Heidelberg Cement

Operator: Ladies and gentlemen, good afternoon and welcome to the earnings conference call of HeidelbergCement India Limited for the quarter and year ended March 31, 2026, hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will remain 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 star then zero on your touchtone telephone. Please note that this conference is being recorded. I will now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital India Private Limited for opening remarks. Thank you and over to you.

Vaibhav Agarwal – PhillipCapital India Private Limited: Thank you, Ryan. Good afternoon everyone. On behalf of PhillipCapital India Private Limited, we welcome you to the earnings call for the quarter and year ended March 31, 2026, of HeidelbergCement India Limited. On the call we have with us Mr. Joydeep Mukherjee, Managing Director, Mr. Anil Sharma, Chief Financial Officer, and Mr. Amit Angra, Head of Investor Relations and Senior Vice President of Finance of HeidelbergCement India Limited.

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

Also, HeidelbergCement India Limited has uploaded a copy of the Q4 and FY26 investor presentation on their website and stock exchanges. Participants may download a copy of the presentation from these websites. I now hand over the floor to the management of HeidelbergCement India Limited for their opening remarks which will be followed by a Q&A. Thank you and over to you, Joydeep sir.

Management: Okay, thank you. Amit, can you operate the slides on our side, please? Thank you.

I will start with the key messages. We continue to produce mostly blended cement in our operations. This is in line with our commitment to producing low-carbon cement across our operation. Our alternative fuel usage also increased by 3% year-over-year, and we are now at 11% at a company level. Our share of non-grid power exceeded 50% during the fiscal year. The EBITDA at 584 rupees per ton was up 10% year-over-year. We did repay an interest-free loan of 687 million rupees, and the company is now completely debt-free. We had a cash and bank balance of 4,037 million Indian rupees and we continue to operate on negative net operating working capital. We have been declared as the preferred bidder for the grant of 2 mining leases in Madhya Pradesh. This was a strategic and forward-looking move. We also recommended a dividend of 7 rupees per share in our recently concluded board meeting.

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Regarding the ESG overview, 97% of all the cement that we produce is blended cement. On carbon, we are now below 500 kg per ton of cement, and this number is decreasing quickly. This is because we have been working on modifying our product portfolio so that it falls in line with our overall strategy of reducing our carbon footprint. On water positivity, we are at 4.8x water positive. As far as CSR is concerned, we have touched and improved the lives of more than 21,000 people during this financial year. We are at more than 40% green power in our overall power portfolio.

As far as our financial results are concerned, they have already been circulated. Broadly, we are about 19.8% higher on EBITDA compared to last year. At the PAT level, we are 35.5% higher. Our sales volume increased by 8.8% over the last year, and on EBITDA per ton, we are about 10.2% higher.

On a quarterly basis, we had an impact on pricing as there was pressure there. We lost about 105 rupees at the gross price level, and we had a 53-rupee impact on raw material and a 25-rupee negative impact on others. We did have some positives in terms of power, fuel, and freight, but overall, quarter-on-quarter, our decreasing prices were only partially offset by input costs. On an annual basis, our EBITDA increased mainly due to the decrease in input costs. The impact on price was less as compared to the quarterly basis. We lost about 16 rupees overall on price, and there was an impact of 11 rupees on raw material. However, we had positive gains on power and fuel, freight, and other expenses. On a per-ton basis, we saw an increase from 530 to 584 rupees for the complete fiscal year.

Regarding working capital, as I mentioned before, we continue to operate on negative working capital. If there are any specific questions on the data provided, we can address them during the rest of the call.

We have been consistent in terms of our dividend, which is driven by our operational cash flow. On a face value of 10 rupees per share, we have now proposed a 70% dividend for the fiscal year.

Regarding our share of volume, approximately 45% of our total volumes are dispatched through road, which is up by 1% year-over-year. I have already mentioned that AFR is at 11%, up by 3% year-over-year. We have been working consistently on our premium products portfolio as a strategy for the last 3 years, and I am very happy to state that 62% of our total trade volumes come from premium products, which is up by 9% year-over-year. Regarding the trade mix, we are at a figure of 81% for trade retail sales, and 19% is our B2B sales. We are consistently increasing premiumization and optimizing our trade and non-trade mix.

On the outlook going forward, I can say the upcoming elections in Uttar Pradesh will provide significant impetus to cement demand in Central India. We are currently heading into the monsoon season where consumption naturally dips, but post-monsoon and leading up to the elections in our relevant market, we expect very good demand. Geopolitical developments, particularly the West Asia conflict, continue to create uncertainty in global markets and commodity prices. We have already seen some impact on petcoke and fuel prices. I am hopeful and confident that this impact can be passed on to the market, as we have seen in other industries.

Elevated headline inflation and currency depreciation remain concerns. At the same time, there are tailwinds of increasing cement consumption in the medium and long term due to robust domestic

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consumption and the rationalization of the GST rate from 28% to 18% implemented last year. We do not see a problem with demand going forward, but headline inflation and currency depreciation must be monitored closely, especially given our expenditure on imports. The El Nino effect and the heatwave in northern and central India pose risks to agricultural output, rural demand, and food inflation. However, with the monsoon, much of this is expected to be mitigated. As I said before, I am confident that even with a slight lag, we will be able to pass on the increase in input prices to customers. That is all from my side. I will now hand the floor over to Vaibhav and Pankti for the question and answer session.

Operator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use their handsets while asking a question. We will wait for a moment while the question queue assembles. We take the first question from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi – HDFC Securities: Hello? Am I audible?

Management: Yes, Rajesh.

Rajesh Ravi – HDFC Securities: Hi sir. I wanted to understand: what was the clinker production in FY26?

Management: Are you asking about the full year or the quarter?

Rajesh Ravi – HDFC Securities: The full year.

Management: We produced approximately 3.05 million tons of total clinker during the fiscal year.

Rajesh Ravi – HDFC Securities: Okay. Did we buy or sell clinker from outside during the year?

Management: We have not bought any clinker; our own clinker quantity is sufficient for our cement needs. We do occasionally sell clinker, but it is not of significant value.

Rajesh Ravi – HDFC Securities: Sir, looking at your figure of 3.05 million tons, we operated at almost 95% utilization in FY26. What sort of volume growth can we expect on existing capacity over the next 2 years? Our CC ratio also seems to have decreased from a peak of around 1.61 to 1.65 down to 1.5. What is the way forward?

Management: Rajesh, if you look at our total cement grinding capacity, it is approximately 6 million tons. You are correct that we are currently running at approximately 90–95% capacity, but as Mr. Mukherjee mentioned, we are optimizing our product portfolio. We are reducing our clinker content to reduce CO2 emissions, which also gives us more headroom to grind more cement. We believe we have sufficient headroom for the next 1 or 2 years, and we expect our cement volume growth to be similar to the cement demand growth in the market, especially in Central India.

Rajesh Ravi – HDFC Securities: What was our cement-to-clinker ratio in Q4 and FY26?

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Management: Our clinker consumption ratio is around 60-61% of the cement, and we believe we will be able to reduce that by at least 50 to 100 basis points in the future.

Management: To add to that, we have launched a new blended cement where the clinker content is almost 17% lower. We are continuously ramping up production of this product, so I do not think capacity will be an issue for at least the next couple of years.

Rajesh Ravi – HDFC Securities: What is this product with 17% lower clinker? Is it composite cement?

Management: Yes, it is composite cement.

Rajesh Ravi – HDFC Securities: Understood. What cost levers are you looking at, given that the industry is dealing with almost 300 to 400 rupees of cost inflation by Q2? Are there any specific cost levers the company is working on?

Management: Are you asking specifically about the next quarter?

Rajesh Ravi – HDFC Securities: Yes, for the first half of the year. The industry is facing a 300 to 400 rupee cost increase because of the surge in fuel costs and packaging material. While part of that is passed on, do we have any cushions like a higher green power share or other cost metrics?

Management: We anticipate that in the near term—the next quarter—our cost could be impacted by anywhere between 100 to 150 rupees a ton based on our fuel mix. The impact from packaging bags has now substantially reduced. We are looking at an impact of between 100 to 160 rupees a ton, which we are confident can be passed on.

Rajesh Ravi – HDFC Securities: Understood. Do you have a target for the green power mix? How was that in FY26 and how will it look in FY27 and FY28?

Management: Amit, could you please take that question?

Management: Rajesh, as shown in our presentation, our green power percentage has increased to exceed 40%, and we are working to increase it further. It is a continuous process. While there may not be a massive spike immediately beyond this, we expect small, steady improvements through 2026, 2027, and 2028 as we target levels above 40%.

Another lever is our fuel mix flexibility. We consume both petcoke and coal. Whenever petcoke or coal prices move in an unfavorable direction, we immediately adjust our consumption mix. For Q1 of FY27, if petcoke prices remain at current elevated levels, we will further optimize the fuel mix. This is why we expect our impact to be around 150 rupees due to petcoke and diesel, rather than the 300 rupees discussed by the rest of the industry.

Rajesh Ravi – HDFC Securities: Understood, sir. What is the share of linkage coal in our fuel basket?

Management: It is sufficient. We did not need to go to the open market for significant quantities. Our existing linkages support our clinker production.

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Rajesh Ravi – HDFC Securities: Understood. That explains why your inflationary expectation is lower. Two more things. First, regarding the Dalmia bidding for JP assets, they expect to operationalize those fully from Q2 onwards, bringing almost 5 million tons of additional volume pressure to the market. What are your thoughts on that, given Central and Eastern India are key markets for you? Second, what are your capex plans? You had previously planned to expand into the Gujarat market, but we haven't heard much. Are there major expansions in the pipeline for the next 2 to 3 years?

Management: We are setting up a blending unit in Khandwa. This is expected to provide approximately 35,000 tons of extra cement from that unit. That project is currently underway, and we are investing approximately 130 crores into it.

Rajesh Ravi – HDFC Securities: Sorry, 130 crores?

Management: Yes, 130 crores. Beyond that, as mentioned, we have been declared the preferred bidder for limestone mining leases. We have a block of approximately 350 hectares in Rewa and Satna with 62 million tons of cement-grade limestone. There is another block of over 350 acres in Satna with approximately 105 million tons of cement-grade limestone. These are for future expansions.

Rajesh Ravi – HDFC Securities: Regarding the exact timeline, what can you confirm today?

Management: As of today, the project I can confirm is the blending unit at Khandwa.

Rajesh Ravi – HDFC Securities: Understood. Anything further on the Gujarat plans the company mentioned earlier?

Management: No, we are still awaiting clearance from the government. It is not currently in our hands.

Rajesh Ravi – HDFC Securities: Understood. Thank you.

Operator: Thank you. We take the next question from the line of Vaibhav Agarwal from PhillipCapital India Private Limited. Please go ahead.

Vaibhav Agarwal – PhillipCapital India Private Limited: Thank you. I have a question regarding pricing. You noted that you haven't been able to pass on the full cost push in Q1 and that Q4 pricing was under pressure. North and West India seem to have been more stable compared to Central India, which has suffered from low pricing for some time. Is the key reason the commissioning of new clinker lines by competitors? What is dragging down pricing in your geography?

Management: Vaibhav, it is normal for prices to remain under pressure when companies bring in new capacity. We have seen JK expanding in our region, the KJS Cement operation has gone online, and UltraTech is ramping up capacity in the same area.

Vaibhav Agarwal – PhillipCapital India Private Limited: But Central India has been under pressure for nearly 4 quarters. What gives you the confidence that you can pass on the cost push now?

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Management: The cost push affects everyone. If it isn't passed on, balance sheets across the sector will suffer. Historically, serious cost increases are always passed on, albeit with a lag. Different companies have different fuel stocks and contracts, but once that cushion is gone, the costs start hurting. For competitors with 100 to 180 million tons of capacity, the impact on the balance sheet is significantly higher. Reality dictates that this transition will happen.

Vaibhav Agarwal – PhillipCapital India Private Limited: Structurally, how do you see Central India pricing moving over the next 1 to 2 years, given the ongoing expansions you mentioned?

Management: I am confident that over the next year, it will follow the trends in the North. Most Northern players also supply to the Central region, and there are no isolated regions in the cement industry; there is always spillover. Parity will eventually emerge based on plant and market locations. I will be cautious and say that prices will be under pressure for the next quarter and until the monsoon ends. However, the heavy burden of cost push will force the industry to pass those costs on. Beyond that, expecting exact structural movements would be pure speculation.

Vaibhav Agarwal – PhillipCapital India Private Limited: Understood. My second question is about your imports. You mentioned a high dependence on imports in your opening remarks. What is the HeidelbergCement India fuel mix or import component?

Management: To clarify, I said the industry is dependent on imports. We do not import any clinker at all.

Vaibhav Agarwal – PhillipCapital India Private Limited: So there is no imported fuel?

Management: None at all. No.

Vaibhav Agarwal – PhillipCapital India Private Limited: Regarding pricing, what else might support the market?

Management: Vaibhav, we should appreciate that Uttar Pradesh, the state with the highest consumption in India, has elections in the next year. We are predominantly Central India players, and those elections should significantly support cement demand, which in turn supports pricing. Our target is to increase volumes of blended cement in our home markets, and we are positive about passing on the cost increases.

Vaibhav Agarwal – PhillipCapital India Private Limited: What is your demand outlook for FY27 and FY28 for Central India and HeidelbergCement specifically?

Management: I expect the industry in Central India will grow by at least 7–7.5% this fiscal year. As we approach elections at the start of the next calendar year, that could ramp up even further. But an average of 7–7.5% is a reasonable expectation.

Vaibhav Agarwal – PhillipCapital India Private Limited: You have mentioned a possible merger between Zuari and Heidelberg in the past. Are there any current thoughts on that?

Management: It is a matter of timing. As has been reported in the media, we are building a 3 million ton integrated cement plant in Karnataka. That project is currently underway, though it is not part of

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this specific company right now. Depending on the timing, there are plans to eventually merge the entities.

Vaibhav Agarwal – PhillipCapital India Private Limited: Can you provide a potential timeline, perhaps 2 or 3 years?

Management: I would be hesitant to provide an exact timeline right now.

Vaibhav Agarwal – PhillipCapital India Private Limited: Understood. Regarding the blending unit, what is your capex guidance for FY27 and FY28 for HeidelbergCement India?

Management: We mentioned a total of 130 to 135 crores. This will be split across FY27 and FY28.

Vaibhav Agarwal – PhillipCapital India Private Limited: Is that roughly 65 crores each year, or is it backloaded?

Management: The first year will be lighter and the second year will be heavier, as the project will be backloaded.

Vaibhav Agarwal – PhillipCapital India Private Limited: Regarding the capacity of this blending unit, will it add to your existing 6 million tons?

Management: Our cement capacity will increase by approximately 30,000 to 35,000 tons per month.

Vaibhav Agarwal – PhillipCapital India Private Limited: So that increases rated capacity by approximately 0.4 million tons per annum?

Management: In terms of output capacity, yes. Currently, we find it difficult to serve certain markets because Damoh is quite far away.

Vaibhav Agarwal – PhillipCapital India Private Limited: You reached a volume of 1.35 million tons this quarter, which is a record for Heidelberg. Can you achieve 80-90% utilization for FY27 or FY28?

Management: On an annual basis, yes. It is more difficult to predict on a quarter-on-quarter basis.

Operator: Thank you. We take the next question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah – Dolat Capital: Hi sir. Thank you. When we say the industry in Central India will grow at 7-7.5%, is our internal volume target similar?

Management: Yes, we shall be in line with the industry growth in our region. We cannot significantly exceed that because we are nearing full capacity utilization, but we will grow in line with the market.

Shravan Shah – Dolat Capital: To clarify the numbers, current cement capacity is 5.7 million tons across Imlai and Jhansi, and clinker capacity is 3.1 million tons?

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Management: Yes, clinker capacity is 3.1 million tons and cement capacity in Central India is 5.7 million tons.

Shravan Shah – Dolat Capital: Regarding the new project in Madhya Pradesh, once finalized, it will take 3 to 4 years to start?

Management: No, for the Kandhwa project, we have already received the Consent to Establish. We expect that project to be completed within 2 years, perhaps earlier.

Shravan Shah – Dolat Capital: I was asking about projects beyond Khandwa, like in Gujarat?

Management: For Gujarat, if the environmental clearance comes in the next 6 to 12 months, it would then take another 2.5 to 3 years to actually build the plant.

Shravan Shah – Dolat Capital: And the capacity there is still planned at 2.5 to 4 million tons?

Management: That could change. Once we receive the clearance and evaluate the market situation, we will decide. The number is not firmly finalized yet.

Shravan Shah – Dolat Capital: Regarding the MP2 mines you won, when might capacity be added there?

Management: It could be sooner than 4 years. We have firm plans and will start working on it, though I can't declare an exact date today.

Shravan Shah – Dolat Capital: For the Khandwa unit, will you need to buy clinker or will existing lines suffice?

Management: Our existing clinker will be sufficient.

Shravan Shah – Dolat Capital: Just to clarify the cost increase, you mentioned 100 to 160 rupees. Is that 100 to 125 rupees in Q1 and a maximum of 160 rupees for the full first half of the year?

Management: Yes.

Shravan Shah – Dolat Capital: Could you provide the lead distance and fuel mix for Q4 and FY26?

Management: Our petcoke to coal ratio used to be around 60-65% petcoke with the remainder being coal and alternative fuel. Over the last 2 to 3 months, we reduced petcoke consumption by about 10%, so coal consumption increased from 30% to 40%. We executed that optimization and it should continue into the June quarter. Our lead distance is currently around 370 to 372 kilometers.

Shravan Shah – Dolat Capital: 372 kilometers for the entire FY26. What was the figure for Q4 specifically?

Management: It is more or less the same. Our lead distance has not changed significantly, though it increased by about 5 kilometers over the last 6 months.

Shravan Shah – Dolat Capital: What was the combined kcal cost for Q4 and FY26?

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Management: Currently, petcoke is approximately 30% more expensive than coal. On a kcal basis, coal is around 1.5 and petcoke is exceeding 2 to 2.25.

Shravan Shah – Dolat Capital: What was the actual blended kcal cost for Q4 FY26 and FY25?

Management: In the March quarter, the coal cost was below 1.5 and petcoke was around 1.9 kcal. I will need to verify the exact blended number for you.

Operator: Thank you. We take the next question from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi – HDFC Securities: Regarding the clinker debottlenecking, you previously suggested 1.3 lakh tons would be ready by the June quarter of last year. Is that still pending to move from 3.1 to 3.23 million tons?

Management: We have completed the debottlenecking project for Kiln 3. We have submitted our application to increase the capacity and are working through those approvals.

Rajesh Ravi – HDFC Securities: So the work is done, but the government approval for the capacity increase is pending?

Management: Yes, we have completed the improvement capex, and we are now working on getting the official approval for the capacity.

Rajesh Ravi – HDFC Securities: And the total grinding capacity remains 5.75 million tons?

Management: Yes, that is correct.

Rajesh Ravi – HDFC Securities: What about the defunct land in Karnataka? Is there a plan to monetize it?

Management: We still run the Karnataka unit, albeit at lower quantities.

Rajesh Ravi – HDFC Securities: You don't include that in your 5.75 million ton capacity though?

Management: The total capacity of the company includes approximately 0.5 million tons from Karnataka, in addition to the 5.7 million tons in Central India. So the total is approximately 6.2 million tons.

Rajesh Ravi – HDFC Securities: Understood. And the only grinding expansion is the 0.4 million ton blending unit in MP coming by FY28?

Management: Yes.

Operator: Thank you. We take the next question from the line of Jinesh Kothari from Equirus Securities. Please go ahead.

Jinesh Kothari – Equirus Securities: Can you provide the clinker sales volumes for FY26 compared to FY25?

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Management: We report total sales volumes, which include both cement and clinker. It is difficult to share the clinker volume separately.

Operator: Thank you. We take the next question from the line of Nagaraj Pippali, an individual investor. Please go ahead.

Nagaraj Pippali – Individual Investor: Good afternoon. Instead of declaring high dividends, why doesn't the company consider a share buyback to increase long-term shareholder value?

Management: We have noted your suggestion. We will explore this in the management committee and discuss it at the board meeting. For now, the dividend has been recommended for shareholder approval, but we will look into the buyback proposal.

Operator: Thank you. We take the last question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah – Dolat Capital: What is the total capex for FY27 and FY28?

Management: We split capex into two parts. Sustainable stay-in-business capex is in the range of 45 to 50 crore rupees annually, which is about 40% of our annual depreciation. On top of that, we have improvement capex. We are investing 130 crore rupees in the Khandwa blending unit over 2 years. In the first year, approximately 40% of that—around 50 crore rupees—will be spent. So for FY27, total capex will be around 100 crore rupees, and for FY28, it will be around 120 crore rupees.

Shravan Shah – Dolat Capital: Thank you. Did you find that blended kcal cost?

Management: We will check that and let you know.

Vaibhav Agarwal – PhillipCapital India Private Limited: On behalf of PhillipCapital India Private Limited, we thank the management of HeidelbergCement India Limited for the call and the participants for joining. I will now conclude the call. Thank you very much.

Management: Thank you.

Operator: Thank you. On behalf of PhillipCapital India Private Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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