 4% growth, somebody is talking about flattish, somebody is talking about 7%.
- Navin Sahadeo:** Lot of people have asked about this debottlenecking potential and you said in the cement terms it is just about 0.4 mt. So I just wanted to get some more color on this in the sense that lot of competition is trying to do a debottlenecking on the clinker front and also building surplus grinding capacities. So how are we approaching that – is there a technical bottleneck to increase clinker, and second, on having surplus blending or grinding capacity, is there a challenge to increase the blend ratio?

Management: Blend ratio is again as I said I am 100% blended cement. Now the only upside which I can get is I am using almost 34% plus of fly ash against the 35% government norm. I have peaked out there. Although I can make a better cement with more fly ash, but I cannot do it because the RBI norms do not permit you to go beyond that.

Navin Sahadeo: Are there technical challenges to do any debottlenecking on the clinker front or that is also we are seeing has peaked out, they have already done that in the past?

Management: Today, out of my three kilns, I am running only two. One more kiln I have to run. If I have peaked out, I will run that old kiln also and run it out, not an issue. But since that cost of running of that old kiln is a little higher, so we keep it as a standby.

Management: That is why we are doing the debottlenecking on the grinding side.

Navin Sahadeo: I got that. I was just asking more that is there a plan to refurbish this old kiln since it is like we are looking for growth?

Management: Not required. I will push out more clinker from the same existing two kilns also.

Navin Sahadeo: What is the capacity of this old kiln?

Management: It is about 1,600 tpd.

Navin Sahadeo: So roughly around 0.5 mt? Since you said it is an old kiln and it requires cost, is there a plan to install a new kiln altogether, refurbishing or dismantling this old one maybe 1.5 mt kind of kiln, there is limestone, what could be the challenge around that?

Management: You have to run the plant for at least 30, 35-years. So you have got the reserves to run it at about 27, 30, 35-years. Now you put one more line, your mining will shrink to almost something like 16, 18-years. You do not do this as a cost of existing and these units are going to run for 30-years. So it is better to put up at a new Greenfield project or if we have some limestone mine close by. We will put up another kiln there.

Navin Sahadeo: My last question on the limestone reserves. As per this MMDR Act, lot of mines are to come for rebidding in 2013. When are our mines lease going to expire – is it going to be in 2030 or is there a date beyond that?

Management: Beyond '35, '36, some of them also '40.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.

Vaibhav Agarwal: Many thanks for the participants. Moderator, you may now conclude the call. Thank you very much, sir.

Management: Thank you.

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