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Bandra - Kurla Complex, Bandra (East),
Mumbai - 400 051
Symbol: DALBHARAT

Subject: Transcript of Q1 FY26 - Earnings Conference Call

Ref : Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, please find attached transcript of the Q1 FY26 Earnings Conference Call held on July 23, 2025 for the quarter ended June 30, 2025.

The same will also be uploaded on Company's website: www.dalmiabharat.com

This is for your information and record.

Thanking you,

Yours Sincerely,
For Dalmia Bharat Limited

Rajeev Kumar
Company Secretary

Encl.: As Above



“Dalmia Bharat Limited
Q1 FY26 Earnings Conference Call”
July 23, 2025



**MANAGEMENT: MR. PUNEET DALMIA – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – DALMIA BHARAT
LIMITED
MR. DHARMENDER TUTEJA – CHIEF FINANCIAL
OFFICER – DALMIA BHARAT LIMITED
MS. ADITI MITTAL – HEAD OF INVESTOR RELATIONS –
DALMIA BHARAT LIMITED**

Moderator:

Ladies and gentlemen, good morning, and welcome to the Earnings Conference Call of Dalmia Bharat Limited for the quarter ended 30th June 2025. Please note that this conference call will be for 60 minutes and for the duration of this conference call, all participant lines will be in the listen-only mode. This conference call is being recorded and the transcript will be put on the website of the company.

After the management discussion, there is an opportunity for you to ask questions. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Before I hand over the conference to the management, I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts and may be forward-looking statements.

These statements are based on expectations and projections and may involve a number of risks and uncertainties such that the actual outcome may differ materially from those suggested by such statements.

On the call, we have with us Mr. Puneet Dalmia, Managing Director and CEO; Mr. Dharmender Tuteja, CFO; and the other management of the company. I would now like to hand the conference call over to Ms. Aditi Mittal, Head of Investor Relations. Please go ahead.

Aditi Mittal:

Good morning. Welcome to Q1 earnings call of Dalmia Bharat. We've uploaded our results and the presentation on the website. I hope you've had a chance to go through it. With this, I'll hand over the call to Mr. Dalmia for his opening remarks.

Puneet Dalmia:

Thank you, Aditi. I will break my opening remarks into 5 sections. The first section is economy and demand. The second section will be capacity and our expansion plans. The third section would be prices and future outlook. The fourth is our cost reduction journey. And the fifth is our key priorities. So with that, I'll start with my first section on the state of the economy and demand.

Fiscal '26 has started on a positive note with India surpassing Japan and becoming the fourth largest economy in the world. As the momentum continues, I firmly believe that our country is well on track to become the third largest economy before the end of this decade. Globally, even though the macroeconomic sentiment has been hit by ongoing trade negotiations and heightened geopolitical pressures, India clearly stands out.

As per RBI, the economy is expected to maintain its growth momentum with GDP expected to grow at 6.5% in financial year '26. The resilience that India has displayed bodes well for the cement sector. And I believe that in financial year '26, the sector should be able to deliver a healthy cement demand growth of somewhere around 6% to 7%. This growth will be supported by strong government spending and a booming housing sector.

Having said that, the start to the year has been a bit slower than our expectations, with uncertainty from cross-border tensions and early arrival of monsoon, despite robust spending by the central government on infrastructure. In fact, the government appears to have front-loaded its capex spending INR2.2 lakh crores in April and May alone.

That's already 20% of the full year target of INR11.2 lakh crores, one of the highest spends in the first 2 months ever. However, at the same time, capex spending at key states like Tamil Nadu, Karnataka and West Bengal declined. Based on current trends, we believe cement demand grew in the low to mid-single digits in Q1 of FY '26, but we expect it to pick up pace once the monsoon precedes. Now I come to my second section, capacity, and expansion plan.

Coming to the supply at the industry level in the next 2 years, almost 70% of the new capacity will be added by the top 4 players, which will accelerate the pace of industry consolidation. And I believe that this is beneficial for the sector as a whole in the long run. We continue to invest in the sector with a clear vision of becoming a pan-India player as we also believe that entry barriers will continue to rise and the long-term returns in the sector will be attractive.

Now as promised, I would like to give a road map for our expansion plan. Before delving into it, it is crucial to outline our expansion philosophy. Our strategic imperatives are twofold; one, to become a pan-India player; and two, to establish a significant presence in every market that we operate in.

Consequently, our growth strategy focuses on expanding into totally new and untapped regions or increasing capacity in existing areas where we are already operating at high utilization or cater to white spaces in our existing regions.

In line with the above, the broad overview of our road map is as follows: to start with, in February 2025, we have already announced an investment to establish a 3.6 million ton per annum clinker unit in Belgaum, along with a 3 million ton per annum grinding unit at our existing Belgaum plant, coupled with new 3 million tons greenfield grinding unit in Pune.

The Belgaum grinding units will primarily cater to the markets of North Karnataka and Southern Maharashtra while the Pune grinding unit will serve the untapped Western Maharashtra market.

Second, the Board has approved an investment of 3.6 million tons per annum clinker unit with a 6 million tons per annum grinding unit at our existing Kadapa plant, supported by 3 million tons per annum bulk terminal in Chennai at an estimated capex of INR3,287 crores. Our Kadapa plant is already operating at high utilization levels. And this investment will help us strengthen our presence in Andhra Pradesh, Southern Karnataka as well as Northern Tamil Nadu markets.

Third, with the upcoming commissioning of a new clinker line of 3.6 million tons per annum at Umrangso in Assam, we will become clinker surplus in the Northeast region, and we are evaluating the best location to add additional 2 million to 2.5 million tons per annum of grinding capacity, which will be a split grinding unit. This can be done within 12 to 15 months of the date of commencement.

With these 3 projects, Belgaum, Kadapa, and further expansion supported by Northeast clinker, we would add 14 million to 14.5 million tons per annum of cement capacity, and this would take our total cement capacity to around 63.5 million to 64 million tons per annum by financial year '28.

Further, we are working on finalizing a new 6 million tons per annum greenfield expansion in Jaisalmer to access the North India market. Land purchase for the plant and split grinding units is already almost completed. The mining lease has been executed and the EC is under process. My sense is that if we can break ground between April and June 2026, we can commission the plant by March '28.

However, before committing to the Jaisalmer project in North, we would like to wait for the outcome of our bid for acquisition of Jaiprakash Associates. All these organic expansions have been meticulously reviewed and are within our defined capital allocation framework. These projects will be funded through a mix of internal accruals and debt.

Now, I come to the next section on prices and their outlook. I will briefly touch upon the pricing trends. While the pace of cement demand did slow down a bit, we have seen a very healthy improvement in prices across our key operating regions. The Southern region, in particular, saw a good recovery in prices this quarter bouncing back from the lows we witnessed last year.

In the East, prices largely held steady, maintaining the gains made in the previous quarter. Even with the early onset of monsoon, the spot prices of cement are holding up and are almost at similar level to the Q1 average cement prices. We remain reasonably optimistic that these prices will hold.

As you are aware, that we have been consistently working on building our brand equity in the market. We are investing in our brand deepening our distribution and improving our price position, which appears to have started giving results. I believe that our realization improvement in many markets has been higher than the price increase, which is visible in our 9% Q-o-Q NSR improvement. This is a long journey, but we are happy to see some green shoots and which we hope will keep on building as we go forward.

Cost reduction. On the cost side, we are consistently working to deepen our cost position as one of the lowest cost cement producers. We are committed to reduce Rs 150 to 200 per ton over the next two-year period and are working on the identified levers, as we have stated earlier.

Now, I come to the key priorities. I am personally very happy with the journey that we have achieved so far. And I think this is the time to have conviction in the future and increase our investments in India, and our people and we are going to do exactly that. As we embark on the next phase of our journey, my priorities are very clear, build capacity for the future, staying focused on our long-term goal to become a pan-India player, while staying within the guardrails of our capital allocation framework.

Two, deliver profitable growth through doubling down efforts on strengthening our brand equity. This is particularly important to scale up our volumes, improve utilization levels and enhance NSR. We will continue to deepen engagement with our channel, both dealers and sub dealers. We have already streamlined the processes and policies, enhanced the experience of our channel and most importantly, boosted the productivity of our own sales force, and we intend to continue doing the same.

Second, we further want to deepen our cost leadership with investment in building capabilities and improving operating efficiencies. And third and most important, we want to build, develop, and sustain a strong leadership pipeline and younger team while creating a caring culture within the organization. I think the best for India and Dalmia is yet to come. And I'm very excited about the journey that we are setting ourselves on.

With this, I want to hand over to our Group Chief Financial Officer, Mr. Dharmender Tuteja. Over to you, Dharmender.

Dharmender Tuteja:

Thank you, Puneet Ji. Let me walk you through our financial performance. Regarding sales volume growth. First of all, I am very pleased with our performance this quarter, as we have delivered the highest ever EBITDA of INR883 crores during the quarter. This EBITDA growth is not only supported by the market price improvement in our operating regions, but also because we have started to see an improvement in the quality of our sales.

Our share of trade sales improved to 68% from 64% last year. Premium product mix also stood steady at 22% during the quarter. Direct dispatch percentage, which had been hovering around 55% over the last several years, has now reached 62% during the quarter, demonstrating a significant positive shift. I believe that we are taking small but steady steps to improve the quality and sustainability of our sales performance, and I am hopeful that this journey will continue.

Moving on further, while our sales volumes de-grew by 6% Y-o-Y to 7 million tons. But if you look at the sales from Dalmia plants, that is excluding the tolling volumes from JP plants last year, our volumes remained flattish in Q1 FY '26. Last year, first quarter was the last quarter when we had the sales volume under tolling arrangement. So from Q2 FY '26 onwards, we will have a clean base for Y-o-Y sales comparison. The revenues have remained flattish at INR3,636 crores in Q1 FY '26.

Coming to the cost line items. Our raw material cost per ton of cement production increased by 8.5% Y-o-Y to INR791. This increase was primarily due to the new mineral tax imposed by the government of Tamil Nadu. On the other hand, power and fuel cost per ton of cement production declined by 2% Y-o-Y to INR981. This was driven by decline in fuel rate from \$106 per ton in Q1 of FY '25 to \$100 per ton in Q1 of FY '26.

The blended fuel cost during the quarter stood at INR1.33 on per Kcal basis. Spot prices are currently hovering at around \$108 per ton. During the quarter, we have commissioned 26 megawatts of RE capacity through opex model. This has increased our RE consumption percentage to 41% in Q1 FY '26 from 35% in the last year. The CC ratio also improved from 1.67 in Q1 FY '25 to 1.71 in Q1 FY '26.

Our logistic cost during the quarter increased marginally by 2% on Y-o-Y basis to INR1,135 per ton. Though our lead distance increased by about 8 kilometers to 280 kilometres in Q1 FY '26. But as I mentioned, our direct dispatch percentage improved in the positive direction to 62%. Our absolute EBITDA improved by 32% Y-o-Y to INR883 crores and EBITDA per ton, thus works out to INR1,261 on a per ton basis, and this is a 40% increase on a Y-o-Y basis.

Our EBITDA margin during the quarter was 24.3% in Q1 FY '26, which is a good jump of almost 5.8% from the same quarter last year. During the quarter, we accrued INR84 crores in incentives, while collections are lower at INR42 crores, which is typically seen in the first quarter of the year, we expect collections to improve in the rest of the year. The incentive outstanding at the end of the quarter was INR780 crores including INR250 crores from the Government of West Bengal.

Coming to the ongoing expansion projects. While Puneet ji has detailed out the expansion plan, I'll give you a brief overview of the ongoing projects. Our clinker unit at Umrangso is nearing completion, and we plan to start trial runs in September this year. With this, the commercial production should start in Q3 of FY '26. This will take our total clinker capacity to 27.1 million tons. The supporting GU for this clinker was already commissioned in March '25 at Lanka, Assam.

The work on the Belgaum-Pune project is in full swing with all major orders placed while civil work is under progress. The project remains on track for completion and is expected to come online by the end of FY '27. During the quarter, we have incurred capex of INR612 crores, with a majority of it being spent on Umrangso clinker line and Belgaum-Pune project, besides maintenance, land, and ROI projects. For the full year FY '26, we expect our capex spending to be about INR4,000 crores.

Also, while Puneet Ji has already mentioned, I wanted to clarify on the Kadapa project, which the Board has approved yesterday. I believe there is some confusion on how it has been shown in our earnings release. The project has a 3.6 million ton clinker capacity in Kadapa, along with 6 million ton of grinding capacity in Kadapa itself. In addition, we are setting up a 3 million ton bulk terminal in Tamil Nadu to serve the north Tamil Nadu market. Cement for this bulk terminal will come from Kadapa itself.

Moving on. During the quarter, the company through its subsidiary has sold INR3.7 crores shares in IEX. Post the sales our holding in IEX has been brought down to 10.8%. That is about INR 9.6 crores shares. Our gross debt at the end of the quarter stood at INR6,456 crores while net debt was at INR873 crores. The resulting net debt to EBITDA stands at 0.33x.

During the quarter, we had issued NCDs and raised INR950 crores of debt and I'm happy to share that the NCDs were well received in the market. Even with the ongoing expansion projects, we remain confident of staying below the 2x of net debt-to-EBITDA threshold which was outlined in our capital allocation framework.

Before we open the call for question and answer, I want to clarify on a couple of legal points. As you are aware, the West Bengal government has enacted the revocation act on 2nd April 2025. The revocation Act revokes and discontinues the incentive schemes retrospectively from the date of implementation of their respective schemes.

Accordingly, the order of the Honourable Calcutta High Court directing release of incentives amount to us will be adversely affected. The company has been legally advised that we have a

good case to challenge the vires and constitutional validity of the Revocation Act. The company will take appropriate legal recourse to protect our interests.

Second, there was a news report regarding the income authorities seeking to reopen the income tax assessment for the financial year 2010-11. We have already filed special leave petition before the Honourable Supreme Court pursuant of which an interim stay has been granted by the court. We believe the department's case is unsustainable.

With this, now I open the floor for questions. Thank you very much.

Moderator:

We take the first question from the line of Amit Murarka from Axis Capital.

Amit Murarka:

Yes, hi. Thanks for the opportunity. So, my first question is on volume and market share. So, like you have been flat Y-o-Y even if I exclude the volume of tolling last year. So generally, the understanding is South and East markets did well in Q1 versus last year. So, could you just talk a bit about the market share losses and how do you plan to arrest it?

Puneet Dalmia:

I think the story is not same across all states. There are, as I said in my earlier remarks in the last earnings call, that our priority is to balance volume growth and profit margins in each market. And I think that strategy is paying off great dividends. We have improved our price positioning in many markets. We have improved realization growth better than what the industry has done with respect to the rebounding of the prices.

And we think that we will continue with this strategy, where we will improve the quality of sales, and we will ensure that we achieve profitable volume growth in the coming quarters. So, I think overall, I'm absolutely delighted with the progress. Our brand is getting stronger. Our distribution is getting deeper and our sales productivity is improving. I think the same approach will be done on a granular basis, market by market in the coming quarters.

Amit Murarka:

Sure. And just a question on production. It seems like there is inventory sitting at the end of the quarter. So how much really was the production? And what is the inventory sitting at the exit June?

Dharmender Tuteja:

This buildup of the inventory typically happens every first quarter because by the end of the year, typically, the entire industry, they're able to sell all their stocks from the plants as well as the depots. And that gradually builds up in the first quarter, and it remained flattish during Q2, Q3 and Q4 again it gets released. So that is typical.

Puneet Dalmia:

It's a seasonality effect. It's nothing unusual this year.

Amit Murarka:

The number is big in P&L, which is why I'm asking.

Dharmender Tuteja:

Sure, slightly higher than Y-o-Y, I think about INR100 crores also.

Moderator:

The next question comes from the line of Ashish Jain from Macquarie India.

Ashish Jain:

Hi, sir. good morning. Sir, my first question is on expansion. Like we are currently guiding for roughly 62 million tons in March '27, aspiring to 75 by '28. And still, we are saying that Jaisalmer

dependent on JPA acquisition. So, because JPA will not be adding so much capacity, how are you thinking about capacity firstly?

And secondly, even if I add Jaisalmer and JPA, let's assume both happen, still the visibility for 75 is actually quite low at least to me. Can I just speak a bit about capacity, how are we thinking? And why are we so hesitant in terms of going all out on addition?

Puneet Dalmia:

I think, first of all, we are not at all hesitant. I think we are going all out to develop the projects. And, as I said, we can press the button on construction in the first quarter of next financial year in Jaisalmer. That will still give us time to commission this project by March '28. The JPA acquisition is under process. And I think there are several scenarios which can play out.

As you know, there is a 5 million ton clean asset with JP Rewa, Churk and Chunar. And then there are 2 other options there. One is BJCL, which was a joint venture with Steel Authority of India in Bhilai, and there is an arbitration going on with Ultratech for a clinker plant in UP. So, JP is minimum 5 million tons of cement and it could be greater than that, depending upon how the other 2 play out.

So, I think we are absolutely not stopping in any way. All we are saying is we will review the position. In any case, we can't press the button on Jaisalmer today. We are taking all effective steps. Land purchase is done, mining lease is done, environment clearance is in process. And we have to review the situation in March '26, which still gives us enough time to complete the project by March '28.

So, I think we just want to remain flexible, and we are just absolutely not tentative. We are just going all out to develop projects. In fact, we are even developing projects for our next phase, which will take us to 100 million plus by financial year '31. So, I think developing projects and creating a state of readiness for our capital expansion pipeline so that we can deploy capital organically is in full swing in the company. But we want to be just flexible to see what happens and take a call once the a major acquisition like JP plays out fully.

Ashish Jain:

Okay, got it. And secondly, Puneet, can you just differentiate between growth in South and East? I know normally we don't share it, but given even Amit asked this question, given the divergence between what we have reported even if I adjust for JPA, it looks quite surprising. So, is it possible to give some color in terms of where we have been most conscious on market share versus margin strategy?

Puneet Dalmia:

I don't think we can share that granularly. All we can say is that there are markets where we want to prioritize margins, there are markets where we want to prioritize market share. And I don't think we would like to reveal our state-by-state strategy on this call.

Ashish Jain:

I'm just asking is East versus South. State-by-state is not what I'm looking for.

Puneet Dalmia:

we also don't want to reveal our region-wise strategy.

Moderator:

The next question comes from the line of Devesh Agarwal from IIFL Capital.

- Devesh Agarwal:** Sir, firstly, I just wanted to understand, you are putting up more capacities in South, and you said that the utilization levels are higher. So, what is the difference between your East utilization versus South utilization? If you can give some sense on that?
- Puneet Dalmia:** I just said that we don't share region-wise data, and I think we will continue to maintain that stand. Thank you.
- Devesh Agarwal:** No, in terms of difference also, whether there will be a 10%, 20% -- 10% difference between the utilization between the 2 regions, that will also help to get us some idea.
- Puneet Dalmia:** Even if you ask that question in 3 different ways, we are not going to reveal our region-wise utilization or a state-by-state or region-wise strategy. Thank you.
- Devesh Agarwal:** No problem, sir. No problem. Secondly, sir, you said in terms of planning exercise, you have seen improvement in realization better than what the price hike has been. So just wanted to understand better what is the current gap that you have in each region or basically on an overall basis also? And what is the target to narrow that? And how do we achieve this?
- Puneet Dalmia:** Can you please repeat this question? I didn't understand this.
- Devesh Agarwal:** So, I'm saying you did mention that the increase in the NSR for us has been higher than the price increase in those regions, right? So basically, there would have been some gap in terms of pricing between us and some of the other brands. So, I wanted to understand what is the gap at this point in time? And what is the target to narrow that gap to? And how do we intend to achieve that?
- Puneet Dalmia:** I think, again, this depends. There is a different state by state. And even in terms of the different brands that operate in each state. So, I would just say that we want to be the top price brand in every state possible and it is a journey. It's going to take time. We also don't want to do sale with low margins, even if that means that in the short term, we have to hold back and do higher quality sales because I think in the long term, that is a better strategy to follow, and we want to operate in those customer segments, which give us better margins.
- So, I think this is broadly the trade segment, we want to improve price positioning in some of the markets where we are weak. In some of the markets where we are strong, we want to continue to premiumize our product mix. And even within non-trade, which is the institutional segment, we will choose our market segments carefully to improve the quality of sales.
- So I think it's hard for me to quantify right now as to how much is the further spread that's possible. But I can say that overall, with continuing to deepen our cost leadership, and improving our NSR, we should be able to deliver top decile EBITDA per ton in the industry. I mean, I think that's our endeavour.
- Moderator:** Thank you. We take the next question from the line of Ritesh Shah from Investec. Please go ahead. Ritesh, if you can please unmute. Yes, please go ahead.
- Ritesh Shah:** Yes, hi. Sorry for that. Thanks for the opportunity. Sir, a couple of basic questions. At the start of the call, you indicated our endeavour is to go on a pan-India basis. Now we have just

announced something which is more in South and to some extent, in Western India, including Pune. So the question is why did we decide to go for the Rajasthan optionality that we have versus what we have just announced.

Puneet Dalmia:

I think I made it very clear in my call that our overall strategy is to create a pan-India footprint while creating significant presence in each of the markets that we operate in. So, I think we are not going to choose one or the other. I think I also made it clear that our Kadapa plant is operating at high utilization levels. So, it is important for us to continue to deepen our presence in Northern Tamil Nadu, Southern Karnataka and Andhra Pradesh.

And we are developing projects in regions that we don't operate in. So we spoke about Jaisalmer, we spoke about Jaypee, which is Central India. So I think we are looking at all of this in a very holistic manner and both the things in terms of pan-India footprint as well as significant presence in our existing markets are important to us.

Ritesh Shah:

Sure. Sir, second related question. I think ED did come up with a notice, I understand it's a provisional attachment with respect to Kadapa limestone around 417 hectares. I understand it's a provisional attachment, we would have challenged that. Do you think this is any form of risk? Or is it something that we should just forget and move ahead?

The reason to ask is we have existing operations, and we have just announced incrementally expansions over there. So in that side, how should we look at this particular variable?

Puneet Dalmia:

I think as you said, this is a provisional attachment. We have challenged it and we think the case is unsustainable. We do not see any risk in terms of expansion or in terms of mines. We have been operating this for the last 14 years. And there has been literally no issue. We don't foresee any risk with respect to disrupting the operations.

Ritesh Shah:

Okay. And sir, just last question. I think in the earlier remarks, you did indicate that our focus has been on sales productivity. However, if I look at the annual report, over the last 4 years, the discounts that we have given in the marketplace has effectively has doubled and it's nearly INR1,200 per ton. How should we understand our marketing strategy in this number of INR1,200 per ton, which is quite high.

Puneet Dalmia:

I think this is exactly the point I made. There are markets where we have made sales on lower margins. There are markets where we have to improve our quality of sales. We have to improve our brand positioning, and we have to increase, deepen our distribution. And that is exactly what we are doing. And that is why I said the green shoots are starting to be visible this quarter and hopefully, they will continue in the coming quarters. So this is a long journey. The journey has started, and I'm happy with the progress.

Dharmender Tuteja:

And regarding the high level of discount, which you pointed out, let me also clarify that last year the industry tried to increase the prices, but most of the times, they were not holding and they had to be given back as discounts. So particularly this price increase but not made effective and to be compensated by the discount also shows up in the discount which you see in the annual report.

- Ritesh Shah:** Right. Just a follow-up, Puneet, how do you look at this number of discounts versus the net pricing? Effectively, it is a cost to the company. So is it something that you put up as a KRA for your sales and marketing folks that this number should actually decline, which will propel effectively a good industry-wide practice as well?
- Puneet Dalmia:** I think this is an issue which we are looking at on what is the best way to streamline this because this is area which requires deeper deliberation. And I don't think there is an easy answer for this. There is an industry behaviour issue, and we are operating in a very competitive environment. And depending upon how the overall conduct is, I think we have to examine how we operate.
- So, I think in a competitive environment, some of these things happen. I mean in this industry, the pricing is a little bit opaque. And I think how do we bring more transparency in pricing is a constant endeavour that we are trying for. And in some markets where we are strong, we are able to take tough calls. But in markets where we have to build stronger distribution and our brand is weak, we have to work harder to build strength and then we can do this. So I think it's a journey. And I feel that over time, there'll be more transparency around this.
- Ritesh Shah:** Sure. Thank you so much for the answers. I'll join back the queue.
- Moderator:** Thank you. The next question comes from the line of Rahul Gupta from Morgan Stanley. Please go ahead.
- Rahul Gupta:** Hi. Thank you for taking my questions. Puneet, I have two questions. One, we have seen strong pricing environment during the quarter, right? And to some extent, this has sustained in July as well. Now this has happened in the midst of relatively weak demand environment. How should we look at this?
- Are we seeing pricing discipline in the industry and moving away from competitive environment or this is just a near-term phenomenon, and we may see increased competitive environment once we move out of monsoons. So any color on this will be very helpful. That's my first question. Thank you.
- Puneet Dalmia:** What is your second question? I will answer both together.
- Rahul Gupta:** So my second question is the strategy is now to focus on profitable growth, going micro markets as well. Now assuming industry grows at 6%, 7%, 8% for multiple years. And given Dalmia's low utilization levels, are we in a way moving away from 75 million ton and 110 million to 130 million ton capacity targets from here? Thank you.
- Puneet Dalmia:** Okay. So I think let me first take the pricing issue. I personally think that, as I've said earlier, at the current margin levels, no new capacity creation is viable. So our belief is that as consolidation happens, it will boost pricing power in the industry and the margins will become respectable to give a good return on capital employed.
- This has happened in every sector. And we have also seen that the top players are taking disproportionate share of the growth. So I'm convinced that the entry barriers are rising and the

margin profile of this industry and the return profile of this industry is going to get increasingly attractive in the future.

Now having said this, there will be blips along the way, and this is not a linear curve. There will be times when you will make low utilization, low return on capital. There will be times when you will have low utilization, but very high return on capital because prices are good. And I think we should not get swayed by quarter-on-quarter volatility in this sector.

I think we have seen in the last 80 years that the best strategy to create value in this industry is to take a long-term view and invest, and the way you make money is to invest when people are not investing and also to ensure that your cost of capital is low and leverage is under control.

So, I think we will continue to invest in this sector with a deep conviction that India will do well and consolidation will increase and pricing power and pricing discipline will return in the sector. That view is unwavering quarter-on-quarter. And that view will not change even if we perform well in one quarter or if we perform badly in one quarter.

Our long-term strategy will remain the same. We want to focus on a micro market by micro market and decide margin versus market share trade-off, and we will ensure that we will invest in markets to create significant presence and diversify across geographies.

So I think my strategy, my conviction, my answer will not change every quarter depending upon our performance. We have deep faith in India, we have deep faith in the returns that the sector is going to offer, and we have deep faith in our execution capabilities.

Now coming back to one point on short-term prices. I think currently, the prices, as I said, had gone to unsustainable levels and prices are bouncing back. I personally feel that at least in the near term, I'm quite optimistic that these prices will hold.

But having said that, this is a cyclical business. And there are times when prices will be volatile. So it's hard for me to predict quarter-on-quarter what will happen. But, the way I see the situation now is I'm quite optimistic that the prices will hold.

Moderator: We take the next question from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: My first question is on the Jaypee bid. Just want to understand what would be our plan for the non-cement assets which comes as a combination? And also from our interaction with CoC, I mean, what sort of timeline are we looking at for this resolution?

Puneet Dalmia: Sumangal, I already said this. We are a pure-play company and we want to look at the cement business in a very strategic manner. And, I think as far as the CoC is concerned, I understand that they are going to review it this week, and then they're going to give us a better sense of the timeline. But based on our interactions, although they have not given any firm date, they want to find an early resolution to the whole process.

Sumangal Nevatia: Understood. My second question is on the timing of this announcement of expansion. Now given that we are operating at almost 60% utilization at the company level, looks like we have

headroom for a few years to grow. Won't we be better off going for expansion once we start approaching 70%, 75% utilization given the capital also has an opportunity cost?

Puneet Dalmia:

Sumangal, as I said, our utilization is not the same across all regions. And we have to take a more granular approach, point number one. Point number two, it takes time to build new capacity. I think we were behind the curve in acquiring land, obtaining permits, and obtaining mining life leases.

We think that we want to be in an absolute state of readiness. And if we are within our capital allocation framework, we want to invest in this sector with a clear conviction that India will do well and consolidation will increase in this sector.

So I think we are within our capital allocation framework, and I think we'll continue to sweat our existing assets, too. It doesn't mean that we are not going to sweat our existing assets and keep expanding just for the sake of nameplate capacity. That's not our intent. Our intent is to create profitable growth and get returns on the capital that we invest.

Moderator:

The next question comes from the line of Satyadeep Jain from Ambit Capital.

Satyadeep Jain:

First question, I know the question everybody is asking, since the confusion that this is creating. I just wanted to dive deeper historically, Dalmia was focused in a way on market share, if you look at the history. Then a pricing discipline, lost market share a few quarters ago, there's been a change in management last 2, 3 quarters, you've seen market share loss, but we've seen pricing improvement.

So, A to this question, what have you specifically done to improve this price positioning? Are you vacating some markets? That's what the impression we're getting, non-profitable market. What specifically are you trying to do to include brand positioning because the brand has been out there for a long time? Suddenly in 2, 3 quarters, what steps have you taken to improve brand positioning?

And to this question, because you're adding a lot of capacity, then the amount you're investing in this brand creation and brand positioning, and then you have to chase volumes again with this capacity? Do you dilute this again? How does this entire strategy tie to what you're trying to do is the confusion, I guess, everybody has right now?

Puneet Dalmia:

I think you should speak for yourself, don't talk for everybody. That's my request. And I think if you have confusion, I will clarify it once again. Our strategy is very, very clear. I think we will continue to invest with a great mandate, with a clear vision that India will do well and consolidation will increase, point number one.

Point number two, I think there are markets where we think there was unprofitable segments that we were operating in. And, we don't want to operate in those segments as of now. I think we want to be very clear that we have a different strategy for every micro market, and we will ensure that strategy plays out and we balance growth and we balance profitability.

Point number three, I think there are times when just creating discipline in which segments to chase, what leeway to give on discounting strengthens the brand. And, I think we are just following that. You can do that fairly quickly if you are disciplined about it and you have a clear thinking around it. So I think this is what we have done. And I think we are seeing that early results are visible.

So if it means making some trade-offs in terms of unprofitable segments, we will make those trade-offs because it's in the long-term interest of the company. And I think just giving more discipline in distribution improves brand positioning because otherwise, the distributors cut each other out and they dilute your brand.

So customer brand can be very strong, but distributors can just dilute the brand because we don't enforce discipline on them. So, I think that is exactly what we are doing in the market and we are engaging deeper, we are giving clear messages, and we are very focused on what we are trying to do.

Satyadeep Jain: So can we expect maybe growth, volume growth in line with industry or higher than industry and at the same time, this focus on profitability so that can be something that we can expect a combination of both profitable growth and volume growth in line or above industry?

Puneet Dalmia: I think long term, yes; short term, I think we'll have to make a balance.

Satyadeep Jain: Okay. Second question would be on the capex decision. Just wanted to check. Between various pockets; in north, you had option between Jaisalmer and Nawalgarh. But it seems like you're pressing Jaisalmer and obviously the premium that you paid for Nawalgarh, the premium in general was very high. So does it mean that at this stage, Nawalgarh looks less feasible?

And that given there is a timeline for that mine to commission after the lease execution, would there be a risk of some of these leases going away? And then the entire you're looking at 18 million, 20 million tons of expansion in the next 2, 3 years. Would there be any risk, just maybe wouldn't it be more prudent to layer it rather than doing all at the same time, just from an execution balance sheet standpoint, trying to understand?

Puneet Dalmia: I think I can say it again. We have said that 64 million tons is something which is firm. we are going to look at how Jaypee plays out. And, we are going to be in a state of readiness for all projects. And we are going to take a call by March 2026 on whether we should press the button on Jaisalmer or not.

I think we have layered and we have created scenarios which manage risk fairly well, in my view. We're going to review the situation every quarter. We're going to see how Jaypee plays out. We're going to see how our execution plays out, but we want to remain in a state of readiness.

Moderator: We take the next question from the line of Kunal Shah from DAM Capital Advisors.

Kunal Shah: Just a couple of questions. Number one, on the Jaisalmer project, could you just provide some insights on how much capital is already committed here and how crucial would be the

government subsidies before committing capital -- further capital to that particular area given the long lead distance to target markets and potential higher capex cost at the outset?

Puneet Dalmia: I think we cannot comment on that right now. I think we will comment on that once we are ready to announce the project.

Kunal Shah: Understood. And secondly, on the Kadapa capex, the grinding of 6 million tons at Kadapa and the bulk terminal of 3 million at Chennai. Now could you explain the strategy? Just want to holistically understand versus, let's say, putting up a split grinding unit down south Tamil Nadu, especially given the integrated expansion at Tamil Nadu is some time away until we see developments at the option there?

Puneet Dalmia: I think, we examine this very carefully whether we should put a grinding unit in Chennai or we should put a blending unit in Chennai. I think from an economic standpoint, we think it is better to put all grinding in Kadapa and just to a bulk terminal in Chennai because we want to balance capex as well as servicing the market. And we think this was a more economically viable proposition.

Moderator: The next question comes from the line of Jashandeep Singh Chadha from Nomura.

Jashandeep Singh Chadha: First of all, congratulations on a very good set of numbers. So Puneet, I have just two questions. Firstly, I think the cost saving of 150 to 200 per ton, Dalmia actually announced it last year. So, I just wanted to understand has some cost savings come till now or if you can directionally tell us. I understand it will be very difficult to quantify it, but some cost savings that might be coming in the near coming quarters. And in which key heads it will be?

My second question is, I understand going to Kadapa and Belgaum because you have higher life of mine and lease like they make sense. But just wanted to understand, and thinking out loud that the reason -- one of the reasons for waiting for JP could that also be that Dalmia has already made inroads in that central relatively newer market because of tooling.

And also, as you get auction fee. So, there's no premium on the central limestone whereas for Jaisalmer, you have around 12%, 15% of auction premium. Can that also be one-off the condition in your scenarios that you played out? Just 2 questions from my side.

Puneet Dalmia: I think we had said that from a quarter 1 financial year '25. It's a 3 year journey to reduce cost by 150 to 200 per ton. I think we are in the process of doing work so that we can demonstrate this cost savings. it is not visible until this quarter. But we are doing work on renewable energy. And some of it is going to be visible by the H2 of this year.

And also some of the logistics optimization is also happening. And I think that also will start to play out by the fourth quarter of this year until the next year. So that is question number one, I think point number two on JP, I think it just accelerates our entry into the market. Option premium is one issue, but overall, I think we want to build a Pan-India footprint and it is in line with that strategy.

Moderator: The next question comes from the line of Shravan Shah from Dolat Capital.

- Shravan Shah:** Sir, most of the things have been answered. Just to understand in terms of the capex, so if you can help us break up first on the Assam, Umrangso, how much out of the originally announced INR3,640-odd crores, how much is already spent till 1Q FY '26, at the same time on the Belgaum, how much we have already spent. So I wanted to understand in terms of the INR4,000 crores capex and maybe for FY '27, even if we don't assume Jaisalmer or JP, how much more capex that is one can pencil in for FY '27?
- Aditi Mittal:** For Umrangso, we're almost done. The trial run of Umrangso clinker will start by September this year. I think we should have somewhere with a number between 600 to 800 which will probably get in this fiscal. As far as Umrangso is concerned.
- On Belgaum again, because most of the capex will be incurred by about Q4 '27, the number should be closer to INR1,400 crores to INR1,600 crores on Belgaum this year. And again, of the total capex, which Dharmender has said of INR4,000 crores during the fiscal, approximately 75% to 80% will go into the announced growth projects and also procuring land for our future pipeline.
- Shravan Shah:** And then for FY '27, would be for existing whatever we have announced, what would be the capex, including the ROE and the maintenance?
- Aditi Mittal:** So the balance 20%, which I just mentioned, will be support RE, maintenance capex and all other ROI improvements that we'll be doing across the plants. For next year basis, whatever the capex number should be something similar to a 4,000 again. Again, in FY '27, approximately 70% to 75% will again be growth capex and balance will be for maintenance ROI renewable power, etcetera.
- Moderator:** Sir, I request you to please join back the queue. We take the next question from the line of Pathanjali Srinivasan from Sundaram Mutual Fund.
- Pathanjali Srinivasan:** I have a couple of questions. One is our marketing spend is reduced year-on-year from FY24 to FY25. So is there any change in strategy that we are doing here?
- Aditi Mittal:** No, nothing really.
- Dharmender Tuteja:** There was also a brand launch. So, there was a one-time brand launch expenses otherwise we continuing the same thing. And going forward, of course, as we deepen our brand leadership, this also will slightly go up.
- Pathanjali Srinivasan:** Okay. But prior to that, I think we were spending almost like INR75, INR80 per ton on a year-on-year basis for marketing, but it's declined to almost INR50. So I just wanted to understand if we are spending more with in any other way for advertising or in terms of our dealer rates.
- Dharmender Tuteja:** The focus has slightly shifted on the BTL expenditure closer to the markets. Rest all, I think when the brand was launched. There was more of ATL on the IPL sponsorship. Those things are shifted towards BTL.
- Moderator:** The next question comes from the line of Prateek Kumar from Jefferies.

- Prateek Kumar:** A couple of questions. Firstly, just for modelling, a couple of questions. Your mind on your net debt positions from current INR800 crores, including the three projects which we have talked about, three or four projects, excluding Jaisalmer, where do you see your net debt position from INR800 crores currently? And second question is on the expected, if we win the JPA bid, what is the expected cash outflow that you expect from that bid?
- Dharmender Tuteja:** So, with the current announced projects, the net debt should go up to about INR5,000 crores or so, which should not be concerned within our capital allocation policy. For JP, of course, we're not able to comment right now until the matter gets closed with the COC, because there could be timing issues also, how the money gets paid. So, when, if at all, when it comes, we'll do the proper announcement and give you whole breakup.
- Moderator:** The next question comes from the line of Rajesh Ravi from HDFC Securities.
- Rajesh Ravi:** My question pertains to this Northeast expansion and also first on the Northeast expansion, what sort of incentives these plants, the grinding unit and the upcoming clinker unit bring with them?
- Dharmender Tuteja:** On the capex, we had 200% of the incentive on your total fixed cost investment, and that is for 20 years.
- Rajesh Ravi:** Okay. So on an annual basis, how much would that work out?
- Dharmender Tuteja:** Sorry, can you repeat that?
- Rajesh Ravi:** On an annual basis, what sort of incentive one can Dalmia could potentially accrue from these plants?
- Dharmender Tuteja:** I think you should see the macro level what we see about INR100 per ton for the company as a whole rather than getting into the project-specific per ton basis.
- Rajesh Ravi:** And would you repeat the incentive numbers accrued and collected in this quarter?
- Dharmender Tuteja:** It was INR84 crores accrued and INR42 crores received.
- Rajesh Ravi:** Okay.
- Moderator:** Ladies and gentlemen, we take the last question from the line of Raashi Chopra from Citigroup.
- Raashi Chopra:** Thank you. Sorry if I missed this. I got disconnected. Have you given any guidance for volume for this year?
- Puneet Dalmia:** We don't give volume guidance.
- Nashi Chopra:** All right. And second, at what point would you start using auction limestone?
- Aditi Mittal:** So Raashi, now that we'll be expanding into the newer regions. The auction limestone will probably start coming into play because Jaisalmer will be an auction mine as and when we develop it. And on our existing plant as we augment in future.

- Puneet Dalmia:** In the next 2, 3 years, there's going to be very little auction limestone. So I think it's not going to move our cost curve at all. 3, 4 years later, there will be a marginal shift, but it's not material.
- Nashi Chopra:** And what's the premium for the Jaisalmer limestone?
- Puneet Dalmia:** . I don't remember. I think we'll give it to you.
- Aditi Mittal:** I'll give it to you later after the call.
- Moderator:** Ladies and gentlemen, with that, we conclude the question-and-answer session. I now hand the conference over to Mr. Puneet Dalmia for closing comments.
- Puneet Dalmia:** Once again, I just want to thank you all for your interest. I think I'm very happy that this was the best quarterly EBITDA ever for the company. We are very confident about our plans and I think staying within our capital allocation framework. And as I said, the best of India is yet to come, and the best of Dalmia is also yet to come. Thank you for your interest. Bye-bye.
- Moderator:** Thank you. On behalf of Dalmia Bharat Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your line.