"HeidelbergCement India Limited Q4 FY 2021 & FY 2021 Earnings Conference Call"

May 31, 2021

MANAGEMENT: **MR. JAMSHED NAVAL COOPER – MANAGING DIRECTOR, HEIDELBERGCEMENT INDIA LIMITED**
MR. ANIL SHARMA – CHIEF FINANCIAL OFFICER, HEIDELBERGCEMENT INDIA LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY 2021 and FY 2021 Call of HeidelbergCement India Limited, hosted by PhillipCapital (India) Private Limited. As a remainder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vaibhav Agarwal of PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Vaibhav Agarwal: Thank you, Aman. Good afternoon, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q4 FY 2021 and FY 2021 conference call for HeidelbergCement India Limited. On the call we have with us Mr. Jamshed Naval Cooper – Managing Director and Mr. Anil Sharma – Chief Financial Officer at HeidelbergCement India Limited.

I would like to mention on behalf of HeidelbergCement India Limited and its Management that certain statements that may be made or discussed on this conference call may be forward-looking statements related to future developments and current performance. These statements may be subject to a number of risks, uncertainties and other important factors, which may cause the actual developments and results to differ materially from the statements made.

HeidelbergCement India Limited and the management of the company assumes no obligation to update or alter these forward-looking statements whether as a result of new information or future events or otherwise. Also, HeidelbergCement India Limited has uploaded a copy of the Q4 FY 2021 and FY 2021 presentation on the stock exchanges and its website. Participants may download a copy of the presentation from these websites.

I will now hand over the floor to the management of HeidelbergCement India Limited for their opening remarks, which will be followed by interactive Q&A. Thank you and over to you, Cooper sir.

Management: Thank you very much, Vaibhav. And thanks everybody who has joined for this earnings call. First of all, I hope and I wish everyone is safe and healthy, and so are their families. In times of COVID today, survival has becoming more important than anything, so I hope we take care of ourselves first.

Coming through, as you would have received our presentation, taking you straight to Slide #3. You will appreciate that 72% utilization. This capacity utilization what you are seeing is in terms of after our last March increase what it took increase of almost 1 million tonne we added, and the markets come down. Otherwise, in real terms like-for-like it would be much higher, around 80% utilization. This is a 72% utilization under such difficult times.

As you know that we produce 100% of our blended cement. Another big, good feature which has happened is our grid our power dependence has continuously reduced and now it stands at close to 63%. Out of which we have green power, and that is about 22% that is green power. So, it is a very, I would say, the team has made a good progress on looking at sustainability issues.

On the EBITDA front we did marginally better over year-on-year basis, but I think under challenging circumstances this was a good achievement I would say. On ESG projects, solar power and alternative fuels, we have done very well. I would say our projects, I will talk about it in the further slides, how we are moved on this part. We have paid our second tranche of NCDs of Rs. 1.25 billion and now one more tranche is there which will happen in December and that will be ending of our total payments. Cash and balances, we are very well placed, we talk about it ahead of this. And we are operating on negative operating working capital, so this is one of the very rare scenes where this industry, one of the few who operate on negative working capital.

And you will be happy that the Board has recommended a progressive increase in the dividend which is stands at Rs. 8 per share, last time it was Rs. 7.5, which had got a component of interim dividend, but this time it is given as a one shot of Rs. 8 per share.

Coming to Slide #4, you will look at how the volumes have panned. So, if I look at these volumes, I mentioned to you that capacity utilization may look smaller compared to FY 2020 and that is because of the capacity additions of 6.26 million. But if I say that in terms of volume, it is marginally subdued at 4.5 million tonnes versus 4.7 million tonnes of last year.

Coming to Slide #5, I think we have more positives than the negatives. The positive is that EBITDA is up by 19.5% on a quarter basis, on interest and financial charges, it has reduced significantly. If you look at tax expenses are reducing and further it will reduce. And profit after tax stands at a whopping almost more than double of last year.

Coming on EBITDA per tonne. On EBITDA, it is a 4% and in terms of revenue also EBITDA percentage of revenue it is 117 basis points up, so this times it is close to 26% against 25% of last year. On the EBITDA margin, I think you will appreciate this. On revenue also it's significantly better and the results you can see. On the full year basis, yes, there is a volume dip, and there are certain reasons of this volume dip. I can answer right away that inform you that the market throughout the year, different pockets, the market has behaved differently.

At different places in the market you find different types of demand in markets, which were doing very well last year and the rural markets are not doing now very well. So, there is a shift in balance which is happening from market to market. And it depends on which market you have been prominently positioned and things like that, so you get a hit. And the advantage also. So, in the past we have taken some advantage of those things, in some places sometimes you also take a hit. But overall basis, the company is well placed, it is well saddled in terms of the market positioning.

Coming to Slide #6, which is on the EBITDA side. You can see how the waterfall has been. Power and fuel has been one of the gains pilot, and that everybody knows where the power and fuel has shifted. Fuel, pet coke which used to be close to about $70, $60 now today is trading at $142, $143. Coal was far lower than what it is today, $80 imported coal. So, these are the ones which will be spoiling the game. As of now also they are spoilt and they are I think in the future also they are going to remain, movement is likely to remain more northwards. And that is basically because of lower production of pet coke and things like that, and there is some demand from some pockets. China is a net importer of fuel. So, you will see these types of imbalances happening on the international coal and fuel prices also.

Coming to Slide #7. We have said that the power and fuel cost here we are seeing it for the whole year. That is in terms of price we have gained, raw material marginally up, freight marginally up because of the diesel price. But there has been more positive to add up to build up there. So, there is a positive moment but there are pressures.

Coming to Slide #8. If I look at for the full year, April to March, you will be happy to note that our road volumes despite diesel and all those changes we have retained at 47% road volumes, with a 1% growth on year-on-year basis, with statute planning. On coal, we had to shift certain linkages and certain things, because pet coke has gone, it has shot through the roof, you can't make cement using pet coke now any longer. You have to rebalance your kitties. On premium cements, we have growth of about 29% on year-on-year basis, it is now today clocking around 19% of our total trade volume. And when it comes to our trade field, that is at 83% minus by 2% over last year, and that is basically more to do with the volume pressures to sell volume, you have to go and sell certain parts, including non-trade. What is the non-trade, just only to mention to you, that in central India the non-trade difference between to trade hovers between Rs. 800 to Rs. 400 a tonne. So, these are the delta what you see in non-trade.

Coming to Slide #9, in case there are some questions on that we will talk about it, but we try to operate on a negative operating working capital which.

And coming to Slide #10, you will appreciate that the provision what we have shown as of date with just only our balances after making the payment of our debt payment which is due in 2022, and even taking the future payments and just only on this basis also your company is well covered. Still it will continue to have a cash flow, we have not put here what are our future cash flows, but on that point here it stands on a very strong footing.

On the ratings which is on Slide #11, you can see a very consistent operation of the company. India ratings is continuously rating at AA-plus, and we are happy to see that this could have a positive trajectory going forward.

Coming on Slide #12, you must be aware that the future of businesses will be governed not by your balance sheet or things like that, how well you can manage your cash flows and these cash flows how will you manage it, the sustainability of business is very much dependent on the future government policies with ESG, and we have been working consistently for past several years on improvement on our ESG footprint. Whether it is carbon footprint or anything, but here is some snapshots of a solar power plant coming up in Patharia, which is about to be commissioned. And on the right hand side of the screen you see one slide which is a waste heat recovery project, which will also start firing somewhere from August, September. So, we will have a good thermal substitution of close to about 8% at Damoh on this and this is about a 5.5 megawatt power plant which is coming up.

Going to further talking about on ESG is our Slide #3. You will observe that what is our footprint, how we have reduced it. Consistently there is an effort to reduce it, not compare with anybody else. But we are clear that by 2030 we have to further refuse it and bring it below 500. So, we are working on this and there are a number of initiatives, we are 100% blended company 40% on WHRS is coming in our nursing Nargingarh plant. If you look at Ammasandra, is almost 80% green power. We are putting up any possible possibilities are there to put up a plantation around us **(Inaudible) 14:14** energies will be further pushed into that on **(Inaudible) 14:18** to increase our green cover. 5.2x water positive, we are there and we are working to improve this from 5.1 upwards.

In terms of our environment friendliness. We work on a birdlife project and there you can see that our mind despite explosion, where there is exploration usually wildlife does not exist. But in our case, we manage it in such a manner that we have a very good harmony with the natural habitats of animals and we have our homestead of 117 bird species in that area. We have planted about 1,500 trees which are geotagged, you can see it on our Friends of Earth website, these are officially with pictures everything, it is not just only fake. But there are many more which we have to tag up and we will upgrade our website, because the website is not taking more data, so we are upgrading that and we will put more and more data on that. On our Narsingarh singer project, we are EFR project, I showed you the picture that should start.

Coming to Slide #14, okay, CSR spends. You can see the company earns more profit and the company keeps investing in CSR, we call it as ploughing back to the society, and that we keep doing it in our own way. We got our Gold Peacock Award "Safe Place to Work" awards, two awards we got in Jhansi. Then we got two from CSR Leadership Awards and there are a number of school and education programs, whether it is road construction or running sewing machine and stitching and tailoring classes for the women to uplift their caliber and make them self-employed. Those are the ones which we work. We have got a program which we have developed a center also in Jhansi, that is called a Sakshamta Vikas Kendra where we try to improve Sakshamta Vikas Kendra where we try to improve the abilities of the people, Saksham is ability of the people, so Sakshamta Vikas Kendra is there and which we work on.

Coming to the future, when we talk about future this is Slide #15. And the group has reoriented for strong numbers also at the group level. And to bring impetus to the digitization part of this. Although we are digitally savvy, we are trying to do everything possible. But that is given the world today and when you are totally dependent on mobile connectivity and the world systems are going to take over when you can't travel you can't meet you can't touch people you can't talk, you can only the medium of communication. So, I think with these type of advent of changes scenario, digitization seems to be a very major issue.

So, the company runs many multiple basket buckets, in one which is the HConnect, we try to improve our connectivity with the dealer which will happen very soon now. There are multiple things in this, I am not talking about everything. But we are trying to work on an e-commerce system also so that we will work on that.

On HProduce we are trying to connect all our plants, so we can do a real time analysis of every machinery every equipment, all systems, all gearboxes, gearboxes through a dialogue system have been connected with, so we know the health of each and every machine, predictive maintenance becomes much easier for us. And we are able to monitor. By end of this year, we will be able to monitor all the controls of the control the CCR rooms, we will be able to monitor from a central required place or take help from our group sitting in Germany who can just log into the system and advise us on the improvements which we need to make.

And HServices, back-office services, whether to improve the customer speed of contact, to give them services in terms of speed for the enquiries, whether it is passing of the inventor bill, whether it is payment of accounts payable to our vendor, these are the areas which we are working very, very rapidly under the HService.

So, from my side, this is all part of it. And I think I am sure you will have many, many more questions. So, I stop at this time. Once again, thank you for your continued support to us and your interest in our company. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Amit Morarka from Motilal Oswal. Please go ahead.

Amit Morarka: Sir, a couple of questions. So, firstly, after the 3Q call you had explained about the ONGC belt replacement and that it will recur again sometime around June, July. So, could you just touch upon that aspect? And is the timeline still the same?

Management: So, Amit, that is all going as per target. There was a little setback because when these types of major changes happen, you require oxygen, oxy acetylene for cutting things and things like that, but oxygen was a very big limiter but now we have been able to tide over that situation also. We have managed to find out other means to do the cutting and all those, and I think we will get back. And I think by the end of this whole project, maybe a day or two delay, not more than that.

Amit Morarka: So, again, when the clinker needs to be shut, I think one line was shut last time around.

Management: So, it's okay, but we have enough clinker to service the market needs, so that will not disturb our business, the business will continue. We have created enough clinker right now in our stock.

Amit Morarka: Just to understand it clearly, so then the loss will be lesser than last time, last time you mentioned there is a Rs. 8 crores to Rs. 9 crores loss, Rs. 3 crores direct and Rs. Rs. 5 crores to Rs. 6 crores from loss of WHRS usage.

Management: That's anyway a part of the plant shutdown, you can call it as fiscal **(Inaudible) 21:22** book entry only. But as of now, that number of days of shutdown mode anyway booked under our operating plan. Anything which is beyond our operating plan we take it as a loss, because if the market has to run 330 days, if it is going to run 330 days we are happy with it.

Amit Morarka: Okay. And also regarding the price and demand outlook from a near term perspective. So, we understand that obviously demand has been impacted. So, this quarter how much of a fall in volumes are you seeing at a industry level?

Management: This quarter, there is some fall in the market, I cannot tell you offhand right now. But yes, the fall is far lesser in central India as compared to other markets. So, I would say it is a little better off in central India. So, I think prices now with back to the wall, everybody knows that the fuel and coal and power prices are going up unreasonably high. So, you see prices, probably in central India people have understood one thought process, it seems that dropping price cannot increase sales. That maturity it seems that it is there.

Amit Morarka: And the non-trade also fell down, my understanding is that non-trade has still dropped a bit, while trade is steady but non-trade has come down.

Management: So, Amit, we are into very small, as I said 83% of our trade. And non-trade we only pick up the order which are having a good relative margin, otherwise we do not pickup. And anyway, for us non-trade business anyway shrinks because we never do business in non-trade on credit. So, 100% of the business, our non-trade business is on advanced payment. So, there are people who want to go for low price orders or anything like that, and then they give credit also. We do not pick up those orders.

Moderator: Thank you. The next question is from the line of Mohammed Ali Reda from Darkhorse Capital. Please go ahead.

Mohammed Ali Reda: Just two questions. One following up on I guess the trade. Could you help me understand some of the share gains? I think it was mentioned in the slide that there was a 29% increase? Can you maybe talk about what's driving that share gain?

Management: The market share you are talking about?

Mohammed Ali Reda: Yes.

Management: On the market share, we are not losing out anything. If this is the question, I believe what I understood.

Mohammed Ali Reda: We are increasing?

Management: So, we have a two-pronged strategy. One is, we are talking about trade sales, another we talk about non-trade sales. In the same thing in the same battle we talk about even increasing on our share of premium products. Our focus is more to improve our positioning in the market and our brand premiums. So, as such, we are talking about maintaining our market share with the same volumes what you said.

Mohammed Ali Reda: I understand that. I am just wondering, you posted 29% increase of trade volume share, right, is that correct?

Management: I think what happens, in some months, some manufacturer, like it is a very complex market, this market is not a traditional market for many players who come by fly by night operators. So, this equilibrium keeps shifting month after month, depending on the availability of non-traditional players coming into the market. So, there might be a shift of about 0.5% here and there.

Management: Mr. Ali, if your question is specifically this Slide #8, where we have shown 29% growth.

Mohammed Ali Reda: Yes.

Management: If your question is specifically on that particular statistics, we can confirm that this 29% growth is only our premium product during this fiscal year as compared to last year. So, our today's premium product is 19% of total trade volume, and that has grown by 29% during this current year.

Mohammed Ali Reda: And that's why I think that was quite interesting, because the market seems to be softening and yet we are continuing to grow share in kind of a premium segment. So, just wondering, what is what is driving that longer term strategy.

Management: I will tell you. So, if you see on this slide, there are two packaging shown. One is my Mycem Power and another is Mycem Cement. So, this is the introduction of Mycem Cement in a different type of policy packing, on a box bottom packing was introduced very recently, and this is adding up, because that is somewhere priced in between the power and the normal symmetry. So, there was a customer pocket which was unsatisfied demand in that price bracket. So, this is filling up that.

Mohammed Ali Reda: Okay, that makes sense. Thank you. And the other question is, just generally on the industry, you have mentioned this a little bit, but given that we have this negative working capital, even in the trade sector, are you seeing any liquidity squeezes in the ecosystem, in terms of payments, etc.? And even the pricing pressure we see it, let's say in the fuel cost, and this is something that even globally is happening, the supply demand imbalances. So, I am curious how the company is thinking about the unfolding of this year? I know a lot of things are uncertain, but are you seeing signs of, let's say, stress in a trade with credit and terms? And do you think that the there is any major significant supply demand imbalances, which can really affect pricing?

Management: So, to answer your point, so this market has been very volatile. There are many companies who will go up and down the ladder, but as a policy, we have created a customer base, and our structure of working in such a manner that I don't think we will ever need to dismount from this particular direction and then adopt some other strategies when it comes to payment systems. So, on payment side, in fact, we are trying to bring in more value by this method. And our channel partners are also getting trained more and more to do business on advanced payment with their consumers. So, it's a trendsetter sort of a thing, and I think this helps them also to do business without fear. And that's how they feel also more comfortable. Earlier they were extending 50 days credit, but today we are extending 3 days credit, we have definitely far more liquidity as compared to what they used to have earlier. So, it's a question of over a period of time our trainings, our discussion with channel partners, we have been able to bring up to them with this sort of an understanding as a change of DNA for their business.

Mohammed Ali Reda: Okay. So, you don't see any stresses even on a relative basis last few months?

Management: See, there are little stresses are there, but to overcome there, extending credit is not going to help. We have found out other ways and means of our changing shift in customer base, because ultimately with every dealer, every channel partner, the resources will remain finite. Now, this finite cannot be changed overnight. Now, even if I give him extended credit, the ability of the fellow to accept that credit also, that risk taking ability also has to be there. Many dealers if you want to extend credit also, they don't take it, they say, no sir, I cannot manage beyond this and I do not want to risk my combined position in the market. We have to do a different type of setup. Yes, we have faced, you rightly said, that in last two three months, but we have found out ways to overcome it without putting pressure on our dealers existing.

Mohammed Ali Reda: And just other questions in terms of, if we are seeing let's call it price inflation and fuel costs, how should one think about the same dynamic again, supply demand imbalances? Cement is very localized and what's happening on the ground in India and what is the company's kind of outlook on this particular issue?

Management: On the cost side, given the cost pressures **(Inaudible) 31:37** and I think the industry has to learn to now beat this by only by doing a little more astute pricing or by holding on to the prices and things like that. I don't think there is any other way, see, how much can you cut down cost, there is a limit. After a point of time, once you have touched the bone, scratched the bone, then there is no other room to go. At best, in a power plant or anywhere you can save Rs. 1 a tonne or Rs. 2 a tonne. But the real crux is to maintain your prices at a good price in the market and reduce your logistics costs, reduce for just in time stock, look at many other things in the market which are untapped so far. Look at your design mix for rail and road. There are so many things which there is room for, scope for manipulation in those areas. And I think those are the ones which we should start looking at more than the rather always looking at cost, cost. Because coal and fuel I can't do anything, and I have to use it. And there's 72 units of fuel, how much power can I reduce, half a unit at best. If I even put some very good IT digitization system and take the process full control process, maybe another two units for Rs. 10 or Rs. 7 a unit Rs. 14 a tonne, at best. But imagine you can change the price dynamics of the market by Rs. 14 a bag. That is where the game has to be.

Moderator: Thank you. Next question is from the line of Sanjay Nandi from Ratnabali Investments Private Limited. Please go ahead.

Sanjay Nandi: Hope you are fine, everything's fine.

Management: All good. With God's grace and with prayers of everybody.

Sanjay Nandi: That's a real thing which is good to hear right now. That's fine. Sir, just a few questions from my side, like in our this quarter's performance, we have seen some elevated EBITDA per tonne which is mostly because of our other operating income which we received GST benefit of Rs. 15-odd crores for this quarter. And apart from that, we also found out some spike in the power and fuel cost as well as the distribution cost. So, will that thing we like keeping up in the next quarter as well? Or we can do some like cost cutting going forward?

Management: On the GST benefit what we have got, it is once a year. Don't count on it and that will continue despite of loan will continue. As far as other costs are there; they will keep moving up and down. If you are referring to any specific ones, we can answer those.

Sanjay Nandi: So, the power and fuel costs, we found out like there have been a significant jump on a Q-o-Q basis of 8% odd on a per tonne basis. So, sir, are we expecting to maintain that momentum going forward as well or we can manage to get some cost cutting things on the power and fuel cost front?

Management: See, there will be some changes which will come in when once our EFR comes in, there will be some changes when our 5 megawatts of solar power plant comes in. Then there will be some changes, which we are trying to bring by taking some power into Jhansi. Jhansi has done a very good job in the last few quarters over one year, their outsourced power with open access has increased significantly. So, we are working on that. The cost of power sometimes goes up, because right now in the open access also in between the prices had shot up through the roof. So, that time we lost on that. But on an overall on the full year basis, it always is positive for us, it has always given us a good return.

Sanjay Nandi: Okay. So, sir, what is the percentage of power as of now that we buy from the grid?

Management: As I said, about 62% we mentioned.

Sanjay Nandi: 62% you get from the grid or we get from the captive?

Management: No, 62% is from the grid.

Sanjay Nandi: And remaining captive?

Management: And Sanjay, one thing specific to your question, on power and fuel if you talk about development from QtoQ, December 2020 to March 2021, you see the negative development cost increase, but at the same time we need to factor the change in inventory. In December 2020, our inventory has decreased and on March 2021 our inventory has increased, and that is the normal feature, every March quarter we see our inventory increase because you need to prepare for the long-term. Now if you factor that thing, it is more or less on the same rails, because pet coke prices have started picking up from the month of February. And therefore, in the March quarter, we have seen the little bit increase, not only fully it has come in this quarter. Going forward, yes, there will be some interest because of the pet coke price. But at the same time, there will be few benefits on account of renewable power, which we are going to start in AFR, which we are going to start in the coming quarters.

Sanjay Nandi: Okay. Sir, what is the quantum of the savings if you can quantify, if possible?

Management: We are looking for this 5-megawatt solar power plant. And when we talk about this power plant, then we can say that it will replace our conditioning in grid power. And the grid power in the state of Madhya Pradesh is in the range of around Rs. 6.5 per unit. So, there will be good saving on that account. So, once you start the operation of this power plant, you can talk about the actual quantification of the benefit, because it depends upon the number of units we get from the power plant.

Sanjay Nandi: Got your point. And what is the pet coke you are using in the current quarter?

Management: Pet coke, we have little bit reduced. We used to be around in past 60% the pet coke consumption, which we have reduced around 40%, 45% during this quarter.

Moderator: Thank you. Next question is from the line of Kamlesh Bharadwaj from Prabhudas Lilladher. Please go ahead.

Kamlesh Bharadwaj: I had one question on this HDFC incentive which we have got in this quarter or which we have recognized. So, does it pertains to the entire continent, or it is related to the last year as well, because we have not been recognizing this incentive for last one or two years.

Management: So, Kamlesh this is the which the state government of MP was to give, post GST there was some, it was lying in limbo because of some policy framework to be created on that. Now that framework is created, so we will start getting this money on a yearly basis, about something like Rs. 16 crores, Rs. 17 crores, you can say, this will keep coming in the coming periods.

Kamlesh Bharadwaj: So, I was just asking that whether it also relates to previous year as well?

Management: Yes, it relates to previous year. This is all accumulated.

Management: Rs. 14.8 crores is most pertaining to fiscal year 2021. Earlier, you will appreciate that given the GST and state government has got the notification immediately post GST and go live for the month of August 2017. And thereafter, then there will be notification which creates a kind of interpretation issue, so 2019 end we expect approval. This amount of Rs. 14.8 crores which is approved, this is pertaining to 2021.

Kamlesh Bharadwaj: Okay. And this incentive will continue till February 2023, is my understanding correct?

Management: Yes, that's right.

Kamlesh Bharadwaj: And lastly on the part of this volume growth, like we had debottlenecked, everything, 1 odd million got released through the debottlenecking. So, how is the growth plan going forward? Like say what is our plan that we want to grow this much of volume in this year, next year? Because if we see last five years, right from FY 2016 to FY 2021, so the volumes have been at the similar levels which we were doing in FY 2016. I do appreciate that we have been focusing more on the realizations and margins. But even then, as new capacities are coming up, new entrants are coming in this market, so what's our growth plan in terms of volume? Because earlier we used to say that we have capacity constraints, but we have got 20% additional volume through debottlenecking. So, what would be the growth in coming year, FY 2022, FY 2023?

Management: So, Kamlesh, on today's time, we could have sold off this entire volume, that was not a problem. But then the market would have dropped significantly, because there is a there is inherent market setback, there has been a degrowth in the market. Now under today's circumstances, unfortunate that we put up last March our capacity came and in the market all of a sudden COVID came. Had COVID not been there we would have grown continuously further also, this capacity also today, by next year, we would have exhausted this capacity. But it is unfortunate that this whole system of COVID came in, and it took us on the back foot. So, our plans are there of whatever the volumes we want to do with a respectable margin. We are not losing market share in the market wherever you want to, we evacuated Bihar, for us it was not a primary market. But for our home markets, we continue to remain very strong and keep growing in our home markets.

Kamlesh Bharadwaj: Thank you. Next question is from the line of Pritesh Shah from Investec. Please go ahead.

Pritesh Shah: Sir, I had two specific questions. One was, how are we placed on the Gujarat expansion? Any specific update on non-acquisition approval that you are pursuing? That's one. Second related question from a growth side is, how is the management looking at this merger, specifically post the MMDR Amendments. The first two questions.

Management: Okay. So, in terms of our expansion, we will be doing our Gujarat project for under HCIL to increase our capacity. In our central India, the opportunities are few of M&A, chances are low. But in other states, right now, there is no worthwhile asset which is available on the block which could benefit, or which could be worked upon. So, the status, I think post this COVID things settle down, probably things will start changing and things will start opening up. But as of now, whatever we were pursuing in the past also has been, everything has, the people who are interested, the keen parties who are keen also have put everything on the back burner. So, this is our dilemma. Today, if we have more capacity in central India, possibly we can sell more capacity, not a problem, and we can sell it at a relatively good price also. But those opportunities today don't exist. We need a plant, and we need grinding units little bit realigned to the market. Possibly there are some opportunities which may come up very soon in terms of the mine auctioning and things which are happening in MP, those may come up. And then we might get a good opportunity to expand our shelves in central India. And not only central India, we will expand somewhere else, Gujarat is one which we have on the cards, which we are pursuing very seriously. We are investing into licenses, getting approvals and those things, we are really following it up on that.

Pritesh Shah: Sir, would there be a timeline that we would like to put on the Gujarat expansion, the start date and probably eventually commissioning time line?

Management: To get licenses alone it is going to take two years.

Pritesh Shah: The status quo we have in last year or so, basically the company containing licenses, is it like bureaucratic delays and that's the reason why the delay?

Management: So, today anything you do, anything today you move a paper, probably to submit a paper it takes you six months, three months. People are saying, no one comes to office now a days. So, you are moving against the current. Today you want to submit even tax claims or anything, or anything people say, don't sent physical copies, send it via email, then we will see. Leave it for now.

Management: Mr. Shah, your second question, that is with respect to the merger of these two legal entities in India. Yes, the MMDR amendment is the welcome amendment. It supports the industry as well to us. We have been evaluating it and if it really created a value addition for the shareholder, accordingly we will get back to the shareholder in the course of time.

Moderator: Thank you. Next question is from the line of Hiten Boricha from Joindre Capital. Please go ahead.

Hiten Boricha: Sir, my question is on the costing side again. So, the first question is, other expenses have gone down from Rs. 106 crores to Rs. 87 crores on Q-o-Q basis, same on raw material cost also it has gone down from Rs. 120 crores to Rs. 90 crores. So, if you can comment on that.

Management: Yes, so the first question with respect to the development of the other expenses for December quarter to March quarter, we have explained this thing during our last earnings call for the December, that during December quarter **(Inaudible) 47:52**, at that time we did the replacement for our band for 20 kilometers, and that time we have incurred expenditure for the planned maintenance. And you will appreciate that this expenditure includes some kind of expenses which have been pure variable and some expenses which are fixed or semi fixed. These fluctuations of the expenditure from one quarter to another quarter, you will see depending upon the planned shutdown of our kilns and the cement mill. And therefore, last year the cost has increased, and this time there is no such plant shutdown happening, so that saving is there. At the same time, there are few initiatives from the administrative cost, in any case it is going as a part of our continuous improvement plan.

And your question with respect to raw materials, this raw material coast, if I see, there is no major increase and decrease, because we need to then always check this figure vis-à-vis our inventory change. So, inventory change in December quarter, again that was negative inventory increase, here the inventory decreased. So, we have not seen any major fluctuation in our raw metal prices. We have not seen any increase or decrease in our raw material cost. Except the cost increase little bit on account of diesel price because most of the raw material also, part of the cost comprises of the inward our logistics cost or you can say the transportation costs. And to that extent cost has increased, otherwise it is probably similar to last quarter.

Hiten Boricha: So, just to confirm sir, so other expenses will remain in the range of Rs. 90 crores to Rs. 95 crores on quarterly basis, right?

Management: That's right, that will be there. Maybe you will see 5% plus/minus, depending from one quarter to another quarter. And therefore, always we suggest that when we talk about the other expenses, we always see the development from year-to-date basis. So, if you see the year-to-date basis, you will see that we really represent the extra capital expenditure incurred by the company, either on the increased side or the reduced side.

Moderator: Thank you. Next question is from the line of Uttam Kumar Srimal from Axis Securities Limited. Please go ahead.

Uttam Kumar Srimal: My question is on CAPEX plan for this year and next year, and what has been the lead distance during the quarter.

Management: CAPEX for this year is about Rs. 95 crores and it is significantly than last year. And as far as, you said one was CAPEX then another us for is about 350 kilometers is our lead distance.

Uttam Kumar Srimal: Okay. Sir, we have forwarded inter corporate loan to Juari Cement. So, what interest rate this loan will carry?

Management: If I am not mistaken, the interest is 7.64%.

Moderator: Thank you. Next question is from line of Milind Suresh Raginwar from Centrum. Please go ahead.

Milind Suresh Raginwar: Two questions, one I think is answered. So, on the largest cost per tonne basis, on a Q-o-Q basis we are showing some increase of 6% to 7%, any specific reason that we are going to new markets or are our lead distance has changed, any specific?

Management: Milind, a little bit impact because the diesel price. That is one of the concern and there is of course, we have started entering a little bit to some distant markets also, where we did not sell but because just wanted to dissipate volume. So, without disturbing the existing markets, you go to little distant markets, where you don't have enough space, and you offer some supplies at little higher prices, that is also factored into it. But mostly, I would say it is more or less it is an impact of diesel more today.

Milind Suresh Raginwar: And the next question is, you have been maintaining that we have maintained our market share. But if you look at the peers in our own region, the growth that they have shown is a bit aggressive while on an Q-o-Q basis we have marginally declined. So, how do we look at this?

Management: To answer your point which I was mentioning in the initial stages also, see, all companies sell in their own area of expertise and areas of prominence, dominance. Now, the markets in which we are present have taken a little more hit and they started taking a hit earlier, much earlier before some other market started closing. So, if we are moving somewhere in market for, I would say, the western MP part or the western UP part, these markets started getting lockdown much earlier than the markets in the central and the eastern side. Now, that impact will come and sometimes you lose because you are into certain markets which are high revenue market, if they get impacted more, your impact is far more. So, it is a question of, the market where I may be strong my other competitors hardly sell any volume, and in the market where they sell I don't sell. So, like Bihar, okay, I may be just selling maybe 2%, 3% of my materials, whereas some other company may sell close to, out of their total dispatches, on rail dispatches 50% of their dispatch is to Bihar. So, these are the things which you don't look at it just only for a quarter or anything, on a year wise balancing if you look at it, it all evens out.

Moderator: Thank you. The next question is from the line of Simran Bhatia from S&P Global. Please go ahead.

Simran Bhatia: See, I first want to ask, how you see the demand trend in the second COVID wave as compared to the first COVID wave in your central region? And secondly, can you give some top-line and EBITDA margin guidance for FY 2022? These are the two questions, if you can answer it.

Management: As far as the second COVID market, the way it has panned out, it is very different from what it was first. In the first COVID wave, you saw a very good demand uptick and good continuity of business in the Tier 4, 5, 6 cities, this time it is not so. Last time you saw total lockdown, this time you are seeing a partial lockdown, it is on paper. On paper it looks like it is partial lockdown, but in terms of civil life disturbances very much. But in terms of if I talk industrialization, industrial activities continue. So, there is a stark difference between the two. But when it comes to cement consumption, when we talk about cement consumption, the scenario is very clear that the demand has been hit across the state, whether it is Tier 1 city or Tier 2 city of Tier 5 city, it is the same state of affairs everywhere. Because this time the impact has gone rural. It has said worsened the sentiment. Last time in the Wave 1 we did not lose a single dealer or the loss of life or fatalities were hardly anything. This time we have seen a lot of fatalities happening. It has subdued or suppressed the business sentiment in the market. So, the demand will also in relation to that also get impacted. But if I would say that after the second we have wave third what will happen? Okay, there will be another further change, because now it will become a way of life possibly demand may not fall. So, it is a learning curve of the humanity, the human race.

Simran Bhatia: Sure. And my second question, can you give some guidance on the top-line and the EBITDA margin front?

Management: That is what we avoid every time, sorry for that.

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

Pratik Kumar: Just follow-up on the previous questions. During the month of May and **(Inaudible) 57:30** has there been any difference in trends, like early part of May or like now when we ending the May, have things deteriorated or remained stable and bad throughout the month?

Management: So, you know, as I said, last time it was a form of complete lockdown, in the month of April. And then when it happens in May, that demand pattern had changed. But this time it is not the same, the cement sales is going up. So, these situations are not comparable.

Pratik Kumar: I am talking about current May only.

Management: I am talking about May to May. Because it does not matter really May or anything, because the whole of March, 23rd of March to April was closed off, so you can imagine. But April was not closed on in India, this time.

Pratik Kumar: I was talking about current month only.

Management: Current month only because every month has a dependence on its previous month. What is the material flow into the market, what has been the shortfall deficit, what is the vacuum created in the market, all these factors depend on on the demand of the product and how it moves. So, in April last year, it was a total vacuum in the market. So, the demand will be different. Now during this time, the April demand was good, cement people sold in April material, people are selling in the month of May also. So, it's not that sort of a dire. Last time we had a V curve, from May you sort of see a shot up, but not this time.

Moderator: Thank you. Due to time constraints, we will be able to take the last two questions. The next question is from the line of Utkarsh Nopany from Haitong. Please go ahead.

Utkarsh Nopany: Sir, my first question is, what is the reason for increase in our employee cost in March quarter? And whether the current run rate is likely to be maintained going ahead?

Management: So, basically the increments happened in the month of this quarter, in this quarter. Plus there are some small changes which happened, some realignment happened. So, those are the changes. This is not something which will happen in future, this is a one-time sort of a thing.

Utkarsh Nopany: Okay. So, whether we will go back to our previous run rate of around Rs. 30 crores to Rs. 33 crores.

Management: Around that much it will come with a marginal increase of some adjustments we give for our increments, and now some promotions which will come in this quarter. So, minor increases will come, otherwise it will be very stable.

Utkarsh Nopany: Okay. And sir, my last question is, by what proportion our solar and AFR project under implementation is likely to reduce our grid power share in future?

Management: Which I will mention to you, we are putting up a 5.5-megawatt solar power plant in Damoh. So, this will replace about 5.5 megawatts, a little less than that, of course, much lower than that. Amit, what is the quantum of it will reduce? Because it is 15 lakh units per megawatt.

Management: It is 5 megawatts, so every year the number of units will be in the range of 9 million to 10 million a unit.

Management: So, about 9 million to 10 million on this part. And in EFR what we put, it is not going to reduce but it will reduce our thermal.

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

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital (India) Private Limited, we would like to thank the management of HeidelbergCement India Limited for the call, and many thanks to the participants joining the call. Thank you, sir. Aman, you may now conclude the call.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you all for joining us. And you may now disconnect your line.