

"Dalmia Bharat Enterprises Limited Results Conference Call"

August 11, 2011



Moderator:

Ladies and gentlemen good day and welcome to Dalmia Bharat Enterprises Limited Q1 FY'12 Earnings Conference Call hosted by MF Global Sify Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you need any assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Vaibhav Agarwal, thank you and over to you Sir.

Vaibhav Agarwal:

On behalf of MF Global India, we welcome you to the Q1 FY'12 Earnings Conference Call of Dalmia Bharat Enterprises Limited. Dalmia Bharat Enterprises Limited is being represented by Mr. Puneet Dalmia, Managing Director of the company. Puneet Sir has been accompanied by Mr. Deepak Sogani, Executive Director Strategy and Corporate Finance and Ms. Himmi Gupta, Senior Manager, Investor Relations. I will now hand over the floor to Ms. Himmi Gupta.

Himmi Gupta:

Welcome to Dalmia Bharat Enterprises Limited financial year 2011-12 Q1 Conference Call. I have with me on the call Mr. Puneet Dalmia, Managing Director and Mr. Deepak Sogani, Executive Director Strategy and Corporate Finance to discuss some of the recent events and results of the company. We will commence the call with comments from Mr. Dalmia followed by additional details from Mr. Sogani. This will be followed by an interactive Q&A session. I would like to mention certain statements that may be made or discussed on the conference call maybe forward-looking statements. The actual results may vary significantly from these statements. The company does not offer to update them publicly to reflect the change in performance. A detailed statement in this regard is available in the results presentation made available by the company. I would now like to invite Mr. Puneet Dalmia to share the key highlights of DBEL.

Puneet Dalmia:

Let me share some perspective on the performance of DBEL in the quarter. During the quarter our performance in the cement business has been fairly good due to strong support from prices in the southern market and further also this was supported by stable performance in power and other miscellaneous business. The consolidated performance shows gross revenue in Q1 FY'12 up by 38% to 598 Crores on a YOY basis and down 6% on a QOQ basis. At EBITDA level for Q1 FY'12, the company records a consolidated EBITDA of 129 Crores up by 94% on a YOY basis and down by 32% on a QOQ basis. In the cement business the overall industry demand in the southern states has dipped by 6% on a YOY basis and dipped by 5% on a QOQ basis. There is marginal growth in Tamil Nadu



of 3% on a YOY basis while there is a decline in AP, Karnataka and Kerala. As against the industry growth of -6% our dispatches have improved by 21% on a YOY basis while the same is down by 9% on QOQ basis.

Our associated company OCL India Limited in which we hold 45% stake has reported its financial results a few days back. The company has plants located in Orissa and it is catering to the eastern markets where the cement prices has been volatile during the quarter under review in comparison to other geographies. The company has recorded a marginal drop in gross revenue 1% in Q1 FY'12 to Rs.410 Crores on a YOY basis. The EBITDA for Q1 FY'12 is Rs.73 Crores, which has declined by 11% sequentially. Eastern market demand has shown a modest growth of 2% on a YOY basis and where we have also grown by 2%.

In the power business, the power generation has improved by 14% to 10 Crore units on a YOY comparison. The power business is shaping up with better capacity utilization as captive consumption as well as outside sale is increasing coupled with better realization of per unit rate on the grid, which has improved by 13% to Rs.6 per unit for the quarter under review on a YOY comparison.

Other miscellaneous business mainly comprise of Dalmia Refractory business. The business has been contributing stable EBITDA to consolidated results.

The net debt equity ratio of the company has significantly improved as compared on a YOY basis. The company has taken steps to use available funds in the most judicious manner in the short term and in the process has repaid some of the high-cost long-term borrowing.

The total debt of the company has reduced to Rs.1762 Crores at the end of Q1 FY'12 as compared to Rs.1930 Crores at the close of Q4 FY'11. The net debt to equity ratio is at 0.46 as at the end of Q1 FY'12 as against 1.3 prior to the restructuring and KKR funding.

In order to continuously improve our operating parameters on a sustainable basis steps have been taken from time-to-time. During the quarter under review one of the steps taken is commencement of work for putting up a railway siding facility in our Kadapa plant, which is expected to be commissioned in this fiscal itself. The facility is expected to enhance our capability to supply at a lower logistics cost. Similarly a 10 km cross country belt conveyer is commissioned in OCL to convey limestone from quarries, which is expected to contribute significant savings in logistics cost as well as continuity in operations. Cement is yet to see a lot of growth and we are well placed to plan a sector leadership role for the company in terms of capacity, profitability, sustainability and CSR. The focus of the management is to continue to deliver on the growth on both operating metrics and earnings.



Now I would like to hand over to Mr. Sogani who will take you through the detailed financials.

Deepak Sogani:

Thank you once again for taking interest in DBEL and for being present on this call. I shall discuss the operating and the financial performance of the company for the quarter and under the review period. For the benefit of the listeners, I would to state that all comparisons would be made with the comparable period of previous year except where specifically highlighted. Further I shall be referring to the consolidated performance of DBEL.

In the cement business, the Gross revenue stood at Rs.576 Crores as compared to Rs.412 Crores last year same quarter up by 40% on a YOY basis. To provide you with some color on the cement volume, we sold 1.23 million tonne of cement in quarter as compared to 1.02 million tonne in the comparable quarter last year thus showing an increase of 21% on a YOY basis. Average realizations in the cement stood at Rs.3,920/tonne in Q1 FY'12 as compared to Rs.3,309/tonne in the corresponding quarter last year and Rs. 3,944 per tonne in the last quarter, up 18% on YOY basis and -1% sequentially, which is in line with the regional price movement.

The EBITDA on the cement sale improved to Rs.926 per metric tonne in Q1 of FY'12, which is higher by 86% on YOY basis and is lower by 31% sequentially. On a per metric tonne comparison basis freight has net cost reduction of 6% on a YOY basis whereas the power and the fuel costs have increased by 19% on a similar comparison.

The company continued to make headway in its core market of Tamil Nadu, Kerala, and AP and expected to show higher growth rates in the coming quarters backed by demand from both the trade and the non-trade sectors. During Q1 FY'12, the margins significantly improved in Tamil Nadu by 22% and AP by 52% while it is flat in Karnataka and down in Kerala by 11% on a YOY comparison basis.

In OCL the volumes increased by 10% in Q1 FY'12 to 0.84 million tonnes on a YOY basis. Prices have declined and the average realization has dipped to the tune of 9% on YOY basis and remains flat on a QOQ basis. The impact of price decline is partially compensated by savings on account of freight cost, which has reduced very significantly by 25% on a per metric tonne comparison basis primarily on account of the business mix related expenses. The operating leverage has also good accordingly on a YOY basis.

The EBITDA on cement sale has dropped to Rs.882 per metric tonne in Q1 FY'12, which is lower by 33% on a YOY basis but higher by 11% on a sequential basis. Overall the demand



of the industry on YOY basis in the eastern region has shown a growth of 2%, which is mainly contributed by Orissa to the extent of 18%, West Bengal 4% while Bihar, Chattisgarh has shown a decline of 4% each and Jharkhand is down by 14% on a YOY basis.

In the power business, the newly setup 27 megawatt Ariyalur plant has stabilized and has generated 3 Crore units during the quarter under review. Moving on our interest cost in Q1 FY'12 was at Rs.38 Crores brought down from Rs.46 Crores due to repayment of debt undertaken. DBEL has earned treasury income on its liquid investments during Q1 FY'12, it has earned Rs. 13 Crores as against Rs.15 Crores on YOY basis. Taking into account DBEL's stake in OCL India, the latter contributed Rs.11 Crores to DBEL consolidated bottomline during the quarter under review.

I would like to touch upon some of the key factors that influenced our performance during the quarter that is better per metric tonne realization in cement business in DBEL leading to improved EBITDA per metric tonne on YOY basis. On the contrary, in OCL, lower per metric tonne realization through partly compensated by higher volumes resulted in drop of EBITDA per metric tonne on a YOY basis.

Power business, Dalmia Refractory and miscellaneous business are proving stable operating cash flows to DBEL. Company's improved debt equity ratio has helped in improving the financial risks and in providing strength to the balance sheet. That brings us to the end of performance on the results and we would now request the moderator to open the forum for queries. Thank you.

Moderator:

Thank you very much Sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Jinesh Gandhi from Motilal Oswal Securities Ltd. Please go ahead.

Jinesh Gandhi:

Puneet my question is on how demand shaping up now in South India considering that we are at a very low base of last year and are we seeing any sign of demand pickup in July-August.

Puneet Dalmia:

Actually July is usually a better month than June mostly and our volumes as you may have seen in this July communication are up almost 30% on a year-on-year basis as compared to last July. My sense is actually the overall political situation still continues to be fluid and I will not like to take one month as a representative of the long term demand. So our guidances is that we are bracing up for low demand and both Andhra Pradesh and Karnataka continue to be fluid in terms of political stability and we think that the demand



pick up may come from financial year 2013 onwards. Having said that I think the price discipline is reasonable in the industry and we delivered an EBITDA per tonne of close to Rs.1000 in the Q1 which given the current surplus situation is quite commendable and I think we have been able to handle the cost situation also reasonable well. Overall given the macro economic situation of negative demand and oversupply I am pretty satisfied with the performance in the first quarter

Jinesh Gandhi:

And what kind of capacity addition do you envisage in Southern market in FY'12 and FY'13?

Deepak Sogani:

Overall 24 million tonne capacity on pan India is expected to be added in FY'12 and 25-30 million tonnes in FY'13 and 40% of the total capacity is going to get added in South India in FY'12. In terms of our performance we had grown just to highlight what the numbers were we have been able to firm up and use our new plants significantly better in the current quarter and our growth was 21% on a Y-O-Y basis against the industry declining by 6% (south region) on the demand side in Y-O-Y basis in this quarter. Clearly indicating that we have been able to stabilize our channel sales and also the new markets Andhra Pradesh and Karnataka are going to see better traction and perhaps in some segment trying to look at this. Just added little bit more color on how we are doing with competitive pressure.

Jinesh Gandhi:

From that perspective you have been outperforming markets in a fairly big manner, considering that almost 30% of the capacity addition we expect in south India and of that 30% large portion will be coming from big player like Jayaprakash do you admit it impacting the rationality of the players in the market currently, which has been pretty commendable so far?

Puneet Dalmia:

I think its hard to predict comparative behavior and whenever there are new entrants we always expect volatility so I think as I said in Andhra Pradesh the macro outlook both in term of demand as well as the comparative structure of the industry is fairly negative. We are very cautious about our outlook in Andhra Pradesh, I would say that we expect volatility whenever new entrants come in or new plants get commissioned.

Jinesh Gandhi:

How about our own expansion plans, have we gone ahead in these orders or we are still looking at the market situation?

Puneet Dalmia:

We have been looking at micro markets in India very closely and we have almost finalized our expansion plan as to where we are doing to invest and I have said in the last call that we are going to put up new capacity of about 5 million tonnes in two markets and as and when



we are ready to make those announcements, we are taking significant steps towards gaining

momentum on that.

Jinesh Gandhi: Any of our new capacity as you said would not come before FY'14. Would it be fair to

assume that?

Puneet Dalmia: FY'13 end or FY'14 end.

Jinesh Gandhi: And you mentioned about your EBITDA per tonne declining by about 31% on sequential

basis, which is effectively roughly about 400 odd rupees decline in EBITDA. What would

be key driver for that. Key factor which impacted EBITDA?

Puneet Dalmia: I think there was a slight decline in prices and also there is a cost push in terms of coal cost.

Deepak Sogani: The power and fuel cost were significantly higher in the current quarter, went up by as high

as 25% in the quarter.

Jinesh Gandhi: What would be average cost of coal in the quarter?

Deepak Sogani: The average cost of coal that we have factored in to our P&L in the current quarter is

around 6,000 per tonne.

Jinesh Gandhi: How this would be in Q4 FY'11?

Puneet Dalmia: Q4 5700, Q1 6000 and Q1 of last year 4800.

Jinesh Gandhi: So then energy cost clearly has gone up almost by 5%-6% sequentially.

Deepak Sogani: Y-O-Y bases it has gone up by 20%-25%, because on a Y-O-Y base it is a significant

contributor.

Jinesh Gandhi: How are our current realizations what we have seen in Q1 how they would be now in terms

of realization and EBITDA?

Puneet Dalmia: Slightly softer as compared to Q1.

Moderator: The next question comes from the line of Jimesh Sanghvi from Avendus Securities. Please

go ahead.



Jimesh Sanghvi:

Just wanted to check on a couple of things one was on OCL India, the company has been planning to setup a 54 megawatt power plant, which was likely to be commissioned last year itself, there has been a considerable delay in that particular power plant, so any specific reasons that you would assign to that, second is there has been some statement in your annual report for OCL which states that Kapilas cement manufacturing unit which has an installed capacity of around 1.35 million tonnes has not got the entire environmental clearance. So what is the status on that if you can let us know and the third thing is the tax to PBT is at around 46% for Dalmia consolidated so if you could just guide as to how it would be for the full year and the reasons for this higher tax to PBT in the current quarter?

Puneet Dalmia:

On the delay in commissioning of the power plant there were some delays in the project and we were facing delays from machinery suppliers and also delay in our own erection and commissioning but I think that is sorted out now and we should be able to commission the plant in the next two quarters. Similarly in terms of the environment clearance I think we had applied for environment clearance of 100% capacity utilization but we were able to run the plants much better in Kapilas, so we basically wanted to revise the clearance marginally upwards because we were able to get better output than what we had envisaged. It is a procedural issue and we just wanted to make that disclosure because the plant was running at higher capacity utilization than we had thought. On the third point I think we need to get back to you, will just examine that and come back offline.

Jimesh Sanghvi:

Just on the power plant what is the likely saving which could happen with the captive generation. What will be the cost per unit?

Puneet Dalmia:

Lot of assumptions that you make about the coal price and power rates because they are also quite volatile in East India but whatever work we have done based on the assumption that we have made, I cannot go into all that assumption, it will give us the ceiling of about easily 25 Crores per annum.

Jimesh Sanghvi:

This is based on if you can just help provide the numbers on a per unit bases may be Rs.4 per selling price?

Puneet Dalmia:

I do not have it readily right now. I can look at the numbers and give back to you.

Deepak Sogani:

I just wanted to kind of given an additional supplementary response to Jimesh question on the EBITDA per tonne in Q1 versus the last quarter, clearly from a NSR perspective in the current quarter versus last quarter there is not much of movement. But on the raw material cost per tonne consumption the cost has gone up from Rs.200 per tonne to Rs.370 per tonne so this cost has gone up, the power and fuel cost per tonne has also gone up from 1150 or



1360 odd, so 200 rupees out here and clearly the volumes in the current quarter was lower than the last quarter, last quarter we did 1.35 million tonne and in the current quarter we are doing 1.24 million tonnes and therefore the fixed expenses obviously the leverage is little lesser in the current quarter so the fixed cost per tonne is also little higher in the current quarter, so these three large factors power and fuel limestone as well as the fixed cost appropriation has led to the reduction in the EBITDA per tonne from 1336 of last quarter to 936 per tonne in the current quarter.

Moderator: The next question comes from the line of Sonali Salgaonkar from Crisil. Please go ahead.

Sonali Salgaonkar: Sir just wanted your sense on the near term demand outlook in the key Southern states of

AP, Tamil Nadu and Kerala if you could put a number to it and quantify it with any base in

the coming one or two years?

Puneet Dalmia: I already gave a outlook that we are expecting a negative outlook in both.

Sonali Salgaonkar: Is it possible that you quantified it say minus 8%, minus 10% in anyway?

Puneet Dalmia: Personally we are expecting that the markets will be flat to marginally negative for this

year, next year we expect it to pick up and it should be in positive territory may be 4% to

5% growth easily.

Sonali Salgaonkar: AP would be the worst affected?

Puneet Dalmia: Yes.

Sonali Salgaonkar: My second question is how much of your coal requirement is made by import both for

Dalmia and OCL?

Puneet Dalmia: For Dalmia basically 100% is imported and for OCL 100% is domestic.

Sonali Salgaonkar: My third and last question is what is your outlook on the prices of imported coals in the

near term?

Puneet Dalmia: Given the macroeconomic situation we expect that to be marginally lower. We have seen in

the past that it is linked to crude price, there is high correlation. Prices come down, coal prices also soften so given the fact that crude has been falling a little bit we expect coal

prices to soften but there is so much uncertainties that it is very difficult to give a longer



outlook on this, so it will be driven by lot of macro factors, which we fully cannot control, neither can we predict.

Moderator: The next question is from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: My first question is on the cost of production if I would look at your cost much of my

higher imported coal cost, freight etc., seems to be already taken care in the Q1 cost, when I look at the whole year is this the cost per tonne that I should be looking at or do you see

more pressure to cost going forward?

Puneet Dalmia: I personally think that as our plant ramps up further there will be some positive factors and

there will be offset in terms of amortization of cost and I think as volumes ramp up our fixed cost will also be spread over a larger volume, however in terms of coal cost and in terms of diesel prices, which impacts our logistics cost, I think it is very hard to predict and if India moves towards free diesel pricing I think diesel prices are going to raise further I

also think that as I just said for coal in short term there may be some upside for us as coal prices soften but little bit medium term very difficult to predict how their commodity and

how coal demand will shape up and whether the prices will rise or not. I think personally

our strategy to mitigate this is to ensure that we buy 50% of coal on long term contract and 50% of coal on spot basis whatever coal blocks we have both in Dalmia and OCL we can

commission them as soon as possible, but our view is that it is still 18 to 24 months.

Neha Manpuria: These long-term contracts would be like six months or would be a longer duration?

Puneet Dalmia: One year.

Neha Manpuria: Second in your annual report you mentioned a 2.5 million tonne Greenfield expansion that

you are looking at, given your concentration in South India, would you be looking at

markets outside your existing markets or would you continue to focus in South India?

Puneet Dalmia: As I said in our next phase of expansion we are looking at deepening our South and East

India footprint. in the immediate phase we are not looking at outside South and East India.

Neha Manpuria: The 5 million tonne would most likely be deepening your position in this market?

Puneet Dalmia: Yes.

Moderator: The next question is from the line of Ajit Motwani from Emkay Global. Please go ahead.



Ajit Motwani: We heard that recently prices in West Bengal and Bihar were hiked, is that correct?

Puneet Dalmia: Yes.

Ajit Motwani: As you said the outlook on the demand has not really picked up in the Eastern region so

what was the hike?

Puneet Dalmia: Basically if you look at the Eastern India demand profile, though in general the market

growth has been modest, but in Orissa and West Bengal our market has grown quite well so I personally think that the pressure in prices was unrealistic given the demand growth and basically prices have corrected on their own as demand growth is pretty robust in Bengal. Also with the new government coming in there is a lot of hope for development and there is increased investor interest and how this translates into activity on the ground still remains to be seen but I think for Bengal a strong and stable government and a fresh look at policy

making I think augurs well for West Bengal.

Ajit Motwani: So you are saying that West Bengal was pretty good in terms of demand?

Puneet Dalmia: Yes, if you see the chart in our presentation, which is on page no #19, West Bengal grew

4% and Orissa grew 18% and we have not split Bengal here but large part of this activity will be in this Southern part of Bengal, Kolkata, we have not really split it but this 4% will not be evenly across all of Bengal so the Southern part of Bengal where OCL sells a large

part of productions may be around 7% to 8%.

Ajit Motwani: And you are saying that government demand is yet to fructify?

Puneet Dalmia: Yes.

Ajit Motwani: On the CapEx side if you can give us some update on the North-East site where you have

completed land acquisition and all the clearances are in place?

Puneet Dalmia: Land acquisition is complete, in fact we had all our clearances also, but as I said there was a

new notification by the government in March where you had to revalidate your forest clearance and we are in the process of getting up forest clearance revalidated even though

we had a clearance.

Ajit Motwani: In terms of ordering of plant?



Puneet Dalmia: I think that we have placed orders, so we have settled all our issues with the suppliers based

on cancellation of orders and we have placed fresh orders which are with normal delivery

time.

Ajit Motwani: But typically that is an area where because of the terrain it is pretty difficult to set up a plant

so what sort of completion time you are looking at?

Puneet Dalmia: I think in North East my own sense is that any fresh construction on a conservative basis

will not take less than 30 to 36 months which also depends on the monsoon.

Ajit Motwani: And starting?

Puneet Dalmia: Our zero day will start probably from another 60 to 90 days.

Ajit Motwani: One last question we had seen that Delhi Metro had a phenomenal effect on the demand in

an around NCR has the construction on Hyderabad metro started and effect of that on the

AP demand?

Puneet Dalmia: In general I do not have a full update on the Hyderabad metro, so I can look at that and

come back, but in general given the political situation in Andhra Pradesh, my own view is that net-net the large portion of the demand was driven by irrigation spend of about \$20

billion, canals were being built and also the low cost housing project in Southern Andhra

where the Ex-Chief Minister had his constituency and both those projects are on a stand

still. Also many projects infrastructure projects were based on public-private partnerships and I think those projects are also taking longer to be decided, so my own view is whether

one infrastructure project takes off or not it is not going to solve the political problem in Andhra Pradesh and I think the real demand pick up will come when there is more political

stability, but still if you want this data we can fish that out and sent it you.

Ajit Motwani: What was the effect of metro on Delhi demand, what were the run-rate consumed by metro

alone if you can give us that data?

Puneet Dalmia: The Delhi metro would have consumed around 7 to 8 million tonnes of cement, it was very,

very large project and now they are starting phase-3 also, so it depends on how many

phases are going to get constructed over what period of time.

Ajit Motwani: So you are saying the first two phases consumed about 7 to 8 million tonnes?



Puneet Dalmia: I cannot remember whether it was all three phases put together, but the 410 kilometer was

about 7 to 8 million tones, I think it was all three phases.

Moderator: Thank you. The next question is from the line of Salil Desai from IDFC Securities. Please

go ahead.

Salil Desai: Just to reconfirm you the average realizations worth 3920 in September versus 3944 in Q4,

is that right?

Puneet Dalmia: Yes.

Salil Desai: Any specific reasons why realizations are down, more so because we have seen a couple of

other pure South based players who have seen significant improvement in quarter-on-

quarter realization?

Puneet Dalmia: Our non trade mix was a little higher in this quarter where realization was bit lower.

Salil Desai: Can you see that reverting back to in early norms or you are still focusing on...

Puneet Dalmia: Right now our priority is to ramp up volume and even if it is marginal here or there, we

really do not want to manage and optimize our mix right now. I think the plants are running at a low capacity utilization and the industry is where it is, so the priority number 1 is to

ramp up volumes and not optimize on segmental margins.

Salil Desai: What would be your Andhra plant utilization level now?

Puneet Dalmia: We sold about 1.1 lakh tonnes last month so that will be around 50%.

Moderator: The next question is from the line of Sandeep Bansal from UBS. Please go ahead.

Sandeep Bansal: I had number of questions, my first question is how has the prices been in the month of July

and August so far if you can share the data with us?

Puneet Dalmia: It has been marginally lower than June.

Sandeep Bansal: By around Rs.5, Rs.10 per bag?

Puneet Dalmia: We can send you the exact data, I cannot remember at the top of my head, but it may be

around Rs.8 per bag.



Sandeep Bansal: My next question was on the overall industry demand supply situation since we are seeing

yearly demand addition of anywhere between 10 to 15 million tonnes per annum and capacity addition as you said is likely to be 24 million tonnes in FY'12 and then may be another 25 million tonnes in FY'13, do you expect the low capacity utilization in the

industry to sustain for the next two to three years?

Puneet Dalmia: Yes.

Sandeep Bansal: In this scenario would you expect any consolidation to happen because large proportion of

the players would be making reasonable profits, so would it be fair to assume consolidation

in the scenario or would you believe that that is unlikely to happen?

Puneet Dalmia: Our belief is that ultimately any buyer would in this market where there are so much

uncertainty not pay a significant premium for consolidations and however we believe that there are lot of people who build plants in the peak of the cycle and there is management stretch in most of those new entrants, so my own sense is that yes consolidation will

happen, consolidation does happen during the downturn that is what we have seen historically and I think this downturn will be no different, so you can expect the inflow and

M&A activity in the next 24 months for sure.

Sandeep Bansal: My next question was you said that you expect demand growth to return to may be 4% to

5% levels from next year onwards, can you just tell us where this confidence is coming

from, is it primarily from retail housing construction or infrastructure projects?

Puneet Dalmia: I think first of all the cement demand is closely linked to State GDP growth and I think at

least in Tamil Nadu we see a very strong government, we see that even though Tamil Nadu has been facing power problems for the past few years. Tamil Nadu will be able to address

its power related issues and power cut related issues, so that will definitely affect the state

GDP growth, so I think I am very positive on Tamil Nadu which has shown only 3%

growth this year, my personal view is Tamil Nadu should jump into high single digits. I also

think Andhra has declined substantially for the last three years. This year first quarter

decline has been 18%, earlier the decline was single digit. So Andhra is also literally

declining quite significantly and we are probably back to levels which have low base effect and even if Andhra solves a little bit of its problem due to the low base effect, even if one of

those things get addressed, Telangana issue get sorted out or few projects start as you said

those things get addressed, Tetaligana issue get sorted out of lew projects start as you said

Metro, couple of other issues, due to the low base Andhra may be able to climb back hopefully into positive territory or at least reduce the negative drag that is causing right

now. The third issue is I think clearly in Karnataka the political change has happened and



hopefully within the next nine months there will be some stability which comes from the the new leadership whatever backed by old leadership stabilizing and I think Karnataka should also be able to pursue its own course in the next year. Karnataka has always done well, but again given the fact that there is a large negative growth this year, hopefully it should be able to be less negative or may be in positive territory, so net-net I think driven by the arrest in decline in Andhra and Karnataka and positive movement in Tamil Nadu we should be able to get in the 4 to 5%, that is my outlook as of now, but the situation is dynamic and we need to continue to see what events take place to validate or invalidate this hypothesis.

Sandeep Bansal: My last question is on what in your view is the range of replacement cost that we should

look at in the industry let say what is the cost that you are looking at for setting up your

expansion projects?

Puneet Dalmia: We are working at in the range of \$110 per tonne.

Sandeep Bansal: That includes the captive power plants?

Puneet Dalmia: No it does not include captive power plant.

Deepak Sogani: We are looking at these costs primarily because we have acquired a large part of the lands

much earlier, but our sense on the replacement cost is that it is tending to be even higher than that and perhaps closer to 120, 125 without power plant at this point of time. However we need to see given the macro situation in the world how the machinery prices fare and given the fact that we are not going to see much expansion in the western part of the globe, machinery prices may become lot more realistic in the downturn and again it may come down significantly. While there is pressure on infrastructure prices and land is definitely going up, time for construction is going up, interest rates are definitely going up so interest during construction will go up but we need to see how machinery prices shape up to offset

this or not offset this.

Moderator: The next question is from the line of Jagdeshwar Toppo from Enam. Please go ahead.

Jagdeshwar Toppo: How much going to be the peak capacity of OCL and how much you can sell without any

further investment?

Puneet Dalmia: What we are seeing right now is our total sales to ramp up as much as possible while

keeping the market realities in mind, but this all depends on the product mix also. In market

which is flat or slightly negative we can change the product mix to more OPC so I cannot



give that answer in the absence of context in which we are operating like in Dalmia we can produce 9 million tonnes of cement which is 100% PPC but we are not selling 100% PPC right now. We are selling may be 35 to 40% OPC that will impact the numbers. Similarly in OCL, we are not selling 100% slag at the moment but as our captive power plants get commissioned we will start selling significant part as PPC. My own view is in the short term the guidance I can give is we will grow faster than the industry and we will gain market share.

Jagdeshwar Toppo: Can we take 3.5 to 4 what is the number we can take for let say FY'13?

Puneet Dalmia: Sale number, I think I would not like to give.

Jagdeshwar Toppo: Orissa and adjoining the market where reasonable as compare to let say Andhra market?

Puneet Dalmia: In terms of demand growth?

Jagdeshwar Toppo: In terms of stability?

Puneet Dalmia: East India prices have come down very sharply.

Jagdeshwar Toppo: In terms of incremental supply and capacity utilization point of view, capacity utilization in

east would be how much compared to South or Andhra?

Puneet Dalmia: I think two to three plants have been commissioned there, so capacity utilization in east is

also around between 75 and 80%. There has been a significant pricing pressure in East India

in the last three to four months.

Moderator: The next question is from the line of Ashish Matani from Bajaj Allianz. Please go ahead.

Ashish Matani: What is your sales mix from retail as well as institutional sales, just trying to understand

and what is the price difference during the quarter if you can share that information?

Himmi Gupta: Trade is around 65% and institution is 35%.

Ashish Matani: What is the realization gap between the two current, what was it for the quarter and what is

it currently?

Puneet Dalmia: I do not think we can share those numbers, but I can tell you that the institutional prices are

about Rs.35 to 40 per bag lower than retail price.



Ashish Matani: Rs.35 to 40 lower, last year there were one or two quarters where the prices or the

realizations for institutional sales had gone down as low as Rs.45 to 50 a bag, am I correct

in saying that statement.

Puneet Dalmia: Yes.

Ashish Matani: So even if the prices fall like last time around, just because of the gap between institution as

well as trade has actually not gone above Rs.30 to 35 in the recent correction that has been there marginally, could we say that we will be better off than last year basically we could

show better numbers than last year?

Deepak Sogani: Clearly if you see the first quarter, the margins are significantly better than last year.

Ashish Matani: Just again your OPC, PPC mix was 35 and 65, 65 in the favor of PPC?

Deepak Sogani: Yes.

Moderator: Thank you. The next question is from the line of Sanjeev Chandwani from Edelweiss

Securities. Please go ahead.

Sanjeev Chandwani: I just wanted to know the freight cost per tonne for the quarter as well as Q4 FY'11?

Deepak Sogani: 535 will be per tonne in the current quarter, 527 in the previous quarter.

Sanjeev Chandwani: You said the limestone has increased to 369 from what level?

Deepak Sogani: About around 200.

Sanjeev Chandwani: Power and fuel cost for the quarter is 1360 and what would be for Q4 FY'11?

Deepak Sogani: 1140.

Moderator: The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Sorry if I am repeating, can you give us the lead distance now of Dalmia & OCL

separately?

Puneet Dalmia: I think we will share that with you separately.



Bhavin Chheda: One more question I had on this coal linkage at both the companies, if you can give us the

breakup of the coal mix in terms of?

Puneet Dalmia: We do not have much of domestic coal in DCBL and OCL, the entire coal is basically

domestic in North East area only.

Bhavin Chheda: In Dalmia there will be some case of imported coal also right?

Deepak Sogani: Not much, in Dalmia everything is imported, while even there is small linkage, but that is

not very substantial.

Bhavin Chheda: Everything is domestic. What would have been the average prices?

Puneet Dalmia: I think we have mentioned it earlier on the call about 6000, the coal prices that we pay in

the current quarter is around Rs.6000 per tonne.

Moderator: At this moment we do not have any questions, I would now like to hand the floor back to

Mr. Vaibhav Agarwal. Thank you and over to you sir.

Vaibhav Agarwal: Thank you Puneet sir for the opportunity and thanks all the participants for participating in

the conference call.

Puneet Dalmia: Thank you for your participation.

Moderator: Thank you sir. Thank you members of the management. On behalf of MF Global Sify

Securities India Private Limited that concludes this conference call. Thank you for joining

us