



“JK Lakshmi Cement Limited Q4 FY 2017 Earnings
Conference Call”

May 18, 2017



**MANAGEMENT: MR. SUDHIR BIDKAR -- CHIEF FINANCIAL OFFICER,
JK LAKSHMI CEMENT LIMITED**

**MODERATORS: MR. VAIBHAV AGARWAL -- PHILLIPCAPITAL (INDIA)
PRIVATE LIMITED**



JK LAKSHMI
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PhillipCapital

*JK Lakshmi Cement Limited
May 18, 2017*

Moderator:

Good Day, Ladies and Gentlemen, and Welcome to the Q4 FY 2017 Conference Call of JK Lakshmi Cement Limited hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, you may signal the 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. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, Mr. Agarwal!

Vaibhav Agarwal:

Thank You, Margert. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q4 and FY 2017 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 hand over the floor to Mr. Bidkar for opening remarks which will be followed by interactive Q&A. Thank you and over to you, sir!

Sudhir Bidkar:

Thank You, Mr. Vaibhav. And Good Afternoon, Ladies and Gentlemen for this Q4 Conference Call of JK Lakshmi Cement. You would have already seen the results. I will just recap brief highlights of those results.

In this quarter, it was a very challenging quarter because this was a quarter in which we had the full impact of the demonetization and last quarter preceding to this was the one where it was half impacted. So, this was a quarter where we saw the realization dropping further down.

Overall, in this quarter we recorded in spite of the challenging times we recorded a 6% growth both in production as well as in sales. In this quarter, our gross sales of the order of about Rs. 904 crores as against Rs. 824 crores, increase of 10%. The operating profit was flat Rs. 98 crores as was for the corresponding quarter as well as for the preceding quarter. And after providing for the interest and depreciation, the PBT for the quarter stood at about Rs. 5.5 crores and then after providing for the deferred tax asset etc we had the PAT of about Rs. 20 odd crores in this quarter as compared to Rs. 26 crores in the corresponding quarter of the last year.

Overall, for the year as a whole in the financial year 2016 - 2017, we recorded volumetric growth of 9% whereas, on all India basis there was a de-growth in the industry of about 1% and overall, in terms of the sales our total sales for the year were Rs. 3,260 crores as against Rs. 2,939 crores a growth of about 11% out of which as I mentioned 9% was the volumetric growth. And the operating profit including the other income for the year stood at Rs. 435 crores as against Rs. 320 crores in the last financial year. And after providing for interest and depreciation, the PBT for the year stood at about Rs. 74 crores as against a loss of Rs. 50 crores in the last financial year. Overall, after providing accounting for deferred tax asset we had the PAT of Rs. 82 crores as against loss of Rs. 7 odd crores in the last financial year.



This year also saw us (one) commissioning the Surat plant, grinding unit which got commissioned in October. Another thing what we did in this financial year was the enhancement in the capacity at Durg where it has now at 2.7 what was initially set out for and the Clinkerization 1.5. So, we have completed that 2.7 by virtue of which our capacity has gone up to 11 million tonnes.

Udaipur also commissioned its integrated cement plant in March, March end. There we have the capacity of 1.2 for the clinker and 1.6 million tonnes of Cement. So, with the combined capacities close to 13 million tonnes, efficiency norms continue to be one of the best in the industries and continuous to improve therein. And the pressure has been there on the cost front that is why the margin is under pressure. That is why JK Lakshmi is concerned.

Those were my opening remarks, I would now throw the floor open for question-and-answers, please.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Rajesh Ravi from Centrum Broking. Please go ahead.

Rajesh Ravi: Would you give us the house keeping numbers that you share, Clinker production North and East, Cement production and Cement sales in the North and East the Clinker sales and Pet Coke and RMC data?

Sudhir Bidkar: We had in this quarter sales from the Northern operation of about 17.58 lakh tonnes which included 2.88 of Clinker. In North we had 5.32 total sales which included 18,000 tonnes of Clinker. So, overall it was 22.9 lakh tonnes of total sales inclusive of 3.04 lakh tonnes of Clinker. As far as your other question on the...

Rajesh Ravi: Clinker production.

Sudhir Bidkar: On the Pet Coke, you said something on that...

Rajesh Ravi: Yes, Clinker production and Pet Coke cost in this quarter.

Sudhir Bidkar: Pet Coke cost production I mean Pet Coke cost for this quarter stood at around Rs. 6,000 which was about Rs. 800 higher than the corresponding quarter of last year.

Rajesh Ravi: Right, sir. Last year, yes. And this Clinker production North and East how did they stand sir in this quarter?

Sudhir Bidkar: This was 12.52 for this Northern operation and 3.4 for the Eastern operation.

Rajesh Ravi: 3.4?

Sudhir Bidkar: For East.

- Rajesh Ravi:** Okay, for East. And sir, RMC revenues and EBITDA for this quarter and Y-o-Y?
- Sudhir Bidkar:** EBITDA we do not have much on the EBITDA as far as the RMC is concerned. The RMC volume for this fourth quarter was about Rs. 34 crores - Rs. 35 crores, for the year it was Rs. 137 crores.
- Rajesh Ravi:** Rs. 1387 crores. And for last year that number would be how much, sir?
- Sudhir Bidkar:** Rs. 146 crores.
- Rajesh Ravi:** Rs. 146 crores, okay. And could you guide us what sort of revenue, our volume on the standalone basis you are seeing in FY 2018 and where are the Pet Coke cost trend currently?
- Sudhir Bidkar:** Currently Pet Coke prices are hovering around the same levels slightly higher, may be around 6,300 levels and the growth will depend on volumetric growth guidance for 2018 would be based on the demand. So, there we expect the demand to be good going forward particularly emanating from Housing for All and road sector which is driving the demand. Should see by 6% growth in the demand.
- Rajesh Ravi:** Okay. And East would be your major driver for volume because there you have good capacity and Clinker also?
- Sudhir Bidkar:** Yes.
- Rajesh Ravi:** And lastly, sir, your employee cost this quarter has come down on Q-on-Q basis, any specific adjustment which has gone into this?
- Sudhir Bidkar:** Nothing much.
- Rajesh Ravi:** What should be the usual run rate we should factor in because earlier it was Rs. 53 crores - Rs. 54 crores?
- Sudhir Bidkar:** What I would suggest, when you do it, you see it on a yearly basis, what was my yearly last year and what is yearly this year. Whatever growth inflator factor is there, you should consider that for the next year as well and then divide by 4 to calculate the run rate for the quarter.
- 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 the capacity, so we have gone to 13 million tones and will JK Lakshmi now take a pause and focus on production ramp-up. So, when can we expect the next phase? And in the area of operation of JK Lakshmi what kind of capacity addition do you see in the next two years from JK Lakshmi as well as competitors?

Sudhir Bidkar: See, as far as, JK Lakshmi Cement is concerned as I mentioned in my opening remarks, we have just completed these expansions and we would like to stabilize at the existing level because industry is still saddled with huge access capacity which is there across all the regions. Depending on how robust is the demand in next one year or one and a half year, we shall take a call thereafter. This will help us also further to leverage our balance sheet. So, we do not see ourselves increasing our capacity any majorly in the next 12 months to 18 months. Like to consolidate at the existing levels, improve the balance sheet, de-leverage it and then take a call depending on the demand in different regions because the capability of Brownfield expansions are there at all the three locations: Udaipur, Sirohi, as well as Durg. So, depending on how the demand tapers and the demand supply scenario in those regions that will drive us which one we will take up first. But yes, all the three were to happen and happen those sequentially. We can increase this capacity from 13 million tonnes which is present to 20 million tonnes. But that would happen in about three years to five years.

Anshuman Atri: Okay, sir. And are you participating of these Limestone auctions and which area would be apart from this Brownfield which are the area would be of interest to JK Lakshmi?

Sudhir Bidkar: Yes, we are having a look seeing whether those blocks which have come up for auction makes a synergical sense in our existing area of operations. We do participate and we will continue to do that and that is what we can say at moment.

Anshuman Atri: Lastly on demand, can you give an estimate as to on region wise what is the expectation from different regions of operations in terms of growth.

Sudhir Bidkar: East has been slightly better than the North. Last year also it was about 6% in the last quarter, it grew east as against a growth of 3% in the North. Overall, in the year as a whole though North was there de-growth, East had grown about 3% to 4%. So, east we have seen the demand to be slightly better. But going forward the demand supply mismatch is likely to narrow down more in the Northern region because not very many capacities are expected in the North and two the demand is expected to be robust going forward in the North. East is settled, it is still with huge access capacity which is higher than what is there the imbalance is more in East than in North. So, we see that is why the pressure of pricing is more in the East despite the higher demand growth in the East. So, we expect that to as I mentioned in reply to somebody's question prior to yours that we expect if these initiatives which the government is taking on Housing for All, Smart cities, Affordable Housing, etc., then we should see 6% to 7% growth overall for the country.

Moderator: Thank you. The next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.

Gunjan Prithyani: Two questions. Firstly, on the profitability of your East and North operations now, could you give us some sense how are the east operations doing now and the various initiatives that you had mentioned to improve the cost on the East operations. How are we progressing on those?



Sudhir Bidkar: Yes. East though we do not share separate profitability region wise and zone wise, but I like to mention that we are EBITDA positive as far as East is concerned. But still not cash positive. But we expect that to happen in the coming year. Two things, which we are majorly doing, one the Waste Heat Recovery project of 7 megawatts which will get operationalized by October of 2017 and second would be our own captive which will come one year later. So, these factors alone these two projects alone will help us to improve our cost or reduce our cost by almost about Rs. 200 plus. And then we have conveyor belt also likely to get commissioned in the third quarter of this year would save another Rs. 30 - Rs. 40. But that is what 3 initiatives which we are taking. But we do not have the railway siding as of now. Nor we have immediate plans because for the existing capacity, we can very well service it with the road connectivity. So, these are the three things which we expect would help us to improve our EBITDA going forward in the Eastern side.

Gunjan Prithyani: Sir, if we were to assume, let us say the pricing are at current levels and all these Rs. 240 cost savings come through in your East operations, what would EBITDA per tonne gap between North and East, if you can just give us relative sense, not the absolute EBITDA for the operations?

Sudhir Bidkar: I think at the current level of realization our EBITDA will be almost the same in terms of EBITDA margin would almost be the same as that of Sirohi.

Gunjan Prithyani: Okay. And sir, secondly, on these volume numbers which you shared for North and East, can just share these for last year same quarter as well as and F 2017 also broken up into North and East just the aggregate Cement volumes for North and East.

Sudhir Bidkar: Aggregate Cement volume which we recorded last year was 74.78 as against 68.8, a growth of 9% and then that was basically production. Sales was 79.49 and in this year as against 73.24 in last year again a 9% growth which included 11.38 of Clinker this year against 8.83 last year.

Moderator: Thank you. The next question is from the line of Ajit Motwani from Bharti AXA Life Insurance. Please go ahead.

Ajit Motwani: Yes, in terms of the expansion that you have at Durg this 0.9 million tonnes, what sort of economic benefits can it bring? Would it mean that the fixed cost leverage would be far to higher now? And hence, the Eastern EBITDA per tonne can improve sharply?

Sudhir Bidkar: Yes, that you are right because there being any major increase in the fixed cost in absolute terms with this production being 50% higher and the capacity from 18 lakhs to 27 lakhs obviously, the fixed cost will get a portion over a larger volume that will further bring down the fixed cost. Other than that, if we operate at higher levels and then obviously your variable cost also comes down with lower power and fuel consumption. So, it has majorly though you are right in the fixed cost but also somewhat in the variable. Because variable are not 100% variable they have some sort of semi-variable also. So, to that extent it helps in the variable cost as well.



- Ajit Motwani:** So, what sort of contribution per tonne it is currently making the East.
- Sudhir Bidkar:** We do not give separate contribution per tonne for any, separately for the regions.
- Ajit Motwani:** Okay. And in terms of the volumes you gave that 79.49 is the full year total volume, can break it up between East and North?
- Sudhir Bidkar:** East is 18.03 and 61.46 is the North.
- Ajit Motwani:** Okay. And same for last year, if you can?
- Sudhir Bidkar:** It was 61 for the North and 12.24 for the East.
- Ajit Motwani:** 61.24?
- Sudhir Bidkar:** 61 and 12.24, 73.24 total.
- Ajit Motwani:** Sir, one last question on CAPEX, if you can...
- Sudhir Bidkar:** CAPEX last year was Rs. 200 crores going forward we expect another Rs. 200 in the coming year and about Rs. 50 crores thereafter. And this Rs. 200 includes two things; one, majorly in the captive power plant and some whatever little progress is happening on the Odisha grinding unit.
- Ajit Motwani:** So, Rs. 200 crores include Waste Heat Recovery and CPP?
- Sudhir Bidkar:** Waste Heat most of the CAPEX has already happened in this year itself out of Rs. 90 crores about Rs. 60 crores have already gone it.
- Ajit Motwani:** Okay, got it. And Rs. 50 crores next year you are saying?
- Sudhir Bidkar:** Yes, thereafter.
- Ajit Motwani:** This does not include your sustenance CAPEX does it?
- Sudhir Bidkar:** It does include maintenance.
- Ajit Motwani:** It includes maintenance, okay.
- Moderator:** Thank you. The next question is from the line of Vishant Bhagwan from Investec Capital. Please go ahead.
- Vishant Bhagwan:** Sir, I had a question regarding your sales, the consol minus standalone sales which gets reflected in the numbers that is different from the sales which has been reported by Udaipur Cement. So, sir, how do you like how to do we reconcile this?



- Sudhir Bidkar:** Come again.
- Vishant Bhagwan:** The sales number, consol minus standalone for full year FY 2017 is lower compared to your sales which is reported by Udaipur Cement. So, sir, why is this difference like I was trying to reconcile these numbers.
- Sudhir Bidkar:** I will come back, I do not have the figures right now of the consolidated, I will come back or separately talk to you offline. I do not have, otherwise towards the end of the call if you can back in the queue and then call me again, I will try to get this answer. If you have some answers I will answer you.
- Vishant Bhagwan:** Okay. Sir, see for FY 2017 Udaipur Cements the reported net sales is Rs. 85 crores and if you look at the consol less sales standalone sales for FY 2017 is only Rs. 11 crores.
- Sudhir Bidkar:** Just a second. What is the sales which you are saying, according to you, whatever is your figure is I will note down and come back to you, tell me? Consolidated...
- Vishant Bhagwan:** The consol sales is Rs. 2,912 crores that we have reported.
- Sudhir Bidkar:** Right, net sales, net of excise?
- Vishant Bhagwan:** Yes, net sales. Yes, sir. Whereas the standalone sales that we have reported for this year is Rs. 2,910 crores. So, the difference comes to about Rs. 11 crores.
- Sudhir Bidkar:** Rs. 2,912 crores you said for total sales?
- Vishant Bhagwan:** Yes, sir, total consol sales is Rs. 2,921 crores.
- Sudhir Bidkar:** Rs. 2,921 crores.
- Vishant Bhagwan:** Yes, the standalone sales that we have reported is Rs. 2,910 crores. So, the difference is Rs. 11 crores. Whereas the sales figure for Udaipur Cement works is Rs. 85 crores, the net sales number.
- Sudhir Bidkar:** When you are consolidating, you have to knock off inter unit sales, if I am selling Clinker to Udaipur that will come in my Clinker that will become standalone sales. But when you consolidate you just do not add line to line whatever are the inter unit sales you have to remove. So, consol sales, we will talk of only the sales outside this group that is the reason. You have to remove the inter unit sales when you consolidate. So, you cannot just sum up the two individuals. You cannot add JK Lakshmi sales and just add Udaipur to get the consolidated sales. Whatever the inter unit sales those have to be removed for consolidated figures. So, you will never get that.
- Vishant Bhagwan:** Yes. So, the Udaipur Cement works entire sales is entire unit or like there is any external sales....



- Sudhir Bidkar:** There would be some, I do not have the Udaipur's number right away. But consolidate just to answer your question, you have to remove the impact of inter unit sale for consolidation that is all I have to say.
- Moderator:** Thank you. The next question is from the line of Nihar Shah from First Voyager Advisors. Please go ahead.
- Nihar Shah:** I just have one question, we are hearing about sort of enforcement of overloading on trucks in Rajasthan. Has that had any impact on the freight cost or the availability of the trucks for your plants in Rajasthan in the current quarter or the prior quarter?
- Sudhir Bidkar:** Yes, what you are saying is right. there has been this imposition of the strictness with regard to overloading in the states. But that would impact the companies who are resorting to over loading earlier. We were not resorting to any overloading, so that is not impacting us.
- Rajesh Ravi:** Okay. So, which is why we do not see that impacting your...
- Sudhir Bidkar:** Yes, we do not see that impact. And going forward with the GST and e-Waybill being made mandatory that will further impact those companies who are resorting to overloading and will not impact us because we have never resorted to that sort of practice in any of the states.
- Rajesh Ravi:** Okay. And enforcement is continuing in.
- Sudhir Bidkar:** That would continue in a bigger way more strictly in the GST regime because of the e-Waybill requirement.
- Moderator:** Thank you. The next question is from the line of Prateek Poddar from ICICI Prudential Asset Management. Please go ahead.
- Prateek Poddar:** Sir, just wanted to confirm the timing of the conveyor belt you said quarter three FY 2017 - FY 2018?
- Sudhir Bidkar:** Yes, FY 2018.
- Prateek Poddar:** Sir, I thought this was supposed to come a bit earlier, any specific reason.
- Sudhir Bidkar:** Yes, in land acquisition a bit part in between. Land is something an acquisition thereof is something over which it takes time at times longer then what was envisaged. So, that is the reason. And you are right we have mentioned some timeline which we have not been able to adhere to.
- Prateek Poddar:** And in terms of the WHR and CPP are they on track?

- Sudhir Bidkar:** Yes, they are absolutely. There I do not have to acquire any land. So, that is within our control. So, that is on track. It will happen earlier than what we are targeting. October is my headline for Waste Heat Recovery should happen in month or so earlier but you factor from October in case you are doing any projection so, the waste this captive power plant should happen by October 2018.
- Prateek Poddar:** Understood and that is good to hear. Sir, just one more thing, fair enough to say that from H2 F 2018, we would start seeing cost benefits in 3 benefits.
- Sudhir Bidkar:** Yes, the cost benefit from Waste Heat will happen from third quarter of this FY 2018 and third quarter of FY 2019 for the captive power plant of 20 megawatts.
- Prateek Poddar:** And in fourth quarter the conveyor belt, right?
- Sudhir Bidkar:** Yes, in the current financial year.
- Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Can you just highlight what did our OPC, PPC, and PSC sales mix in east currently?
- Sudhir Bidkar:** East, it is 65% PPC; and about 11% the Slag Cement and balance is the OPC.
- Rakesh Vyas:** Okay. And where do you intend to incrementally sell this increased capacity of East and if you can just also highlight on 1.5 million tonne Clinker you are expecting close to 2.7 million tonnes of Cement. But given this mix it probably will the Clinker probably will fall short significantly?
- Sudhir Bidkar:** It is not significantly, with this mix, it is going to be adequate. But we have the capacity to capability of marginally increasing the Clinkerization from 1.5 to 1.8 which will happen in due course and that is in the Eastern market only wherever we are presently selling.
- Rakesh Vyas:** No, incrementally newer states in East also.
- Sudhir Bidkar:** Wherever we are presently focusing.
- Rakesh Vyas:** Okay. And secondly, sir if I just look at the North Clinker utilization it is almost touching 100% now on full year basis. So, is our thought process that incrementally the sales in North will get realigned favoring more towards Udaipur therefore, we do not need any new Clinker unit or are we short of Clinker there as well for which we will probably have to do more CAPEX.
- Sudhir Bidkar:** There is not going to be shortage Clinker from the Udaipur, Udaipur is having 1.2 million tonnes of Clinker and only 1.6 grinding. We will have some surplus Clinker from Udaipur also. So, that will take care of our total requirement Clinker. We may not fall short of any Clinker.

Rakesh Vyas: And do you envisage in new Clinker line to be set up in or decision to be made up in next 12 months or so for which the CAPEX is not a part of FY 2019 numbers that you highlighted currently?

Sudhir Bidkar: Yes, we do not have any immediate plans, 12 months to 18 months we do not have any plants of any additional Clinker line but depending as I mentioned on the demand in different regions, capabilities are there at all the three locations.

Rakesh Vyas: Sure. And last question sir, what is our gross debt at consol level now?

Sudhir Bidkar: That has peaked out at about 2650.

Rakesh Vyas: Okay. And what is the repayment there now?

Sudhir Bidkar: Now it is Rs. 200 crores every year.

Rakesh Vyas: Including Udaipur?

Sudhir Bidkar: Udaipur for this year there is no repayment because these are NCD and in 2017 - 2018 there is no repayment. So, Rs. 200 crores is getting repaid every year as far as JK Lakshmi is concerned and that is a gross debt 500 is the cash balance also. Net of that is 2150. So, our debt-to-equity overall is 1.57 for the company and net of cash is about 1.2.

Moderator: Thank you. The next question is from the line of Krishna Prasad from Franklin Templeton. Please go ahead.

Krishna Prasad: Sir, you mentioned WHR benefit starting from third quarter 2016. So, together with CPP did you mention did you mention it is Rs. 200 or WHR alone?

Sudhir Bidkar: WHR alone cannot be Rs. 200. It is together Rs. 200.

Krishna Prasad: And what would WHR alone be, sir?

Sudhir Bidkar: Rs. 40 - Rs. 50.

Krishna Prasad: Sir, and can you talk about how is the East pricing been and what is your outlook there? I mean, you did talk about access capacity but how do you see that getting bridged.

Sudhir Bidkar: You see basically, Eastern pricing has remained subdued; they have been lower than what we had in the North as far as JK Lakshmi is concerned. But importantly in the first two months of the current quarter there have been some improvement to the extent about 10% - 12% in their realization. But again, with this increase having happened there have been some discussion in the government quarters to bring down the prices. So, I do not see that levels which are presently there in the East in April and May thus far, 15 days of May sustaining going forward.

- Krishna Prasad:** You said Rs. 10 to Rs. 12 increase per bag is that what you said?
- Sudhir Bidkar:** 10% to 12% increase.
- Krishna Prasad:** Percent increase, okay.
- Sudhir Bidkar:** From whatever prices were there in the last quarter which is January - March.
- Krishna Prasad:** And what was your experience been on North sir for the first two months now?
- Sudhir Bidkar:** There have been also some improvement in the realization. The volumes are low but realizations have been higher by almost by 10% there in the first two months.
- Krishna Prasad:** So, when you talk about demand improvement from housing, road and all that I mean any initial signs you are seeing on the ground at least for the North you said.
- Sudhir Bidkar:** Frankly no, but those are expectation that may fructify only by third quarter of FY 2018 because this quarter half is gone. Volume growth is not to be seen and you do not see in the remaining half of this quarter there would be any major leap even if we are able to recoup the loss of the first 45 days then also it will mean a flat quarter on a sequentially quarter-to-quarter then is the monsoon quarter. So, the earliest we can expect some visible improvement in the demand with these various initiatives which the government is taking should happen earliest from October onwards only.
- Moderator:** Thank you. We will move to our next question which is from the line of Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.
- Abhishek Ghosh:** Sir, how is the ramp-up at the Surat grinding unit happening, what will be the kind of utilizations there?
- Sudhir Bidkar:** Surat, yes, Gujarat has been unfortunately though we have put up the capacity, the realization last quarter and the last year were abnormally low in Gujarat region. They have been lower by almost Rs. 200 per tonne then the average from the North. But importantly those have picked-up considerably and the realization improvement have been there and marked improvement I must say in the first two months of the current quarter. Ramp-up goes that is happening we should be able to do in line with whatever is our 75% - 78% capacity utilization in the North in the coming year this year.
- Abhishek Ghosh:** Okay. So, just to understand better for the fourth quarter your profitability from the Gujarat market would have been fairly low as compared to North which would have seen a marketed improvement in the 1Q FY 2018?
- Sudhir Bidkar:** Yes.



- Abhishek Ghosh:** Okay. And sir, the other income was quite high in this current quarter any specific reasons there?
- Sudhir Bidkar:** Rs. 8 crores was not abnormal income but other than that other is the treasury income only, 8 crore was one-off that you should not factor going forward in your projections.
- Abhishek Ghosh:** Okay. And sir, we have not seen any impact of higher diesel prices in our freight cost. So, have we been able to mitigate that through some other measures, just wanted to get....
- Sudhir Bidkar:** I would not say there has not been any this thing, yes, overall it may be because we have been able to curtail that through reduction in our lead distance rather which has gone down further from 457 in the North to 445, so there has been some reduction though not majorly, 3% - 4% reduction in the lead distance and around 5% in fact has been the freight price increase. But more importantly rail there has been some drop in the freight because of the various incentives which they are offering. So, that is the reason as to why overall on a company basis we would not have seen major impact of that.
- Moderator:** Thank you. The next question is from the line of Ajit Motwani from Bharti AXA Life Insurance. Please go ahead.
- Ajit Motwani:** Sir, can you give us the break-up of dispatches across state Mr. Chouksey on media mentioned about 37% in Gujarat and Maharashtra and the other states if you can give.
- Sudhir Bidkar:** Broadly, I can tell you this is about Rajasthan is 25% balance is North.
- Ajit Motwani:** Rajasthan 25%; Gujarat, Maharashtra 37% and the balance is for North operations?
- Sudhir Bidkar:** Yes.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.
- Ritesh Shah:** Sir, my first question is on the CAPEX, sir can you please give a broad indication of Rs. 200 crores of CAPEX that you highlighted. You indicated Rs. 60 crores was less for the Waste Heat Recovery, right? So, sir...
- Sudhir Bidkar:** More than Rs. 60 crores has been spent and only Rs. 20 odd crores is left. So, basically it is Rs. 20 crores of the Waste Heat Recovery Rs. 100 odd crores of the captive power plant, the thermal. Rs. 50 crores - Rs. 60 crores on Odisha and the balance normal.
- Ritesh Shah:** Rs. 60 crores is on Odisha, so this basically takes to Rs. 180. And sir, there will be maintenance CAPEX that would be how much?
- Sudhir Bidkar:** Rs. 20 odd crores.



Ritesh Shah: Rs. 20 odd crores and sir, UCW how much is the incremental CAPEX that you are looking at?

Sudhir Bidkar: Incremental they have commissioned the plant, I do not see their CAPEX and this being a new plant I do not see even maintenance CAPEX majorly therein. I must tell you I did not mention that earlier for the benefit of all the listeners is that what we are further doing is in Udaipur we are doing this only a Waste Heat Recovery project of 3 megawatt to 4 megawatt, so they do not have any other captive. We are moving one 18 megawatt of our captive power plant from Sirohi to Udaipur of 18 megawatt that would be about Rs. 40 crores - Rs. 50 crores that is the only thing which is additionally I missed to mention that is going to happen. So, that will take care of the entire power requirement of Udaipur. And this 18 megawatts was surplus power with us and because of the various imposition of duties we were not able to export surplus power even if the capacity was there for us at Sirohi. So, this is additional thing which we are doing. Earlier we were toying with the idea of moving this to Durg but that would not have made a logical sense for us. So, we decided to go ahead with a brand new Thermal Power plant for the Durg plant and use this surplus of 18 megawatt for our subsidiary Udaipur. So, that will be the CAPEX as far as Udaipur is concerned, I forgot to mention earlier.

Ritesh Shah: Okay. But sir, will we be moving plant or just we will be incurring transmission charges...

Sudhir Bidkar: It does not make sense to physically move it, it will be only on paper it will be transferred to them.

Ritesh Shah: Okay, that helps. And sir, just to clarify on the cost savings sir, you indicated Rs. 200 per tonne from 7 megawatt WHR and the captive power plant that is 50 and 150. And you had in the last call indicated around Rs. 30 to Rs. 40 from conveyor belt, right?

Sudhir Bidkar: Yes, you are right absolutely.

Ritesh Shah: Sir, any other cost savings besides this.

Sudhir Bidkar: One, some sort of logistic improvement. Logistic is one cost which is for us slightly higher than other players. So, this is we are trying to considerably improve upon. As I answered some other questions that in spite of the diesel price increase our freight cost has not gone up because we have been able to curtail on the lead distance. So, logistics is something which will try to work and continue to work. Plus with the additional capacity coming in at Durg from capacity going up from 1.8 to 2.7, our operational cost will also per tonne come down, so that will further reduce help us to reduce our operating cost, apart from this savings coming from the power and the conveyor belt.

Ritesh Shah: Okay, that helps. Thank you for this. Sir, my second question is on UCW how do we plan to sell our products, will it be JK Lakshmi Pro or we are planning a separate brand, how is it going to work out?

Sudhir Bidkar: It will be the mix of two.

Ritesh Shah: Okay. So, sir, I was just coming to the prior question consol less standalone, you did explain about the intersegmental number.

Sudhir Bidkar: Naturally, you would be knowing it better than me. When you do a consolidation, interunit sales are knocked off, so that is the reason as to why somebody asked me why the submission of two individual is not adding to the consolidated because of the knocking of the interunit sale is the answer.

Moderator: Thank you. The next question is from the line of Ankit Fitkariwala from Jefferies. Please go ahead.

Ankit Fitkariwala: Sir, my first question is on UCW. So, since it is a new plant that is starting I believe can you just give a sense of how the operating metrics for the plant will be in terms of realization, whether the expenses would be different from what we have at a blended level in terms of EBITDA per tonne, just some sense.

Sudhir Bidkar: Two advantages which Udaipur will have vis-à-vis Sirohi. I do not want to compare it Durg because that is not a like-to-like comparison, two North plants is important. So, the advantage with the Udaipur would be one the sales tax exemption which they have which works to almost Rs. 150 per tonne to Rs. 170 per tonne and other because of its proximity to the Northern market they will have some logistic cost saving of about Rs. 50 odd. Operational cost wise sooner than later hopefully by the end of this year should be in the efficiency wise come at par with Sirohi and rest is the fixed cost may be slightly lower because the same top management of JK Lakshmi would look after that. So, may be that sort of is savings, so we expect the EBITDA from Udaipur to be slightly higher than what we are even achieving at Sirohi.

Ankit Fitkariwala: Okay, got it, sir. what do you see in terms of utilization say six months down the line?

Sudhir Bidkar: When we started Durg plant we were expecting 69% in the first year of operation for Durg. We ended up at 69% in the first year at Durg. So, we are expecting another 60% at Udaipur and hopefully we should do better than that.

Ankit Fitkariwala: Okay. Sir, my second question is that in terms of pricing two questions, like on the Eastern side a lot of players are setting up plant. But when a player like 5 million tonnes capacity comes in, how do you see the pricing changing there? And secondly, on the Western side also, how do you see the Gujarat pricing versus Maharashtra, on the Western side there also seem to be a lot of discrepancy between the two-state pricing? Please correct me if I am wrong.

Sudhir Bidkar: Maharashtra and Gujarat they have not been in a different pricing as far as the last quarter was concerned. Yes, the improvement has been there more in Gujarat than in Maharashtra. So, if they were the same in the last quarter Gujarat is not slightly better than in the Maharashtra in the first two months of the current quarter that is important. And to answer your other question on the East as I mentioned in response to somebody's question earlier. The demand supply mismatch is more in the East than in the North. So, if additional capacities are coming in

obviously that imbalance will further widen. The demand last year has been better in the East than it was in the North but fact remains, that overall imbalance is more and if more players are adding capacities there then obviously, that will further aggravate the demand-supply mismatch. The pricing would in East will be more under pressure than in the North.

- Ankit Fitkariwala:** Sure, sir. And sir, I just missed out the numbers regional sales numbers for the quarter.
- Sudhir Bidkar:** Sales for the quarter was 17.58 for the North and 5.32 for the East, total 22.190.
- Ankit Fitkariwala:** This is Cement numbers, the Clinker numbers?
- Sudhir Bidkar:** Total numbers, this was inclusive of Clinker of 2.86 lakh tonnes for the North and 18,000 for the East.
- Moderator:** Thank you. We will take last three questions. The next question is from the line of Sanjay Gandhi from Ratnabali Capital. Please go ahead.
- Sanjay Gandhi:** You just told the volumes are not that good in the month of May end onwards. So, what sort of numbers are we expecting in the first quarter of 2018, like what sort of utilization can we expect like last year I think it was roughly 2 million tonne production?
- Sudhir Bidkar:** Though the realization was almost 10% higher but the sales in volumetric terms are almost 15% to 17% lower.
- Sanjay Gandhi:** 15% to 17%, if we compare Y-o-Y basis, like we compare from June 2016 so...
- Sudhir Bidkar:** No, I am sequentially comparing, I do not compare with the year-on-year, it is more to do with the sequential. So, from sequential whatever we had in the North in the fourth quarter as compared to that in the first two months or the first 45 days of the current quarter, we are seeing a dip of almost 15% to 18%.
- Sanjay Gandhi:** 15% to 18%, so what is the main reason for this significant drop sir, can you please justify the reason for that?
- Sudhir Bidkar:** Demand is not picking up, it is continuous though initiatives are being taken but for that to translate into ground level pick-up will take some time. As I mentioned, earliest we can expect is from October and we can see visible improvement in the off take.
- Sanjay Gandhi:** Okay, sir. And sir, do you have the enough inventory for Pet Coke like the current Pet Coke prices hovering at Rs. 6300 per tonne, so do you have Pet Coke inventory?
- Sudhir Bidkar:** We have not stocked much because the prices had shot up currently, so there was no sense in inventorizing those at such a high level. Fortunately, there have been some softening, good that we did not store it at that level.

- Sanjay Gandhi:** So, sir, currently the prices is hovering at 6,300, right sir?
- Sudhir Bidkar:** Yes, you are right. That is why if you see for us the Pet Coke prices overall for the year were 10% lower than what we had in the last financial year.
- Sanjay Gandhi:** So, sir, going forward this price is softening further, so that will ease our cost efficiency going forward in the next quarter, right sir?
- Sudhir Bidkar:** As compared to the fourth quarter not for the average for the year. Average for the year if you were to see then it will go up. But if you were to compare with the fourth quarter of the last financial year yes, certainly there would be some softening.
- Sanjay Gandhi:** Okay. And sir, in other income you mentioned there is abnormal income for Rs. 8 odd crores, right?
- Sudhir Bidkar:** Other than that, there is normally the treasury income.
- Sanjay Gandhi:** Sir, what is the **(Inaudible) 47:38.4** if you can throw some light on that thing?
- Sudhir Bidkar:** Rs. 8 crores, you see we are adding further capital in this Udaipur, so we are already at 75%. So, we have to first offload and then take that additional capital otherwise being a listed company I have to keep that minimum public shareholding in place.
- Moderator:** Thank you. The next question is from the line of Vincent Andrew from Geojit Financial. Please go ahead.
- Vincent Andrew:** My first question is regarding last quarter you have mentioned about Railway Siding, what is the status now, are you moving?
- Sudhir Bidkar:** Railway Siding we are going slow because of the present logistic environment there suggests that at the existing capacity of 2.7, road would be good enough to cater to. But when we expand further we will certainly need the Railway Siding. So, we would be there in Railway Siding by FY 2019 towards the end of that year.
- Vincent Andrew:** FY 2019, okay. Sir, my next question is regarding UCW, can we expect the same realization of the JK Lakshmi in Udaipur also?
- Sudhir Bidkar:** It should be slightly better than Sirohi realization in the Udaipur because as I mentioned there will be some sales tax benefit as well as the freight logistic cost being lower. So, EBITDA would be better than Sirohi, we hope it will be better once it stabilizes at the full capacity.
- Vincent Andrew:** Sir, my last question is for the power capacity, is it sufficient for considering Udaipur also currently?



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- Sudhir Bidkar:** As I mentioned, we are moving 18 megawatt, thermal power plant from Sirohi to Udaipur then it will be whatever is there total requirement that will be taken care of by this 18 megawatt of thermal plus 4 megawatt of Waste Heat Recovery.
- Vincent Andrew:** Sir, what is the total in megawatt for JK Lakshmi now?
- Sudhir Bidkar:** We have total we have 54 megawatt of thermal power plant, 14 megawatt of Waste Heat Recovery, 6 megawatt of Solar. So, that makes it almost 74 megawatt. 18 megawatt is being transferred to Udaipur then also we will have about 56 megawatt that should be sufficient for Sirohi and as I mentioned Durg we are adding 7 megawatt in Waste Heat Recovery and 20 megawatt of thermal for Durg, so that should take care of Durg. So, once all these projects are in place we will be self-sufficient at all the three locations as far as power is concerned.
- Moderator:** Thank you. We will take one last question from the line of Kamlesh Jain from Prabhudas Lilladher. Please go ahead.
- Kamlesh Jain:** Sir, one question sir, on the Odisha part like I believe in this year you are guiding for Rs. 60 crores of CAPEX on Odisha grinding unit though we have been going very slow on that particular unit, so what is the key reason for guiding so high CAPEX in the Odisha part because earlier we were facing land acquisition issues and all those.
- Sudhir Bidkar:** More than land acquisition, land acquisition was never an issue. Initially, it was environmental issue, clearance, once the clearance was obtained then when we started the construction there we were problems from the local side for environment of all the local people be it skilled or unskilled and also requirement of provision of employment to all that is why we were going slow and continue to go slow on that. But ultimately, we have to enter that market, so this is the price we are paying being slow on that.
- Kamlesh Jain:** So, then what is the total CAPEX Rs. 150 crores or we have increased?
- Sudhir Bidkar:** Total will be Rs. 150 crores, we will be able to complete it in Rs. 150 crores, 0.6 million will be the capacity.
- Kamlesh Jain:** And sir, till FY 2017 how much we have spent on that?
- Sudhir Bidkar:** Only about Rs. 30 crores - Rs. 35 crores primarily on land and some clearances and some boundary walls.
- Kamlesh Jain:** So, in this year Rs. 60 crores and rest of the Rs. 70 crores would be in the FY 2019?
- Sudhir Bidkar:** Yes.
- Kamlesh Jain:** And what is the exact commissioning schedule for that?

- Sudhir Bidkar:** Frankly it depends on the pace at which we progress. I do not want to put a number or date to it because it lingers on I have been giving some dates for the last two con-calls and somehow because of these local issues I have been not able to adhere to. So, I do not want to venture a guess. But it will not happen at that much I am for sure that it is not going to happen in this FY 2018. Somewhere in FY 2019 it should happen, sorry for not being able to commit a date.
- Kamlesh Jain:** Sir, but when we are guiding for Rs. 60 crores of CAPEX out of Rs. 150 crores, so there would be some timeline for that?
- Sudhir Bidkar:** That is what I said, somewhere in 2019 it will happen.
- Kamlesh Jain:** Okay. But with regard to all the clearances or the like say basic infrastructure and statutory clearances we are...
- Sudhir Bidkar:** This is the only one project where we are not sure, I am not able to commit a deadline, for all my other projects I am very clear. So, this is something which is not in my hand. But yes, you are right it should happen sometime in FY 2019.
- Kamlesh Jain:** But sir, ordering everything done or still the ordering of the unit or like....
- Sudhir Bidkar:** That depends on the pace at which we make the progress in the evacuation and other things.
- Kamlesh Jain:** Okay. And sir, lastly, on this 20 megawatt CPP. In FY 2017, have we made the ordering or....
- Sudhir Bidkar:** Yes, ordering has happened now.
- Kamlesh Jain:** So, in this year we are saying we would be doing roughly around Rs. 90 crores CAPEX on that and rest in FY 2019.
- Sudhir Bidkar:** Yes.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.
- Vaibhav Agarwal:** Yes, thank you. On behalf of PhillipCapital I would like to thank the management of JK Lakshmi Cement for the call and also, many thanks to the participant joining for the call. Margret, you can now conclude the call. Thank you very much, sir.
- Sudhir Bidkar:** Thank you. Thank you, Mr. Vaibhav. All the best!
- Vaibhav Agarwal:** Most welcome, sir. Thanks.
- Moderator:** Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.