



“UltraTech Cement Limited Q3 FY17 Earnings Conference Call”

January 23, 2017



**MANAGEMENT: MR. ATUL DAGA – EXECUTIVE DIRECTOR & CFO,
ULTRATECH CEMENT LIMITED.**



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Moderator:

Good day ladies and gentlemen and welcome to the UltraTech Cement Limited Q3 FY17 Earnings Conference Call. We must remind you that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risk that the company faces. The company assumes no responsibility to publically amend, modify or revise any forward-looking statement on the basis of any subsequent development, information or events or otherwise. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Atul Daga – Executive Director and CFO of the company, thank you and over to you Mr. Daga.

Atul Daga:

Hi and welcome everyone for the 3rd quarter of 2016-17 earnings ca. I will keep my comments brief and hopefully have a longer interactive session.

It has been a period of mixed fortunes for the economy and the cement industry in particular. The industry started the quarter in a buoyant mood, with the demand revival on the cards. Monsoons this year, played as per the meteorological department forecast, raising our expectations of improving demand sentiments from the rural markets. Further benefit has been a 6% increase in the winter crops sowing over the previous year. What does that mean? This increase sowing could result in a good harvest in April and generate additional cash flows in the rural markets, positive for the cement industry per se, since rural markets contribute the maximum demand basket for cement.

Liquidity crunch which impacted the housing sector significantly in the month of November, in the individual home builder market where it has been largely a cash purchase process, activities came to a grinding halt. In the institutional markets the projects which were midway have not suffered so much. However, new project launches or projects which were in initial stages have actually slowdown; where the home buyers are aligning to the new payment process and also there has been an expectation for correction in real estate prices due to which the home buying decisions are being delayed or postponed. However, new home buyers will come back to the market, with the interest rates coming down and perhaps some more sops being thrown in by the government during the fiscal budget that gets announced early next month.

At an all India level, we believe that the selling prices were the weakest for the quarter in December 2016 and if there is an uptick in demand in the current quarter then prices should only improve going forward.

Government spending continues to gain momentum but the big leap is still away. The thrust on Low Income Housing program is encouraging. Development in the states of Andhra Pradesh and Telangana are shaping very well showing some recovery in Southern markets. Barring the



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initial jerk, demand is gradually stabilizing in the North markets as well. East markets have resurged after the initial impact of slowdown this quarter. West markets are still weak, but their best is yet to come. With new development programs being announced in the states of Gujarat, DFC gradually entering the state, we should see growth in these markets perhaps next year. Maharashtra and in particular Mumbai, will start seeing improvement in demand with the work on Mumbai Metro gaining momentum as well as the highway projects gaining speed.

At UltraTech, we have de-grown in volumes this quarter. January-March which is actually normally a high-volume period also has its own challenges especially in the Northern markets because of the state elections which will be there somewhere in the month of February.

Lots of you have asked about the sales volumes breakup – let me give the same to you on the call since we could not make a part of the presentation:

Domestic cement sales were 11.01 million tonnes, a drop of 2% over 11.27 million tonnes and a gain of 4% over 10.55 million tonnes. 11.4 million tonnes is a total sale including exports for this quarter. 11.47 million tonnes was the total grey cement domestic sales and exports same period previous year, which is a drop of 1% and 10.86 million tonnes 2nd Quarter, FY17 which is a gain of about 5%.

White cement and putty accounted for 0.33 million tonnes this quarter, a marginal drop of again 1% from 0.34 million tonnes same period last year and gain of 7% over Q2 this year.

In all, volumes are at 11.73 million tonnes for this quarter, against 11.81 million tonnes same period last year and 11.18 million tonnes for the second quarter this year. A small dip Y-o-Y but quarter-on-quarter is positive. I believe this is just a data point but numbers will happen. The vision has to be very clear and UltraTech's vision is "To be The Leader in Building Solutions".

Coming on to costs:

Pet coke prices have been firm and its full impact will be felt only in Q4. However, we believe that the worst should be over and there will some stability in prices next year. It is still remains economical as compared to coal by about 20%, so pet coke consumption continues to increase. As we have been planning over the last couple of years, pet coke consumption we are at about 73% in kiln and power plants combined. In cement manufacturing process, it is at about 78%. We have continuously been looking at our cost curves. Power consumption per ton of cement is down, fuel consumption has improved and our efforts will continuously be to improve costs and improvise further.

Diesel prices are up around 17% Y-o-Y; however, we have brought about improvement in logistics and is clearly visible in our efficiency improvement, reducing the lead distance by about



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2% and overall logistics cost by about 3%. To give you a better perspective, every 10 km reduction in lead distance amounts to roughly about Rs. 25 per tonne saving in logistics cost.

We have also announced a Greenfield capacity expansion at Dhar. This is a location in South-western parts of the state of Madhya Pradesh. We are not present at all over there. This is a rich industrial belt of Indore, Dewas, and Ratlam, closer to the Northwest part of Maharashtra. This project will give us an advantage for our Northwest location which is Vikram Cement also reducing the lead distances. We believe that the Indian markets will keep on growing and this capacity addition which will commence production early Q4 FY19 will help us meet the growing requirements.

The ongoing acquisition is underway of the Jaypee Assets is not the end of our expansion program. To update you on that acquisition the NCLT hearing is scheduled for the February 15 and if there are no more surprises, we could possibly see a conclusion of the transaction before the end of this financial year or Q1 next year and if the transaction closes before March '17, my accounts team will have a tough time doing the consolidation of balance sheet. Needless to mention the balance sheet will not look very rosy since the payment of the acquisition will get reflected with revenue starting only subsequently and we will have over 91.1 million tonnes of capacity in place.

Another dimension for the next financial year is GST. Now the date has been announced which will be 1st July, 2017, I believe there will be one or two quarters of administrative challenges and disruption but the benefits of GST will be realized over a longer period of time.

In the end I have one request to make to you to please update our number, +91 82910 48644 for WhatsApp updates and share your numbers as well, so that we can give you regular updates of what is happening in the company. This is one more step towards digitization, if I may say so.

At the end, I am reminded of the proverb "Good things come to those who wait".

Thank you and over to you for questions.

Moderator:

Thank you very much. We will now begin with the question and answer session. The first question is from the line of Bhoomika Nair from IDFC. Please go ahead.

Bhoomika Nair:

Sir if you could just give an outlook in terms of how volume growth is panning out in the fourth quarter? I know it is a very early timeframe but if you could just give some sense on because we did not see really much of an impact in the current quarter as such. So, what is the outlook going forward?



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- Atul Daga:** First and foremost, I want to avoid giving any advance forward-looking statements. However, as I mentioned briefly, we expect Northern markets to face some bit of pressure on volumes because of the election front. South is growing, East has started to grow, West is still lukewarm.
- Bhoomika Nair:** And sir on the cost front obviously there has been some decent cost savings that you have seen. One is on freight, what is the current lead distance and is there is a scope to cut lead distances further? And second is on pet coke – what would have been an average pet coke price consumption in the third quarter and do we have any inventory?
- Atul Daga:** First you have asked about the lead distance, the average lead distance is about 435 kilometers today and yes, there is definitely a possibility and we are working on further improving. As I mentioned when the Dhar project comes up that is of course 2 years away. That will also help adjust the lead distances for the other plant in MP. Irrespective of that project, there are other initiatives which are underway which will help us economize or optimize our logistics cost. The average pet coke price was about \$78/t to roughly about \$80/t that went into the consumption this quarter. We carry our inventory depending upon the source whether if it is domestic it would be about 15 days' inventory, if it is imported pet coke it will be about a month to 45 days of inventory.
- Bhoomika Nair:** And lastly sir, just a data point – could I get the white cement and RMC revenue break up please?
- Management:** RMC is about Rs. 475 crores and white cement Rs. 440 crores.
- Moderator:** Thank you. The next question is from the line of Anubhav Aggrawal from Credit Suisse. Please go ahead.
- Anubhav Aggrawal:** Sir, can you give rough idea about mix of institutional sales this quarter and in particular how retail volumes did for us when we talked about 2% decline overall?
- Atul Daga:** Anubhav our trade, non-trade mix is standard, I guess it is somewhere around plus-minus 70-30.
- Anubhav Aggrawal:** So, it was not very different this quarter?
- Atul Daga:** No, not very divergent from the normal trends because institutional sales, the projects which are ongoing will continue and I am not seeing any big new projects getting announced.
- Anubhav Aggrawal:** Sir, I was just asking that when we talk about total decline of grey cement volume of about 2%, how retail volumes would have done in that?
- Atul Daga:** More or less same since our mix is same.



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- Anubhav Aggrawal:** And just one clarity on grey cement prices, roughly would it be right assumption to assume they would be down about 1.5% to 2% quarter-on-quarter for us?
- Atul Daga:** Yes, about 2% down.
- Anubhav Aggrawal:** And just one question on Dhar project –in last 2 quarters we have mentioned that we will remain subdued on the CAPEX. I know it is a very attractive project. But what's change in a decision making suddenly that we have announced this project now versus the earlier guidance of Rs. 1000 to 1200 crores CAPEX for next 2 years?
- Atul Daga:** I have always maintain the Rs. 1000 to 1200 crores of CAPEX is excluding any new capacity expansions that is one. And the capacity expansion program of Dhar, let say when it is 2 years away obviously work on the project started much earlier and I do not see too much of an impact on the cash flows because of this projects since this will get spread over the next 2 years. Land procurement has already completed and it was time to get into the project execution mode and that is where we have to go public about the announcement.
- Anubhav Aggrawal:** So that is exactly I was checking, so that it is like some major mile stone happen like land procurement just got completed.
- Atul Daga:** Yes, so land procurement completed, environment clearances completed, mines all clear. Now it is more about ordering and construction as I always told you guys that this is the smallest part of the project. The bigger hassles are already behind us.
- Anubhav Aggrawal:** If you allow, I can ask one question on raw material cost. My expectation was in the monsoon quarter raw material cost typically inches up but what we have seen is raw material cost in this quarter is even higher than the September 2016 quarter. What will be the reason for that?
- Atul Daga:** So what we have done is, we have looking at using alternate sources, using some bit of purchase limestone also which is of a superior quality which might be higher in purchase price but gives us efficiency overall in terms of power consumption, in terms of fuel consumption, and in terms overall mines and that is why the cost has gone up a bit.
- Anubhav Aggrawal:** But would that be a significant number?
- Atul Daga:** No, not a significant number.
- Anubhav Aggrawal:** So, this may be just one plant in our total network of all the plants.
- Atul Daga:** Yes, I would say of 3 or 4 plants.



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- Moderator:** Thank you. The next question is from the line of Indrajit Agrawal from Goldman Sachs. Please go ahead.
- Indrajit Agrawal:** Just a couple of questions from my side. First on the other expenses, it is down significantly Y-o-Y, we understand that 3rd quarter you generally have lower other expenses but is there something one-off or how sustainable is that?
- Atul Daga:** Nothing abnormal typically of Q3 as compared to Q2 where maximum amount of shutdown and maintenance costs are incurred so this is a routine quarter.
- Indrajit Agrawal:** Sir on the Jaypee assets, can you give us some guidance on what is the current utilization of those assets post-demonetization?
- Atul Daga:** Post-demonetization, I do not have the latest report but they were hovering around 30% capacity utilization.
- Indrajit Agrawal:** Sir one last question on depreciation – we understand the depreciation has been coming off year-over-year over the last couple of quarters, any significant changes in policy or recognition in this?
- Management:** There is no change, in fact of the last year there was an additional impact of componentization.
- Atul Daga:** Yes, componentization impact was there last year only that is why.
- Moderator:** Thank you. The next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.
- Gunjan Prithyani:** I just needed a bit of clarification on this pet coke, so what is the current price you are sourcing pet coke at and what you think is been reflected in the P&L right now. Because I thought we were expecting the impact of the pet coke increase in December quarter and March quarter and from what I see on the P&L is far lesser impact. So, if you could just give some sense on how much we can see next quarter increase because of pet coke?
- Atul Daga:** I mentioned on one of the questions raised just now that the consumption was at around \$78/t to \$80/t and the next purchase is somewhere around (+/- \$85/t). So, that is a \$5-10/t increase in cost of pet coke which you will see in next quarter.
- Gunjan Prithyani:** So, you are using \$80/t is already being reflected on the P&L. And sir just on this RM cost, I am still not very clear because on sequential basis there is an increase, I am still unable to understand what you mentioned with regard to that if you could just explain again?



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- Atul Daga:** What I was clarifying is that we are trying alternate sources of raw materials including high-grade limestone being used or changing the sources of gypsum and this was done in 3 or 4 plants only which is helping improve their pet coke consumption, improving their power and fuel efficiency and this is what has impacted the increase in costs of raw materials.
- Gunjan Prithyani:** But is this something that we should expect that as you rolled it out further that RM cost is going to be higher?
- Atul Daga:** It will not keep on increasing, it will remain flat like these levels. The benefit of this increases visible in other elements of cost essentially power and fuel.
- Gunjan Prithyani:** And sir anything on the waste heat recovery, are we ruling out the second phase of waste heat recovery expansion now?
- Atul Daga:** Yes, I think I forget to mention as part of Dhar project we will be considering of waste heat recovery projects there also and in the next financial year we are evaluating and we will consider a couple of projects, which is part of my routine CAPEX program.
- Gunjan Prithyani:** Just last, data keeping, the tax rate this quarter was very low and any specific reason for that?
- Atul Daga:** No particular reason.
- Gunjan Prithyani:** Should get normalized on annual basis?
- Atul Daga:** Yes.
- Moderator:** Thank you. The next question is from the line of Akshit Gandhi from Kotak Mutual Fund. Please go ahead.
- Akshit Gandhi:** Congratulations on a good set of numbers. Also, I would like to compliment you for the WhatsApp initiative of sharing UltraTech Results over the phone itself. Sir couple of questions – one thing, what would be our CAPEX spend in the last 9 months because the depreciation versus the first quarter and third quarter has not reasonably moved up?
- Atul Daga:** Roughly about Rs. 800 to 850 crores was the CAPEX in the first 9 months.
- Akshit Gandhi:** Also two bookkeeping questions – if you could tell you used to give us a breakup of your fuel mix which was the pet coke, imported and indigenous coal would be how much for this quarter?
- Atul Daga:** You are asking about costs?



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- Akshit Gandhi:** No, the fuel mix which was given last quarter which was 76% pet coke imported 15% and indigenous coal roughly 9%, what would be the....
- Atul Daga:** So, in total as I have mentioned it is about 73% but if you have to look at cement manufacture it is 78% as compared to 74% in Q3 last year or 76% in Q2. The coal component would be about 19% as compared to 24% same period last year and about 22% Q2 this year.
- Akshit Gandhi:** Also the rail, road mix if we can comment for this quarter please which we had 73-23 last quarter.
- Atul Daga:** 72% is road and 24% is rail.
- Akshit Gandhi:** And we used to give that the waste heat recovery share?
- Atul Daga:** It is about 7%.
- Akshit Gandhi:** It continues at 7%, alright.
- Atul Daga:** Because we had maxed out last quarter and in terms of efficiency improvement within the WHRS. It is only the new capacity additions of WHRS which we will start from next year will see further enhancement in WHRS.
- Akshit Gandhi:** Any industry volume guidance for next year which you would like to expect?
- Atul Daga:** If you can tell me what the stock market will close at this evening I will give you the guidance.
- Akshit Gandhi:** I get the industrial volume maybe we can forecast...
- Atul Daga:** Very difficult.
- Akshit Gandhi:** Just one last thing if I can squeeze in. If I summarize your commentary basically in the last quarter except for the Southern region all the regions where in challenge which has started improving this quarter onwards, is that fair to say?
- Atul Daga:** Let me clarify it again. The best performing region was South and it did not face too much of an issue followed by Eastern markets where we have seen growth happening followed by North and then West. So, North suffered in the initial periods and then did a catch up.
- Moderator:** Thank you. The next question is from the line of Raashi Chopra from Citigroup. Please go ahead.
- Raashi Chopra:** Atul sorry, I missed that regional data that you just gave for the quarter, your decline in volumes in India on a 2% year-on-year basis, do you have any numbers region wise?



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- Atul Daga:** Sure, South we have grown, East we have grown, North and West were declines. South would be growth of very close to about a double digit, East would be somewhere around 5% to 6 % and North would be a de-growth somewhere around 7% to 8% followed by West around 4%.
- Raashi Chopra:** And in the fourth quarter given that last year was very strong, you expect to grow vis-à-vis last year, you mean things are started to improve?
- Atul Daga:** Again, I will ask you what will be the stock market closing at next week and I will be able to give you a solid answer but rightly jokes apart it is going to be a volatile quarter or yo-yo kind of a quarter. I see the only challenge is the elections which will impact the Northern markets. South and East will continue to surge and West volumes are picking up especially Gujarat markets. How it will impact that do not want to get into a forward-looking number at the moment, it is too early.
- Raashi Chopra:** So, what you are mentioning is effectively what you are seeing in this month so far? Is there a fair assumption?
- Atul Daga:** It is too early Raashi. Because we are looking at the order books, all projects getting announced in different parts of the country and on that basis is what we are estimating how things will move. As it is last year we had grown about 15%. The base is already very high whether we can achieve a growth on that or be close to the same number, it will be a decent performance.
- Raashi Chopra:** And just a last question. On CAPEX, what are your base from the new expansion, what are the CAPEX expectations for FY17, FY18 and FY19, if you have formalized it?
- Atul Daga:** So, the new project will cost about Rs. 2500 or Rs. 2600 crores spread over 2 years, may be 2.5 years because there will be some payments happening later on and otherwise the normal CAPEX would be plus minus Rs. 1000 crores. So, Rs. 1000 crores is the routine maintenance CAPEX that we would look at and Rs. 2500 crores of CAPEX spread over the next 2.5 years.
- Moderator:** Thank you. The next question is from the line of Vivek Maheshwari from CLSA. Please go ahead.
- Vivek Maheshwari:** My first question is sir you mentioned about prices and I think alluded to the fact that prices were at its bottom in December month. Can we know from a quarter average how far where December pricing numbers?
- Atul Daga:** I will need some time. How close or far is that from the average?
- Vivek Maheshwari:** For grey cement?



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- Atul Daga:** Vivek, I will give it you separately.
- Vivek Maheshwari:** Second sir, on the IHB bid. What is your sense because ahead, I just after demonetization the worry was that segment gets impacted of course there has not been any wealth effect given most of the currencies are back but what is your sense it is just the channel adjustment or there is some fear of still an unknown which may crop up in the foreseeable future?
- Atul Daga:** The bigger worry for the economy right now is this restriction on cash withdrawals. Now, before the limit was raised to 10,000 I am told that most of the ATMs where getting in the normal, the cash was available in the ATMs. However, the movement the limit was raised again the ATMs went dry. So, the point is that the people are still trying to accumulate and conserve cash in the expectation that they are some more stringent measures which the government will take.
- Vivek Maheshwari:** But any sense on IHB, how do you expect, does it, is it that it is almost back two normal or it comes back to normal?
- Atul Daga:** No. it is not back to normal. It is still time tier 2 cities as we had looked at tier 2 cities are still grappling with growth and that is where the max IHB segment lies. Tier 1 cities are more or less back to normal, I think whatever adjustment people had to do in terms of eliminating the cash component has already happened. So, the only thing is in tier 1 towns, the new projects announcements are still not taking place in any significant way.
- Vivek Maheshwari:** And one last if I may. Your volumes are down 2.3% I think precisely for this quarter. What is your sense on industry volumes for this quarter?
- Atul Daga:** I think it will slightly higher de-growth.
- Vivek Maheshwari:** Basically, you continued to gain market share?
- Atul Daga:** Yes. Because industry capacity utilization our sense is it will be somewhere around 60% as compared to that we have had 67% capacity utilization this quarter.
- Moderator:** Thank you. The next question is from the line of Ashish Jain from Morgan Stanley. Please go ahead.
- Ashish Jain:** Sir, firstly I just want to ask you on pet coke. If you are saying that \$78/t to \$80/t as what you have booked this quarter and peak, we know is around \$85/t then you are pretty much at the peak on pet coke prices and the incremental hit is being going to be massive. So, is this \$80/t you said that charge in Q3 was like the average for the quarter or that is ...
- Atul Daga:** Average for the quarter.



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- Ashish Jain:** And secondly on the CAPEX, is that something else that you could be working on in terms of expansion today because early in the call you said that CAPEX is not going to be kind of stop is it something else that we could be working on beyond Jaypee and Dhar or for now this is about it?
- Atul Daga:** No comment. Ashish, I cannot disclose something which has not been approved by the board. That is point number one, but let me answered you in a different way. If the Indian market and we believe that cement market in India will keep on growing and as leaders in the industry, we would want to keep and grow our market share. So, whether it is inorganic or organic we will keep on growing.
- Ashish Jain:** Sir I understand, my question is more like, is it certain market share number or capacity share number.
- Atul Daga:** No aspirational number that we have but we would like to be the leader in building solutions that is the vision of the company.
- Ashish Jain:** As also just lastly one book keeping question. Can you give the RMC and white cement numbers for Q2 as on?
- Atul Daga:** Sorry for Q2?
- Ashish Jain:** For Q2, yes.
- Management:** For Q2 RMC was 500 crores and white cement 440 crores.
- Moderator:** Thank you. The next question is from the line of Navin Sahadeo from Religare. Please go ahead.
- Navin Sahadeo:** Sir, first I would request some more details on this greenfield capacity. Rs. 2600 Crs is the total cost, so does it also have these other infrastructures like self-sufficient, captive power plant and some railway sidings or just wanted to understand this cost a little bit detail?
- Atul Daga:** It is all inclusive; they were complete package the way UltraTech does its projects with the additional benefit of WHRS also baked into it. Of course, and the thermal power projects also. Railway siding is not required at this location, therefore we are not doing a railway siding.
- Navin Sahadeo:** And how much is the CPP and the WHRS?
- Atul Daga:** 25 megawatts of CPP and about 9 to 10 megawatts of WHRS.



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- Navin Sahadeo:** Thank you very much because the cost like \$110/t seemed a bit low as compared to the commentary in the past where in, like in general the expectation is about \$130 - \$150/t odd. So, that is the reason for this question.
- Atul Daga:** There is always what we are doing is negotiating or designing stuff differently to help us reduce the cost and of course the \$130/t is a misnomer, because exchange rate also has a fair amount of play in determining the Dollar rate. If we look at Rupee terms you might not see too much of variation.
- Navin Sahadeo:** And second, just to understand this demonetization impact better of course, I think you have already explained that we are faring better then what the industry is expected to but just in case you could give that breakup of October, November, December year-on-year dip in volume, total for the quarter is 2% we know.
- Atul Daga:** I do not look at month-on-month numbers. Now I have been talking about month-on-month numbers because, you see even if demonetization was not there, there is no point in looking at October and November separately because of Diwali. Last year Diwali was in November this year it has been on October, so it will still want to do an analysis analyze October, November combined. But more over we should look at in a quarter as a consolidated piece and because of the liquidity crises or the sudden impact that it had, November was obviously would have been worse than December. October obviously did not have any impact because of this project.
- Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Just one question. Structurally in the last three months' post demonetization, had you seen any change in the way some of the competition has behaved, any change in organized /unorganized, any color on that would be appreciated?
- Atul Daga:** The only common threat which I can see is people are trying to educate the channel to go the digital way, other than that I do not see and there are regional disparities; Northern players would have suffered higher than South players. Other than that, I do not have any particular answer to your question.
- Pulkit Patni:** Sure sir, secondly in a scenario where demand is not pick up for some time, let's assume for next 3 to 6 months in case that happens, what other cost lever do you think could be the fastest for companies like yours to pull, so that it does not impact profitability?
- Atul Daga:** Clearly the focus will be on manufacturing costs first and followed by logistics which are variable and there is always room to improve.



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- Pulkit Patni:** And on sales and promotion?
- Atul Daga:** Sales and promotion is directly link to volumes, I think it has set policy and a practice that company follows. It is discretionary spend on cement, I cannot increase cement consumption by doing sales promotion, extra sales promotion. So, whatever is happening will continue on its pace.
- Moderator:** Thank you. The next question is from the line of Vaibhav Agarwal from Phillip Capital. Please go ahead.
- Vaibhav Agarwal:** I have two book keeping questions. Can you just tell me the revenue and EBITDA break up for Q3 for grey and white, actually I miss the numbers, so I am just asking?
- Management:** So, revenue for RMC is Rs. 475 crores and white cement Rs. 440 crores.
- Vaibhav Agarwal:** For Q3 for the last the last quarter?
- Atul Daga:** For last year?
- Vaibhav Agarwal:** No. You have said the number for Q3, right? And the EBITDA also sir, if you can just tell?
- Atul Daga:** I do not have an EBITDA. We are not able to calculate the EBITDA separately.
- Vaibhav Agarwal:** And so, Y-o-Y if you can just give me the number, I have the numbers of Q2?
- Management:** Last year the RMC was Rs. 500 crores and white cement Rs. 440 crores.
- Vaibhav Agarwal:** And sir one more thing. You said 11.73 as the volume for UltraTech, this number I believe does not include the volume of the overseas volumes. So, can you give me the volume number separately for the overseas thing?
- Atul Daga:** Overseas, total volume for on a CFS basis is 12.32 million tonnes against 12.36 million tonnes Y-o-Y and 11.57 million tonnes was the previous quarter.
- Vaibhav Agarwal:** And this excludes the white segment that 12.32?
- Atul Daga:** Yes.
- Moderator:** Thank you. The next question is from the line of Nitesh Jain from Axis Capital. Please go ahead.
- Nitesh Jain:** I have two questions. Number one is on the South double digit volume growth, so is it like only the Andhra or the Telangana is growing or all the three major states are showing growth, this is



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number one and also if you can explain this growth in South is mainly because of the new capital city and the irrigation or it is also driven by the overall improvement in the housing segment and the sentiment for the house building IHB basically.

Atul Daga: So, we have not seen Nitesh too much of growth in other states except for Andhra and Telangana. Karnataka, if I were to say, yes there is commercial CAPEX going on in a big way and there are sporadic projects in the states of Tamil Nadu which do not account for a significant number. The areas of growth which is largely infrastructure, irrigation and of course the Amravati. Amravati is still not thrown up the big numbers that is still elusive if I would say, the best area yet to come from Amravati.

Nitesh Jain: So, as a conclusion it is predominantly Andhra and Telangana which is driving?

Atul Daga: Yes.

Nitesh Jain: And sir secondly if I look at the government spending, government infrastructure spending, so other than the road sector and few metro projects which other area where you can actually see the traction and cement off take going up?

Atul Daga: Inland water ways is the next one. Irrigation, road, you already captured in DFC continues to attract growth.

Moderator: Thank you. The next question is from the line of Anshuman Atri from Haitong Securities. Please go ahead.

Anshuman Atri: My question is regarding other products like white cement, putty expansion as well as lot of value-added products which have been launched like your grouts so what is the growth for this segment for the next 2 to 3 years going forward and how UltraTech looks at this particular product space for this entire building solution offering?

Management: Presently, we have no plan of any expand of white cement. So, white cement volume will continue at current level with the small growth.

Anshuman Atri: The second question is on the alternative fuels. Globally we have seen companies using after 30% of industrial waste on that is something has not picked up in India. So, what are plans for UltraTech and how it wants to use it for reducing the power cost?

Atul Daga: We are increasing our alternate fuel but of course not to the levels where you see the Western world are. Some of the Southern plants are as high as 15% but on an average, we are only about 3%. The availability of industrial waste movement and procurement is as big a challenge in India as any other challenge that could be.



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- Anshuman Atri:** And last question is on the lead distances, once we have Jaypee plant integrated as part of UltraTech. So, what can we see further reduction in lead distance from 435?
- Atul Daga:** There will be an improvement for sure and we will come back to you post Q1 next year results.
- Moderator:** Thank you. The next question is from the line of Vaibhav Goel from SBI Life Insurance. Please go ahead.
- Vaibhav Goel:** Sir, I was asking that you mention of few of GST issue, so what kind of administrative and probably impact what you are visualizing from this, especially on GST when 1st July it becomes effective?
- Atul Daga:** Administrative issue, the whole country needs to be on the GST platform that is point number one, which means every small trader, manufacture who is supplying to us and all our dealers and channel partners also need to be on the GST platform. They need to be enabling their IT systems to be able to upload the monthly returns on to the GST and server and they need to themselves also be educated about how GST works because as of now to the best of my knowledge I do not know what the rules and regulations around GST and July 2017 is where we are going to go live on GST. So, the awareness of the do's and don'ts of GST is what I was talking about the administrative challenge, other smaller things like, sale done in towards the end of the month would reflect as a purchase in the next month for a buyer. So, there will be those mismatches and how does one deal with it, will remain to be seen. These are the kind of administrative challenges I do not expect it to be disruptive in terms of business.
- Vaibhav Goel:** Our network probably of dealers, so how many of approx. 60%-70% of them would be compliant or I mean they would be ready for this or it still there is a long way to go for our network?
- Atul Daga:** We are continuously as of now working on as an education program and support program because I do not think all the states have opened up for registration as yet, right?
- Only pre-registration work has open across all the states, so we are assisting our business partners whoever is not aware to help them get registered. I do not have a track of. Once the registration process is complete we obviously take stock of who is not registered and expedite their registration processes.
- Vaibhav Goel:** Sir one more thing in the previous presentation you used to mention about the sector, segment wise buoyancy or the demand so like individual house building or in, so region wise can you give some color that which has, so probably for South we know that probably it is government which is driving but for Northern if it is fallen so probably IHB would be lower or infrastructure how is it going?



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- Atul Daga:** I think IHB is what is going the slowest. Infrastructure and institutional activities have not taken a beating.
- Vaibhav Goel:** Sir, this would be true across the regions?
- Atul Daga:** Yes, more or less across the region, yes.
- Moderator:** Thank you. The next question is from the line of Milind Raginwar from SBICAP Securities. Please go ahead.
- Milind Raginwar:** I have 3 questions, to start with for the integrated capacity of 3.5 million tonnes greenfield what would be the clinker capacity that would be adding?
- Atul Daga:** Actually, clinker capacity is not really a worry because we have adjoining clinker plants also. So, we will look at ramping up the clinker capacity within the plant and at the moment I do not want to comment on an exact number.
- Milind Raginwar:** And the second thing is sir, coming back to our P&L, I know you have based on this. In terms of other expenditure, we have still seeing some kind of an, so if you can throw some light on anything specific that is really helped us.
- Atul Daga:** Nothing, I have already mentioned about it Milind, nothing specific.
- Milind Raginwar:** And sir, third may be this is a repetitive thing, but only thing is about this RMC for December 15 you had mentioned about 500 and something like ...
- Atul Daga:** You will take it offline because we have limited time left.
- Milind Raginwar:** Okay fine.
- Moderator:** Thank you. The next question is from the line of Raj Gandhi from Sundaram Mutual Fund. Please go ahead.
- Raj Gandhi:** Sir, just in white cement and wall putty, typically we used to see high double digit growth for the company, any particular growth plan or the next leg of growth for the white cement wall putty?
- Atul Daga:** So, my colleague had already mentioned about it. We are not doing any capacity expansion on white cement at the moment.
- Raj Gandhi:** And current utilization what would be the ...



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Atul Daga: Over 90%.

Raj Gandhi: And sir just this JPA you mentioned running at 30% utilization, so this is on the overall capacity because earlier you used to mention about 50% utilization there.

Atul Daga: So, that was one and half years ago, when we had look at the asset they were at 50%, I have declined from there and I am looking at now the plants that we are acquiring, so on that basis.

Raj Gandhi: I thought that 4 million tonnes that new UP expansion has come through so the utilization is dropped, not the optical drop in the utilization.

Atul Daga: No.

Raj Gandhi: And now do we have the entire even that 4 million ton up and running?

Atul Daga: We will have about 2.5 million tonnes up and running on day one. 1.5 will come up in the next one, one and half years.

Moderator: Thank you. The next question is from the line of Aditya Shah from Investec Capital. Please go ahead.

Ritesh Shah: Ritesh here. Sir, I failed to understand on the pet coke price movement, I think you have done a commendable job basically your guidance was quite positive of only of \$5/t increase on a sequential basis. Sir, would it be possible for you to give some color exactly to my understanding pet coke prices are moved up from Rs. 3500/t to Rs. 6500/t, over last 3 quarters. So, what is our strategy on procurement? How is that we have been able to mitigate to such a great extent?

Atul Daga: Identifying alternate sources, negotiating hard, volume purchases, these are the 3 things which come as top of mind to answer your question.

Ritesh: Sir, would it be possible to provide some more color on the price, volume, contracts that we get into through which we have been able to mitigate this?

Atul Daga: I am afraid I won't be able to disclose that.

Ritesh: Sir, my second question is any update on the bulk terminal at Bombay port trust that was one.

Atul Daga: Yes that is still in cold storage, I think there has some challenge about land allocation that the port trust authorities are facing. So, there is no work there are started over there.



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Ritesh: Sir, second question is do we have any railway siding in Baloda Bazar to my understanding some other companies looking for a tie-up along with us. Is this is something which is correct?

Management: We have already our railway siding in Baloda Bazar.

Atul Daga: We have our railway siding very much.

Ritesh: But sir, are we looking at sharing arrangement with some other company in the region?

Atul Daga: I do not have to because, I already have our full capacity is available.

Ritesh: Sir, last question, it might be bit weird, was there an element of channel filling which could have been there in this quarter based on your?.

Atul Daga: Not possible. Cement industry cannot survive on channel filling.

Ritesh: Not even into B2B segment?

Atul Daga: Not possible, cement as a commodity will not survive channel filling.

Moderator: Thank you. We will take one last question which is from the line Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Sir, I just missed out on you said that the December month prices were away from the quarter 3 average. So, how much that percentage was?

Atul Daga: I think I did not answer that properly, December prices are about 4% lower than the average for the quarter.

Bhavin Chheda: And has this recovered in January or you seeing similar trend?

Atul Daga: I do not want to comment on, ongoing quarter please.

Bhavin Chheda: And last one on sir, this industrial waste which has increased to overall 3% of the mix you mentioned that there are some logistics and the other issues but will this number keep going up and is there a substantial scope here to increase this number?

Atul Daga: We are trying to identify other elements that can be used but if you look at wherever the industry lies that is where consumption can happen now. For example, if industry is there in Baddi in Himachal Pradesh, I am not present over there and it is not possible to transport from there. Max industry scrap generation happens in South, so we are trying to capitalize on South followed by West. North does not have so much of industry generating industrial waste.



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Moderator: Thank you. Ladies and gentlemen that was the last question and I hand the conference over to Mr. Atul Daga for closing comments.

Atul Daga: Thank you all for joining us on the call this morning. Going forward it is very difficult to forecast how the cement volumes will go. But I believe that at least there is some time, at least one or two more quarters we should wait before we see a stability and growth in demand. Look forward to speaking to you again at the end of the next quarter, thank you so much, have a good day.

Moderator: Thank you, on behalf of UltraTech Cement that concludes this conference. Thank you for joining us and you may now disconnect your lines.