



JKLC:SECTL:SE:16
13th August 2016

- 1. BSE Limited**
Department of Corporate
Services
25th Floor, P.J. Towers
Dalal Street
MUMBAI – 400 001
 - 2. National Stock Exchange of India Limited**
“Exchange Plaza”
Bandra – Kurla Complex
Bandra (E)
MUMBAI – 400 051
- Security Code: 500380** **Symbol : JK LAKSHMI, Series : EQ**

Dear Sir / Madam,

Re: Conference call organized by PhillipCapital (India) Pvt. Ltd.
on 12th August 2016 at 12.00 noon

In continuation of our letter dated 12th August 2016 on the subject, attached herewith is the transcript/ minutes of the aforesaid conference call. This is for your information and necessary action.

Thanking you,

Yours faithfully,
For JK Lakshmi Cement Limited



(B. K. Daga)
Vice President &
Company Secretary

Encl: a.a.





“JK Lakshmi Cement Q1 FY-17 Earnings Conference Call”

August 12, 2016



MANAGEMENT: MR. SUDHIR BIDKAR- CFO, JK LAKSHMI CEMENT

MODERATORS: MR. VAIBHAV AGARWAL- PHILLIP CAPITAL INDIA PRIVATE LIMITED

Moderator: Ladies and gentlemen good day and welcome to the JK Lakshmi Cement's Q1 FY17 Earnings Conference Call hosted by Phillip Capital India Private Limited. As a reminder all participant lines will be in the listen-only mode, 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 '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vaibhav Agarwal of Phillip Capital. Thank you and over to you sir.

Vaibhav Agarwal: Thank you Inba. On the half of Phillip Capital India Private Limited we welcome you to the Q1 FY17 conference call of JK Lakshmi Cement. On the call we have with us Mr. Sudhir Bidkar-CFO of the company. At this point of time I handover the floor to Mr. Bidkar for opening remarks followed by Q&A. Thank you and over to you Bidkar sir.

Sudhir Bidkar: Thank you Mr. Vaibhav. Good afternoon ladies and gentlemen and welcome to this Q1 FY17 con call on the results. Broadly I will run through the broad numbers before I throw the floor open for question answers.

In the quarter we saw our turnover was 871 crores as against 663, showing an increase of 31% as compared to the corresponding quarter, net of excise it was 771 crores as against 590 crores, an increase of 32%. Against this value increase of 32% the volumetric growth was 28% wherein this quarter saw a total volume of 21.13 lakh tons as against 16.55 what we recorded in the corresponding quarter of last year. This volume included clinker sale of 3.43 as against 2.04 in the corresponding quarter of the last year. The operating profit before other income was 117 crores as against 50 crores and after considering the other income it was 127 crores as against 55 crores in the corresponding quarter of last year. After providing for interest and depreciation the profit before tax for the quarter for the company stood at 40 crores as against the loss of 30 crores. There was last year some exceptional item so overall PBT was (-35) as against which it is 40 crores positive this time. After providing for the tax the PAT for the quarter stood at 28.64 crores as against a loss of 23.43 in the corresponding quarter of last year. Last year it was impacted primarily on account of that being the first quarter of the start of our commercial production at Durg with interest and depreciation being there together with some stabilization expenses which we had shown as exceptional last year. Overall operating margin for the company overall was 15% as against 9% in the corresponding quarter.

This quarter we will see the start of the commercial production, the trial runs have started for the Surat plant. This quarter we will see our capacity going up from 8.65 to 10 million. Thereafter we shall have the increase in the Durg capacity as we go into the next financial year and together with that the grinding unit at Orissa which is expected on September of 17 should take our capacity to 11.5 towards September of 2017. So those broadly one of the key indicators^{and} I can throw the floor open for question and answers now.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Rajesh Ravi of Centrum Broking. Please go ahead.

- Rajesh ravi:** Would you please give the volume numbers, cement sales and clinker sold during the quarter?
- Sudhir Bidkar:** Total it was 21.13 lakh tons which included 3.43 of clinker.
- Rajesh Ravi:** Could you just explain because you also purchase cement and sell, so like how is the overall numbers? Could you also give the quarterly comparable number for Q4 and Q1 last year?
- Sudhir Bidkar:** Q1 last year was 16.55 which included 2.04 of clinker and in immediate preceding quarter it was 21.59 including 2.98 of clinker sales.
- Rajesh Ravi:** In the other traded volume cement would be how much?
- Sudhir Bidkar:** It was 1.4.
- Rajesh Ravi:** Same number for last year Q1 and Q4 for last year.
- Sudhir Bidkar:** Q1 last year was 1.06 and in the immediate preceding it was 1.26.
- Rajesh Ravi:** Volume from this Durg plant how is that shaped up?
- Sudhir Bidkar:** 5 lakh tons.
- Rajesh Ravi:** The other numbers that you have discussed this EBITDA per ton performance for the North and East operations, if you could highlight that also.
- Sudhir Bidkar:** We can share the separate plant wise with better numbers.
- Rajesh Ravi:** But there the things would be ramping up in line with your North operations now.
- Sudhir Bidkar:** Yes.
- Rajesh Ravi:** That cost difference that had.
- Sudhir Bidkar:** Yes.
- Rajesh Ravi:** In Surat grinding you had mentioned in the annual report that its 1.35 now.
- Sudhir Bidkar:** Right.
- Rajesh Ravi:** So it has been scaled up versus the earlier estimate of 1 million ton?
- Sudhir Bidkar:** Yes.
- Rajesh Ravi:** And the total would be 12 million ton on standalone basis.

- Sudhir Bidkar:** 8.65 is our today's capacity and there Surat it is 1.35 that will take us to 10 and 0.9 gets added to the Durg and 0.6 for Orissa so 11.5.
- Rajesh Ravi:** So Orissa you are adding 0.6.
- Sudhir Bidkar:** Yes.
- Rajesh Ravi:** The Udaipur you are saying is 0.9 addition?
- Sudhir Bidkar:** We are not talking of Udaipur, we are talking of Durg. 0.9 is being added from 1.8 to 2.7 and at Orissa 0.6, Udaipur is in separate company subsidiary that is 1.6 is beyond in addition to 11.5 at the parent company. So if one were to add the capacity of the Udaipur Cement of 1.6 then will be 13 million by September '17. Udaipur incidentally would come by December '16, 1.6.
- Rajesh Ravi:** So the Udaipur final capacity will be 1.6?
- Sudhir Bidkar:** Yes.
- Rajesh Ravi:** And the Orissa grinding by when that would be expected?
- Sudhir Bidkar:** 17 and Durg by June '17.
- Rajesh Ravi:** CAPEX number if you could share in terms of the standalone and four unit for FY17.
- Sudhir Bidkar:** FY17 we are going to have basically about 90 crores of CAPEX which is going to be primarily on account of the Surat grinding unit which is remnant now and some normal CAPEX and then at Durg we have about 150 crores of CAPEX.
- Rajesh Ravi:** So this full 150 would be consumed in FY17 itself?
- Sudhir Bidkar:** Yes, FY17 some will spill over, not entire will get....we will get this thing by March and then maybe other 100 odd by September.
- Rajesh Ravi:** And maintenance?
- Sudhir Bidkar:** It includes maintenance about 40 crores odd.
- Rajesh Ravi:** So this is already included in 150 plus 90?
- Sudhir Bidkar:** Yes.
- Rajesh Ravi:** For the Udaipur unit?

Sudhir Bidkar: Udaipur total CAPEX is about 700 crores odd, we have done about 500 so 200 will be what will be left up to December this year.

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

Ritesh Shah: My first question is on profitability for the East operations, I understand we don't give absolute numbers. But if you would be able to give some color like last quarter we had EBITDA margin of breakeven, so how are things...?

Sudhir Bidkar: We have some positive EBITDA this quarter from that.

Ritesh Shah: This would be on back of realizations or are there incremental cost gains that will be realized because of pet coke or some other variables?

Sudhir Bidkar: More to do with the cost reduction rather than realization improvement.

Ritesh Shah: Would it be possible for you to provide some color over here?

Sudhir Bidkar: I will not be able to give any plant wise details of the profitability.

Ritesh Shah: Is it possible to get some color on... are there any incremental cost saving measures at the East operations like I think railway siding one and WHR is there. Besides this anything else that we can work on or we can factor in incremental cost savings?

Sudhir Bidkar: We would be coming back to you once we are able to. We are working on something to take care of our power cost so long as we don't have the captive there so once it attains a particular status then will certainly share with the investors.

Ritesh Shah: Would it be possible for you to site what is the cement mix in East and North right now OPC, PPC, PSC?

Sudhir Bidkar: OPC and PSC is about 25%, 75% is PPC in the Eastern side.

Ritesh Shah: Are you seeing any material which is coming from South or Central into the regions where you operate it is driving pricing pressures?

Sudhir Bidkar: Some spillover is always there but not of a significant magnitude.

Moderator: Thank you. Our next question is from the line of Ashwin Balasubramaniam of HSBC Asset Management. Please go ahead.

Ashwin Balasubramaniam: I just wanted to know when the Surat grinding unit becomes operational what will be the kind of utilization at which you will operate in the next couple of quarters.

Sudhir Bidkar: We should be able to see 60%-70% in the first two quarters.

Ashwin Balasubramaniam: Also I just wanted to understand with regard to your Durg plant, why is the EBITDA there is lower than that of the other plant, so what would be the reasons for that and how is that expected to improve going forward?

Sudhir Bidkar: The EBITDA is lower as compared to North for two reasons, one per se realization in that market is much lower than what we are getting in Northern market but those are market things. More importantly for us is cost there is higher as compared to in Northern because as of now we don't have any captive power therein so we are at the mercy of the grid power. We are not allowed to do any exchange trading because of the various levies which have been imposed by the state government which dissuade people from purchasing directly from the exchange. In spite of the fact that Chhattisgarh continues to be power surplus state they don't encourage direct trading of power by the users. So we are left with the scenario where there are sellers who are not able to get the buyer even at Rs.3-4 and we have to pay almost Rs. 7 to the grid. So that is one reason as to why the cost of operation therein higher. We are taking steps, one of which is the waste heat recovery which will come by September '17. Other than that, that will take care only of about 30% of our power requirement. But to take care of the balance 70% we are trying to work out some arrangement. It's too premature for me to share anything as of now on this con-call. But once it crystallize into some definitive agreement we will certainly share with the investors. So we are also consciously working towards reducing cost as far as the Eastern operations are concerned and see that it starts making cash profits.

Ashwin Balasubramaniam: Which will be the main states to which you will be catering to from this plant?

Sudhir Bidkar: In the Eastern we are selling about almost 60% in the Chhattisgarh itself and about 20%-25% goes to Orissa and small quantity goes as where in the neighboring states.

Ashwin Balasubramaniam: This Orissa grinding unit when is it expected to commission?

Sudhir Bidkar: September '17.

Ashwin Balasubramaniam: So how much CAPEX would you require to incur here?

Sudhir Bidkar: Total CAPEX would be about somewhere between 125 to 140 crores. We have done about 30-40 crores, so about 100 is further what is required to be spent for....

Ashwin Balasubramaniam: What will be the debt number as of quartet?

Sudhir Bidkar: We have peaked out in March itself which was about 1950 those at the same level as they were.

Moderator: Thank you. Our next question is from the line of Rajesh Kothari of AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Can you just highlight that over the next 2 to 3 years how do you see your overall cost per ton reducing from current levels, if you can just share some thoughts on that.

Sudhir Bidkar: Cost per ton, there is plenty of scope as far as the Eastern operations are concerned. In Northern we have almost reached a level where our efficiencies by the metal continue to be one of the best in the industry both in terms of power and fuel consumption. In the Eastern side there are, yes, lot many opportunity is for us as we go forward. One is obviously which should happen is the commissioning of the conveyer belt which takes our limestone from the mines to the factory. So is that get commissioned we should see about Rs. 30-40 per ton saving in the cost for the limestone that is number one. Number two, as I mentioned in response to my some other questions which were posed by a colleague earlier. One, we are putting up a waste heat recovery which is about 7 MW taking care of 30% of the requirement that is another cost driver which will reduce our power cost. We are trying to work out some arrangement of sourcing power from a private source which will take care of further 70%. So these are some drivers and then ultimately once we have the railway siding that will further reduce the logistic cost. So there are few areas where we still need to work as far as the Eastern operations are concerned which over the next 2-3 years should push the cost down.

Rajesh Kothari: Your waste heat recovery plant which is 30% of your saving what you are saying that is how much rupees per ton you are saying?

Sudhir Bidkar: That should result about 7 MW is there going to cost as about 90 crores.

Rajesh Kothari: I'm saying in terms of the saving.

Sudhir Bidkar: About Rs. 150 per ton it should result in some saving.

Rajesh Kothari: Just to make heat recovery plant I'm talking about.

Sudhir Bidkar: Right.

Rajesh Kothari: Your railway siding, can you share some highlight?

Sudhir Bidkar: The logistic cost should come down by Rs. 300 to 350 once we have that in FY18 the railway siding in place.

Rajesh Kothari: So the work is right now in progress for that, what is the current state of it?

Sudhir Bidkar: Yes.

Rajesh Kothari: What is the CAPEX for railway siding, anything that you are doing...?

Sudhir Bidkar: 150 crores odd is there.

- Rajesh Kothari:** In which quarter you are saying in FY18 it will be commenced?
- Sudhir Bidkar:** Towards the end of that financially or FY18.
- Rajesh Kothari:** So basically you are saying your total cost in Eastern side it is a potential to reduce by about Rs. 500 to 700 per ton, would it be safe assumption over next two years?
- Sudhir Bidkar:** 500 I can't mention the number but at least 300 to 400 certainly doable.
- Moderator:** Thank you. Our next question is from the line of Ajit Motwani of Bharti AXA. Please go ahead.
- Ajit Motwani:** In terms of the money that you are spending on the Eastern front is 90 Cr on waste heat recovery and about 150 Cr on the railway siding?
- Sudhir Bidkar:** Right.
- Ajit Motwani:** And anything on conveyer belt?
- Sudhir Bidkar:** That is 95% has already been spent so there is nothing much that should go from the normal CAPEX.
- Ajit Motwani:** Roughly about 250 Crores here. In terms of this private sourcing of power in the sense what are the hurdles that you are facing in terms of making....?
- Sudhir Bidkar:** We are negotiating working out, there are no hurdles as such but we are trying to work out better.
- Ajit Motwani:** As of now how much do you pay in the Eastern plant?
- Sudhir Bidkar:** We are paying about Rs. 6.80 paisa to the grid.
- Ajit Motwani:** And this private sourcing is it like some Rs.4.
- Sudhir Bidkar:** It will not be that bigger saving but there would be certainly much lower, some saving as compared to the grid cost. It is difficult for me to quantify as of now. Once it is in place, the arrangement is in place that I can certainly share the number. But it will not be that lower number as 4 as you are talking of as against 689.
- Ajit Motwani:** Once the railway siding come so essentially you are saying this saving of about Rs. 300 a ton on freight cost alone for Eastern operations, right?
- Sudhir Bidkar:** Yes.

- Ajit Motwani:** Basically this is for the current set of distribution of that plant, right?
- Sudhir Bidkar:** Yes.
- Ajit Motwani:** In the sense what I'm saying is that you will be able to reach the same destinations of far lower cost.
- Sudhir Bidkar:** Lower cost or you can go to other lucrative market (**Inaudible**) 19.55 working out to be better realization for us.
- Ajit Motwani:** If you were to quantify that...
- Sudhir Bidkar:** Rs. 300 I told you will be the saving
- Ajit Motwani:** I am saying now this enables you to reach something like West Bengal.
- Sudhir Bidkar:** Depending on the market at that point in time, it's far too premature for me to say what will happen in FY18 once this railway siding is in place. Depending on the realization at that point in time in different market and my ex-factory realization net of the freight will take a call we are to supply, how much to supply. Always the expected realizations are higher; we have to always balance that out.
- Ajit Motwani:** The timing of railway siding is December?
- Sudhir Bidkar:** Towards the end of FY18.
- Ajit Motwani:** And waste heat recovery?
- Sudhir Bidkar:** September 17.
- Moderator:** Thank you. Our next question is from the line of Sanjay Satpathy of bank of America. Please go ahead.
- Sanjay Satpathy:** Please clarify how much of your total cement sales during this quarter is from Durg?
- Sudhir Bidkar:** 5 lakh ton sales from Durg.
- Sanjay Satpathy:** So which is like 20% of it.
- Sudhir Bidkar:** Yes.
- Sanjay Satpathy:** We have seen so many cement companies based out of North reporting fantastic margin, can one assume that JK Lakshmi is also enjoying similar kind of high margin like Mangalam that they have reported.

- Sudhir Bidkar:** Yes, for the Northern operations our margin continues to be in line with what the other players in that region are getting.
- Sanjay Satpathy:** Despite having a big proportion of your sales to Eastern India, right?
- Sudhir Bidkar:** Yes.
- Sanjay Satpathy:** Basically some share on clearly the cost savings that you are doing in that fairly remains the biggest focus area, is that how your margins will improve?
- Sudhir Bidkar:** Yes you are right.
- Moderator:** Thank you. Our next question is from the line of Anshuman Atri of Haitong Securities. Please go ahead.
- Anshuman Atri:** My question is again regarding the North demand. We have seen the prices to be very stable in there, so what kind of growth do you expect for the full-year and what kind of margins do you expect to make in the North operations?
- Sudhir Bidkar:** North, in the first quarter we saw, there was a 1% growth only in the demand. Gujarat it was about 2.5%, overall on all India basis there was a 3% growth. Current quarter being monsoon affected so we don't see much growth in the demand as far as current quarter is concerned. But going forward from third-fourth quarter we should see almost 7%-8% growth especially from the infrastructure, road sector and also with good monsoon the rural demand should also throw up. The various government initiatives like 'housing for all' plus 'smart cities' that should throw some good demand number going from third quarter onwards.
- Anshuman Atri:** Will this also be applicable to other regions like West and East?
- Sudhir Bidkar:** It should be but magnitude maybe different for different regions. But yes certainly that should see some good growth numbers as far as demand goes in all the regions.
- Anshuman Atri:** In terms of region wise where you are saying more of government activities coming in?
- Sudhir Bidkar:** Mostly in the North.
- Anshuman Atri:** Regarding the cost saving, we have already highlighted a lot of initiatives. In North you are already one of the leaders in terms of cost. Going forward all these potential 300-400 savings which you are talking about only in the Eastern region and the North and the West where you are putting up grinding unit all these logistics advantage which you will have with being closer to the market with various grinding units. So what are the cost savings you can see in the other operations combined apart from the Eastern region?

- Sudhir Bidkar:** As far as Northern operations are concerned while at manufacturing levels we are one of the most competitive, some technical improvement always keeps on happening, some innovation always our technical people are able to do to further improve upon the efficiencies. But one area where we still need to work on as far as the Northern operation goes is on the logistic cost. So there we continue to work on that so that could be another cost driver which could push our margins out from the Northern operations. In the Eastern side as I mentioned in response to the earlier queries, the scope is there both for the logistic cost plentiful as well as the cost of operations in terms of the lower power, fuel and other costs of moment of the clinker etc. and the limestone.
- Anshuman Atri:** This 1950 is your standalone?
- Sudhir Bidkar:** Yes on a standalone basis. What is important cash in hand has gone up, it was about 250 crores odd in the balance sheet as of March, it is 450 crores as of June end. So on a net debt basis we are down by about 150 crores on a standalone company basis down from about 1700 to 1550.
- Anshuman Atri:** And what was the consol debt?
- Sudhir Bidkar:** Consol we had another 500 crores of debt which is going to be there for the Udaipur.
- Anshuman Atri:** Have you done any further CAPEX in there the progress of...
- Sudhir Bidkar:** That is going on and we expect that Udaipur to get commissioned by the December with 1.6 million capacity.
- Moderator:** Thank you. Our next question is from the line of Anand Krishnan of Infina Finance. Please go ahead.
- Anand Krishnan:** Can you give me the regional mix of your sales?
- Sudhir Bidkar:** It is 500 for the Eastern operation and remaining is for the Northern operations.
- Anand Krishnan:** With respect to your dispatches I just wanted to understand what you sell in the North and what you sell in the East....
- Sudhir Bidkar:** That is what I said, it is 5 lakh in the total order of 21 lakh tons of cement which we sold that 5 lakh is for the Eastern operations, remaining is from the Northern operations.
- Anand Krishnan:** So you don't sell anything in the West?
- Sudhir Bidkar:** This North includes West, West means Gujarat and some amount goes in the Maharashtra side.
- Anand Krishnan:** Can you just give me the breakup of that?

- Sudhir Bidkar:** About 35% goes in the Gujarat, about 5% in Maharashtra, 30% in Rajasthan and balance about 30% odd in North.
- Moderator:** Thank you. Our next question is from the line of Rakesh Vyas of HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Can you just highlight what has been the demand growth in the Eastern region in general and how is the competition shaping up there?
- Sudhir Bidkar:** Overall on all India basis there was a growth of about 3% in the demand in the first quarter and in the Northern side it was about 1%, Gujarat was about 2.5, so overall our region in the North which includes North plus Gujarat is about 2.5. Against that we had notched up volumetric growth of 10% in the Northern operations. In the Eastern side it was about 3.5% growth and our growth was from about 1.9 lakh tons which we sold in the corresponding quarter of last year we sold about 5 lakh tons of cement but base being lower it may not be right number to compare but we grew almost 3x from 1.9 to over 5 lakh in the Eastern side.
- Rakesh Vyas:** How is the competition shaping up now in the East?
- Sudhir Bidkar:** East continues to be quite competitive with the new capacities, some which got fructified in this current financial year, some in also in the pipeline in terms of Emami etc. Competition continues to be fierce in the Eastern side.
- Rakesh Vyas:** But are we seeing the incremental pricing pressure or prices have stabilized?
- Sudhir Bidkar:** Pricing pressure would continue to be there at least in the current quarter with some hope of some improvement on the packing of higher demand as we move into the third quarter. But yes it continues to be sluggish realization in the Eastern side.
- Rakesh Vyas:** Can you just highlight what has been the RMC sales this quarter comparable figure for last year and preceding quarter?
- Sudhir Bidkar:** It is about 40 crores odd sales are there. Last year it was 35 crores, this quarter it was 40 crores around that. Overall last year we did about 150 crores odd.
- Rakesh Vyas:** What was our pet coke cost this quarter and how is it shaping up for us now incrementally?
- Sudhir Bidkar:** It was close to about Rs.5000. There has been some firming up which has happened in the recent past.
- Rakesh Vyas:** What would it be right now on spot basis how much have the prices increased for us?
- Sudhir Bidkar:** It's about Rs.500 to 600, it has gone up.

- Rakesh Vyas:** And the mix continues to remain around 90%-95% in North and around 90% in East?
- Sudhir Bidkar:** Yes.
- Rakesh Vyas:** Can you just give a split of the clinker production between North and East?
- Sudhir Bidkar:** Clinker we sold about 3.43 and out of which 3 lakh tons were sold from the existing operations and 0.3 from the Eastern operations.
- Rakesh Vyas:** And what was the production in general from East and North, total production of clinker?
- Sudhir Bidkar:** Production North was about 12.5 and 2.7 for the Eastern operations.
- Moderator:** Thank you. Our next question is from the line of Milind Raginwar of SBI Cap Securities. Please go ahead.
- Milind Raginwar:** My first question is about the same and sales in the previous quarter. If I have heard it was--I mean June '15 quarter--it was 1.45, right?
- Sudhir Bidkar:** Last year it was in the corresponding quarter total sales there was 16.55 which included 2 lakh tons of clinker sales.
- Milind Raginwar:** What would Chhattisgarh contribution in that number?
- Sudhir Bidkar:** 1.92 was the Durg figure.
- Milind Raginwar:** If I'm comparing it on the like basis, is our Northern facility or Northern dispatches have gone down marginally?
- Sudhir Bidkar:** They have gone up by 10% from 14.63 to 16.1; there is a 10% growth in the Northern operations.
- Milind Raginwar:** The second question is on the other expenditure, we are seeing a sharp jump any, so specific expenditure that we are building in that 78 crores?
- Sudhir Bidkar:** Other expenditure includes the advertisement expenditure. Corresponding quarter it was lower, yes you are right.
- Milind Raginwar:** So that was the reason why we have seen a spike in that cost because it was only for advertising cost?
- Sudhir Bidkar:** Yes.
- Milind Raginwar:** This was predominantly for East?

Sudhir Bidkar: Yes it was for both the sides.

Moderator: Thank you. Our next question is from the line of Chockalingam Narayanan of Deutsche Bank. Please go ahead.

Chockalingam Narayanan: In term of CAPEX how much you are spending for this year, what's the total outlay and how much has been spent already and what's pending?

Sudhir Bidkar: What is pending is about 20 crores odd on the Surat grinding it which will get commissioned in this quarter. Then as I mentioned waste heat recovery is going to cost 90 crores there nothing has been spent, that will be getting implemented over the next 12 to 15 months expected to be completed by September of 17. Then as per as the Durg is concerned where we are increasing the capacity from about 1.8 to 2.7 about 9 lakhs we are getting that is only debottlenecking through some 30-40 crores of CAPEX will be required and then main is the railway siding about 150 crores odd to be spent over the two years up to FY18, so these are what are the CAPEX on the company standalone basis. In the subsidiary we have a CAPEX of ongoing CAPEX project of about 700 crores odd. Out of which 500 has been spent so about 200 will get spend over the next two quarters. We commission by December of 16, 1.6 million capacity in Udaipur Cement.

Chockalingam Narayanan: In Udaipur what was the CAPEX that has been spent in the first quarter?

Sudhir Bidkar: 500 crores is what has been spent so far.

Chockalingam Narayanan: No, that is cumulative but just first quarter if you can...

Sudhir Bidkar: No we don't have exact numbers but not more than 40-50 crores.

Chockalingam Narayanan: What is the standalone net debt and consolidate figures if you can share?

Sudhir Bidkar: 1950 was the standalone gross debt, about 450 is the cash, so 1500 is the net debt on a standalone, 500 is the add-on debt for the subsidiary.

Chockalingam Narayanan: And last thing, I missed the volume numbers for this quarter for between split between North and East.

Sudhir Bidkar: 21 is the total volume out of which 5 lakhs is the Eastern, remaining is the Northern volumes.

Chockalingam Narayanan: Okay, and last thing you had mentioned about the Cuttack grinding unit in the press release, so is it back on track now or what.

Sudhir Bidkar: Expected to be commissioned by September '17.

Chockalingam Narayanan: September, so you did not mention anything for the CAPEX towards that.

- Sudhir Bidkar:** CAPEX Yes you are right, I missed out about 125 lakhs is the total CAPEX which will be required, 25 we have incurred so 100 would be further required to be incurred by September 17, you are right.
- Moderator:** The next question is from the line of Ujwal Shah of Quest Investments. Please go ahead.
- Ujwal Shah:** Sir, just wanted some color on the Eastern demand and how do we see our Durg plants capacity utilization over next 1 to 2 years, so how do we plan to further grow this volumes considering that the demand and the competition scenario is intensified?
- Sudhir Bidkar:** Demand-supply scenario continues to be very stiff there and we continue to operate at 100% capacity utilization in the Eastern operation and going forward we expect it to be maintained at 100% capacity utilization and yes, competition is tough but our endeavor is more to do with the cost reduction and focus on whatever we can do to reduce our cost because realization is the market driven so we are trying to focus one on cost reduction, two on improving the capacity utilization even with the added capacity and after this debottlenecking increasing it to 2.7 at Durg and once the Orissa also comes in by September 17 then another 6 lakhs so we will be 3.3 trying to achieve that overall 100% capacity utilization.
- Ujwal Shah:** Right sir and sir in terms of the cost savings that the Surat grinding unit will bring in, so we might save more on the logistic side?
- Sudhir Bidkar:** Yes, this primarily as we move closer to the market we should see some cost reduction especially the logistic cost saving would be there, so and in split location grinding the basic idea is to save on the logistic cost.
- Ujwal Shah:** Sir, any number that you can put to it?
- Sudhir Bidkar:** It is too premature for me to do that but yes there will be some savings there.
- Moderator:** Our next question is from the line of Saumil Mehta of BNP Paribas Mutual Fund. Please go ahead.
- Saumil Mehta:** Yes sir, sir can you just quantify on what will be the total CAPEX in FY17 and 18 because I think 2017, 90 crore will be on waste heat recovery, about 150 on railway siding and about 100 odd crore in the Orissa plant and what will be CAPEX number for FY18.
- Sudhir Bidkar:** This is spilled over the 2 years.
- Saumil Mehta:** So, if I have got it correct 350 will be the total CAPEX for the next 2 years.
- Sudhir Bidkar:** Yes, you are right.
- Saumil Mehta:** And sir, this number include the maintenance CAPEX or that will be over and above that.

- Sudhir Bidkar:** About 30 to 40 odd extra.
- Saumil Mehta:** Yes, the Cuttack CAPEX will be?
- Sudhir Bidkar:** 100 crores ruminant.
- Saumil Mehta:** And that will be in FY18 or it is too premature to talk?
- Sudhir Bidkar:** Partly both years.
- Saumil Mehta:** Partly both years, okay fine.
- Moderator:** Our next question is from the line of Kamlesh Jain from Prabhudas Leeladhar. Please go ahead.
- Kamlesh Jain:** In this other income sir it has gone up sharply, sir is it because of the IndAS or what changes has been done there sir?
- Sudhir Bidkar:** Yes other income in fact if you want me to compare it with sequentially with the image at preceding quarter it has gone down, last quarter in the fourth quarter we had 34 crores of other income where we added some maturities of the various current investment. In the current year 9 crores is the other income which is primarily on account of the mark-to-market of our current investment, primarily as you rightly mentioned it is on account of Indian Accounting Standards.
- Kamlesh Jain:** Okay and sir, lastly this about 150 crore CAPEX on railway siding sir is that just taken up or.
- Sudhir Bidkar:** It is going to be spent over the next 2 years up to FY18 towards the end of the FY18.
- Kamlesh Jain:** Sir you were guiding in the previous con-calls, you were saying that there would be a total CAPEX of only 250 crore and railway siding was not part of that and you were saying that like say logistics are not that big issue in the Eastern market, now it has been taken up on the fresh basis, so what has been the change in the last one or two quarters that you have just started talking about this 150 crore CAPEX on siding particularly?
- Sudhir Bidkar:** Railways siding is something which was on the back burner earlier because some consents which were required were not forthcoming, now some headway has happened in that so that is where the focus is back on the putting in that CAPEX in place the railway siding, so we were not sure as to when the consents from the required authorities especially the railway authorities would come in, now that has come so we are working all out to see that by FY18, this CAPEX is put in place.
- Kamlesh Jain:** Sir, but is the power plant priority or the railway siding priority because going forward like say there are a lot of considerations even going in the state levels.

Sudhir Bidkar: We don't have any plans to put a power plant as of now, we are trying to put only the waste heat recovery and trying to workout some arrangement for the remaining power cost. So as far as the CAPEX goes, our priority would be railway siding, but yes when we expand further our Brownfield, then we would certainly add captive power. Once we have done this 13 million including the Udaipur, it is stabilized for about 12 to 18 months before embarking on fresh Brownfield expansion where the scope of expansion is there at all the three locations Sirohi, Durg as well as Udaipur, which will take our capacity from 13 million to 20 million in 3 to 5 years, so when we go and embark on this fresh Brownfield expansion especially the Durg, we will certainly consider putting up a captive power. So in the first phase as we speak now in immediate next 2 to 3 years we don't have any immediate plan for putting a captive power other than the waste heat recovery at Durg, so to answer your specific question between railway siding and putting up a captive power, railway siding will take the priority.

Kamlesh Jain: Okay, great sir.

Moderator: The next question is from the line of Pratik Kumar of Antique Stock Broking. Please go ahead.

Pratik Kumar: Yes, sir my question is on fuel side, you have said that the pet coke price has been forming up, so are you evaluating other fuel option in terms of domestic coal versus pet coke, how competitive is pet coke still versus domestic coal and my followup question on this is how much increase in power and fuel cost if you can allocate any number from the bottom of like current quarter, last quarter, do you see over the next 2 quarters?

Sudhir Bidkar: Basically yes that exercise is an ongoing exercise, all the time we are evaluating based on the prices for pet coke and the coal on a kilo calorific value whether it makes sense to procure and use coal or not that exercise is continuous exercise, yes there have been some firming up of the pet coke prices almost Rs. 500 to Rs. 600, those have gone up from as compared to the last quarter, so that will have a corresponding impact on the power and fuel cost, yes but we continue to evaluate other options of sourcing coal also.

Pratik Kumar: Sir, how much competitive right now domestic pet coke as versus I mean coal India coal.

Sudhir Bidkar: Still works out the pet coke at the current prices after the recent increase in the price, still pet coke works out to be 10% to 12% cheaper than the coal but this is not a general answer, it varies for different players depending on the sourcing of the pet coke and coal and how proximity is there sourcing of coal or pet coke to their plant, so answer may not be a general.

Pratik Kumar: Even the other players are indicating the similar kind of.

Sudhir Bidkar: So for different players having different locations at different plants, the answers would be in the numbers and the economics may be different for different players. For us it is around still works out to be pet coke 10% cheaper than the coal on a kilo calorific value.

Moderator: Our next question is from the line of Dhiral Shah of GEPL Capital. Please go ahead.

- Dhiral Shah:** Sir, what will be the volume growth guidance for FY17?
- Sudhir Bidkar:** We can tell you what capacities we are growing putting up, we have already talked off the increase in the capacities one with the Surat grinding and it coming in this quarter. Then going forward, we have the Udaipur capacity of 1.6 getting fructified by December and then we have the Durg capacity being jacked up from 1.8 to 2.7 and Orissa 0.6 coming up by September and on the back of about 7 or 8% overall growth, you can yourself calculate the numbers, we are operating at close to 100% or slightly above that as far as the Eastern operation and around 90% in the Northern which we should continue to do.
- Dhiral Shah:** Okay and sir you just stated North region has been seeing lots of government activity, so what are this kind of project you are eyeing in Northern region?
- Sudhir Bidkar:** Especially the demand from road is there plus this housing for all government initiatives plus smart cities, metros in all the cities in the Northern plus there is a Delhi-Mumbai freight corridor, industrial corridor, and with the monsoon being good, the housing rural demand should also be robust from third and fourth quarter onwards, plus with this pay commission money getting released we should see some demand from the housing from third quarter onwards.
- Dhiral Shah:** Okay and sir lastly regarding your pricing scenario do you see this kind of pricing will be sustainable going forward or it could be increased post monsoon.
- Sudhir Bidkar:** Post monsoon we should see spurt in the demand and that should enable us to pass on some cost increases especially the power and fuel cost which has gone up so we should see some improvement in the realization as we move into third and fourth quarter.
- Dhiral Shah:** Okay and this kind of margins are sustainable because we have seen the cost has gone up because of pet coke and all that has gone up right now.
- Sudhir Bidkar:** Yes that depends on how robust is the demand and how well versed are we to pass on that cost increase.
- Moderator:** Our next question is from the line of Rajesh Ravi of Centrum Broking. Please go ahead.
- Rajesh Ravi:** Just again discussing on this CAPEX number, the total CAPEX number for the next two year seems to be 600 crore or is it reading right.
- Sudhir Bidkar:** I repeat the CAPEX numbers it is 90 crores for wasted recovery, about 100 crores for the grinding unit and about 150 crores for railway sidings and about 20 to 25 crores for the remnant of Surat. This is what we are all going to do over the next 2 years in the parent company, 200 odd crores further in the subsidiary.
- Rajesh Ravi:** No Durg also there will be some CAPEX right.

- Sudhir Bidkar:** 30 to 40 crores, that is it.
- Rajesh Ravi:** Okay and maintenance is another 100?
- Sudhir Bidkar:** Maintenance 30 to 40 crores each year.
- Rajesh Ravi:** On the current capacity breakup would you just detail me what are the current capacities of your different locations because totally is around 8.4 before this.
- Sudhir Bidkar:** 8.65 is the total capacity which includes 1.8 rather at the existing location.
- Rajesh Ravi:** So it is 1.8 now.
- Sudhir Bidkar:** 1.8 sorry at Durg and balance is at the Northern operations.
- Moderator:** We will take our last question from the line of Chockalingam Narayanan of Deutsche Bank. Please go ahead.
- Chockalingam Narayanan:** Just on the costing front, now that East has kind of ramped up to about 100% what is the cost differential on an operating cost between North and East.
- Sudhir Bidkar:** It is still about Rs. 300 to Rs. 400 cost of operation is higher in the Eastern because of primarily coming from the power and fuel, there not being any captive power and we are sourcing entirely from the grid at Rs. 6.90 as against less than Rs. 4 for the captive generated power at the existing Northern market, that is a big cost differential.
- Chockalingam Narayanan:** Okay and what are the lead distance for both of these markets.
- Sudhir Bidkar:** About 450 kms for the Northern and 300 Kms for the Eastern.
- Chockalingam Narayanan:** Okay, so should not that benefit you in East in terms of lower distance through the market and.
- Sudhir Bidkar:** Lower distance but the rate per ton per km is far higher in the Eastern as compared to the North so that is getting vitiated by that because of the per ton per km cost being higher there.
- Chockalingam Narayanan:** Okay, is the road movement being higher kind of hits you or how should we understand this sir.
- Sudhir Bidkar:** It is both railways as well as roads higher as compared to the Northern but when the distances are short, obviously per ton per km works out to be higher but per se they are in the Eastern side per ton per km rates both for rail as well as road is higher incidentally we are doing 95% they are not being in the railway siding so it is with roads only and that is another factor.
- Moderator:** I now hand the floor back to Mr. Vaibhav Agarwal for closing comments. Over to you sir.

Vaibhav Agarwal: Thank you on behalf of PhillipCapital, I like to thank the management of JK Lakshmi Cement for the call and also many thanks for the participants for joining for the call. You may now conclude the call. Thank you very much sir.

Sudhir Bidkar: Thank you, thank you Mr. Vaibhav. Thank you ladies and gentleman.

Moderator: Thank you. Ladies and gentleman on behalf of Phillip Capital India Pvt Ltd., that concludes this conference, thank you for joining us and you may now disconnect your lines.