

Dalmia Bharat witnessed big demand surge in Q2, aims to expand capacity

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Bhavya Dilipkumar, Satish John



Cement maker Dalmia Bharat will invest close to ₹5,000 crore to add around 8 million tonnes of cement making capacity, bringing the company's capacity to 40 million tonnes annually, in two years, MD Puneet Dalmia tells Bhavya Dilipkumar and Satish John. The company late last week reported a profit of ₹640 crore for the last quarter of FY 21, which was 26 times the profit reported last year. Edited excerpts:

The company reported its Q4 earnings recently, and the profit has jumped 26 times year-on-year. What led to this?

We were well prepared for the second wave and introduced several initiatives to help our employees and our dealers. As a community, we were well connected. Secondly, there was a big demand surge in Q2, there was a demand surge for incomplete projects. After the migration of labour, we saw rural housing demand picking up. We had strong brands connect, strong dealership connections. And, the last quarter was largely driven by volume growth. The whole year we have grown in volumes by 7% and in the last quarter, we have grown 24% y-o-y. Costs were optimised – rent was saved, travel was reduced.

Fixed cost is down 18% y-o-y; in the second half, there was some input cost hike, diesel cost, petroleum cost and everything went up. As the demand grew in the second half, we were able to pass on some of it. Prices have played a very important role.

Your capex plans for FY22?

This year, we have repaid around ₹2,200 crore of debt and in the last quarter, we have repaid ₹845 crore of debt. We are now a debt-free company, and we are entering a very comfortable capex cycle with a very strong balance sheet. Overall, we had budgeted close to ₹3,200 crore for the 8 million tonne expansion in the East. Of the total, 3.25 million tonnes has been commercialised in FY 21. And from the remaining 2.25 MT in Odisha will get commercialized over the next 3 months and 2.5 million tonne in Bihar will get commercial in FY23. The capex remaining for East expansion is around ₹1,000 crores, which will be spent over the next 18 to 24 months. Murli industries acquisition was completed in FY21 and around ₹350-400 crore of further capex needs to be incurred there. While expenditure will be spread over the next 15-18 months, the plant could start production in H2FY22. Further capacity expansion will be announced once there is more certainty on the ground .. and that will be done along with the capital allocation framework...We have already spent some money last year. I think the balance CAPEX will be around ₹1,200 to ₹1,400 crore.

The company has footprints majorly in the east and south. Any plans to be a pan-India player?

Our long term vision is to be a national player. Right now our focus is to strengthen our existing capacities, but over time we will look into expanding our footprint based on the opportunities available. We will come back with our growth allocation policy once we factor in the impacts of the second wave of Covid.

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