"JK Lakshmi Cement Limited Q4 FY18 Conference Call"

May 18, 2018

MANAGEMENT: **DR. SHAILENDRA CHOUKSEY – WHOLE-TIME DIRECTOR**
MR. SUDHIR BIDKAR – CHIEF FINANCIAL OFFICER

MODERATOR: **VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Good day, Ladies and Gentlemen. And Welcome to the Fourth Quarter and Year ended March 31st, 2018, Conference Call of JK Lakshmi Cement Limited, hosted by PhillipCapital (India) Private Limited. As a remainder, 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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. 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, Margret. Good afternoon, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to this call for the quarter ended 31st March 2018 and the year ended 31st March 2018 for JK Lakshmi Cement. On the call we have with us Mr. Sudhir Bidkar – CFO and Dr. Shailendra Chouksey – Whole-time Director at the company is likely to join the call very shortly. At this point of time, I hand over the floor to the management of JK Lakashmi Cement for opening remarks, which will be followed by interactive Q&A. Thank you and over to you, Sir.

Management: Thank you, Mr. Vaibhav. Good afternoon, Ladies and Gentlemen. Welcome to Q4 FY18 con-call. You would have seen the results which were announced on 16th, we had the board meeting. In which we had this quarterly figure, we had the total sales of about 22.32 lakh tons and net sales for the quarter stood at Rs. 897 crores, which showed about 11% growth over Rs. 807 crores which was there in the corresponding quarter last year. Operating profit including the other income for the quarter stood at Rs. 128 crores as against Rs. 28 crores which was again 30% higher. And after providing for interest and depreciation the PBT for the quarter stood at 33.75% as against about **5.54 0:02:16.6**. Overall, we showed, after the total comprehensive income after tax was 32.66 as against 197 in the quarter one year back. Overall for the quarter our sales volume grew by 7% from about 79.29 to 85.16, which included clinker sales of 9.79 lakh tons.

In terms of net sales and value terms, at Rs. 3,412 crores sales for the year was 17% higher than the last financial year. Operating profit was about Rs. 480 crores as against Rs. 435 crores, 10% increase. And after providing for interest and depreciation tax was Rs. 102 crores, 38% higher. Net profit stood at about Rs. 82 crores which was around the same as last year, Rs. 81 crores.

So, overall the margins were impacted during the year because of the sharp increase in the fuel prices, especially pet coke and coal prices that shot up. For some months there was ban on the usage of pet coke from November to January, after that the ban was listed on the usage of pet coke and the kiln in Rajasthan. But that ban continues in the thermal power plant. So once people switched over from pet coke to coal, the coal prices had shot up. We were also impacted by that severe increase in the fuel prices. And in the quarter, there was a 24% increase in the total fuel cost as against 30% increase on a year-to-year basis, if one were to see financial year FY17 versus FY18.

During the year we also commissioned the 7 megawatt of waste heat recovery project at the Durg plant which has helped us to save considerably in the last two quarters, especially in the last quarter it was commissioned mid way third quarter of FY18. In the current year we also expect the 20 megawatts of thermal power as well as Orissa grinding unit coming in. So with that basically the projects on hand will get completed and would like to consolidate for a couple of years before we embark on fresh expansion which can take our capacity from 13 million including the Udaipur cement plant to about 23 brownfield expansion.

That in brief was the story as far as JK Lakshmi is concerned. I will throw now the floor open for question-and-answer please.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Anshuman Atri from Premji Invest. Please go ahead.

Anshuman Atri: My question is regarding the pricing environment in East, and especially in Chhattisgarh. So, with rising cost how are we seeing pricing in this region and what is the government take on the pricing in Chhattisgarh?

Management: We are quite hopeful that this year there should be an upward trend in the price. So long it has not been able to get translated for various reasons as has been discussed, but I think we are now quite hopeful that those issues will not be faced again in near future.

Anshuman Atri: And sir, how about North, how are you seeing the pricing, we have seen volumes, but we have not seen pricing?

Management: Yes, North the pricing remains a challenge, they have not yet improved. The only thing has been that the pricing in Gujarat where we sell the maximum percentage there the prices have been fairly comfortable and that is the silver lining. As far as North is concerned, I think the sand issue in Rajasthan, the seeding issue in Delhi, etc, the major demand increase has been basically in the non-trade segment. And there the prices have not been to the extent which should have commensurate with the demand. So I think that perhaps is the major reason why we have not been able to take up the price. But I think going forward now people are getting that confidence that this increase in demand is yet to stay, it appears so at least. So I think gradually this demand increase in the North should get converted into price going forward.

Anshuman Atri: Okay. Basically in terms of coal sourcing, sir with these issues around pet coke are you seeing any tightness in supplies of coal in the North market?

Management: Yes, the pet coke price of course is a big challenge it continues to be high and we are not seeing any major respite there.

Anshuman Atri: How about coal, in the North is there any problem with the rakes availability or supply of coal?

Management: Rake availability has been a issue overall because of mostly the coal getting diverted to the power houses. And this being an election year I do not see much change in that situation during the year. The power would continue to get the highest priority for coal movement.

Anshuman Atri: And lastly, this power plant that we are having we will be commissioning in each and Orissa, so we could see what kind of profitability improvement? Orissa is having better realization than the Chhattisgarh region?

Management: Can you repeat your question, please.

Anshuman Atri: Sir, what kind of improvement in operating performance in the East can we see with Orissa and this thermal power commissioning?

Management: Thermal power can give us a saving of about Rs. 70 to Rs. 80 per ton, and that should be there in the fourth quarter. And Orissa will reduce our logistic cost therein, especially in the eastern side. So we have already commissioned last year the waste heat recovery which is giving us the saving of about Rs. 100 to Rs. 120 per ton. So overall, we see in totality about Rs. 200 saving from these two power projects taken together.

Moderator: Thank you. Our next question is from the line of Rajesh Ravi from Centrum Broking. Please go ahead.

Rajesh Ravi: Sir, first of all, if could share the usual housekeeping sales breakup and clinker breakup between North and East operations, please?

Management: Total sales for the quarter stood at 23.32 which included 16.02 from the North and 6.30 from the eastern side, which included in North the clinker sale of 2.01.

Rajesh Ravi: And in East there is no clinker sale?

Management: Hardly any.

Rajesh Ravi: And clinker production number that we share?

Management: Clinker production number for 16.93 lakh tons total for the company for the quarter, about 12 lakh tons in North and about 5 lakh tons in the East.

Rajesh Ravi: Okay. And sir this waste heat recovery got commissioned in Q3 so there is no change in depreciation amount on a sequential basis. So other asset which has been getting depreciated and hence this number is not reflected?

Management: That is there normally, we have included in the fourth quarter the depreciation for the waste heat recovery.

Rajesh Ravi: And sir in terms of your debt number, can you share what would be the current maturities for this FY18 end?

Management: The total debt as of 31st March, long-term debt was about Rs. 1400 crores, down by about Rs. 200 crores, and every year Rs. 200 crores is getting repaid.

Rajesh Ravi: And sir for the subsidiary what is the debt outstanding there?

Management: Debt remains Rs. 575 crores, including working capital of Rs. 50 crores.

Rajesh Ravi: And your other Orissa grinding expansion is on track, by this financial year this should be through?

Management: Yes.

Rajesh Ravi: RMC revenue if you could share for the quarter, sir?

Management: RMC revenue for the quarter is about Rs. 40 crores and for the year is about Rs. 150 crores.

Moderator: Thank you. Our next question is from the line of Abhishek Ghosh from Motilal Oswa Securities. Please go ahead.

Abhishek Ghosh: Could you also help the North volumes and East volumes for the year for FY18?

Management: For the year the total volumes which we had was about 85.16 tons which included 62.8 tons for the North and 22.36 tons for the East.

Abhishek Ghosh: And sir just in terms of, if you look at the current quarter our realization has seen a marginal improvement of about 1.5% on a QonQ basis. So if you could help us in terms of individual regions, in terms of North, Gujarat and East which has lead to this improvement?

Management: The major improvement that we have seen is basically in Gujarat. In this quarter in fact the other places there was only hardly any grief.

Abhishek Ghosh: And how about Chhattisgarh?

Management: Chhattisgarh, there was a marginal increase there also. In the East we saw some increase.

Abhishek Ghosh: And sir in terms of the trade and non-trade mix and PPC, OPC for the quarter, would we have that number?

Management: I can give you broadly the overall and I will give you a sense of PPC, OPC also. By and large in our trade our PPC is almost I would say about 85% is PPC. But as far as non-trade is concerned there it is largely OPC. In fact, we do not supply OPC in the trade segment except for Gujarat where fortunately the trend of OPC is quite prevalent.

Abhishek Ghosh: And what will be our broader trade to non-trade mix?

Management: We are currently almost around 50% each trade and non-trade.

Abhishek Ghosh: Okay. So trade mix has only come down in the last four, five quarters in that sense?

Management: Yes, as I messaged you, the growth that we are witnessing is largely in the non-trade, in the overall markets basically the demand is being driven by infrastructure and the infrastructure is only OPC.

Abhishek Ghosh: And sir just one last question from my side, what will be the CAPEX for FY19, given the…

Management: We expect about Rs. 200 crores of CAPEX, Rs. 100 crores each in grinding in Orissa and thermal power plant, so that is what is expected.

Abhishek Ghosh: And Orissa grinding unit will be up and running by 3Q FY19?

Management: Third quarter of FY19.

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

Ritesh Shah: Sir, my first question is, how is the cost differential between our North plant and East plant?

Management: Now it has almost equated for two reasons, one, the waste heat recovery has come in there; and two, the cost in North had gone up because of the ban on the pet coke and the switch from the pet coke to the coal, especially in the thermal power, so broadly it is in line.

Ritesh Shah: Okay. Sir, hypothetically adjusting for the pet coke impact because of the regulatory issues that we have, if one had to assume that that would have been normalized then what would have been the differential? I am just trying to gauge incremental cost savings which could be possible.

Management: This will not be more than Rs. 40 - Rs. 50.

Ritesh Shah: And sir how much is the realization differential between North and East?

Management: May be about Rs. 200.

Ritesh Shah: Sir, any plans on setting up the railway siding in Durg?

Management: At this volume it does not make sense, but when we expand and do the second phase of expansion at Durg we will definitely consider the railway siding.

Ritesh Shah: And sir just a follow-up over here, this next phase of expansion, what is our thought process, will we take a halt for next two years or something and then only look at it, how should one look at it sir?

Management: Would like to pause for about 10 to 18 months before we take a call on that. We have already got the process of deleveraging the balance sheet, the debt equity has already come down from 1.57 to 1.39. So may be we will further consolidate it and then take a call on it.

Ritesh Shah: Sir, my last question is on Udaipur Cement Works, sir what are the plans going forward and if you could provide some color on profitability of the asset, has it stabilized and any plans to merge it, anything from a corporate side?

Management: Udaipur, this was the first year of operation and they have been able to ramp-up the capacity, fourth quarter they almost operated at over 90%. Overall for the year was about 55% - 60% capacity utilization. And going forward we do not have immediate plans of expansion, we would like to consolidate it at the existing levels and then take a call thereafter. Merger, we have not yet thought of, we will take a call at appropriate time, not in next one or two years at least. And next year it is expected to be cash breakeven as it was there in the fourth quarter.

Moderator: Thank you. Our next question is from the line of Antariksha Banerjee from ICICI Prudential. Please go ahead.

Antariksha Banerjee: I just wanted to ask, in North if I consider your cement sales how has that increased if you compare year-on-year? So March quarter 2017 versus March quarter 2018?

Management: I think about 7%..

Antariksha Banerjee: Cement sales has increased 7% you are saying?

Management: Overall there is a 7% volumetric growth in FY18 versus FY17.

Antariksha Banerjee: No, I was just saying Q4 versus Q4. You can just give me March 2017 sales figures of North and East that will be helpful.

Management: Q4 was about 2%.

Antariksha Banerjee: But don’t you think the market in North has grown more, so have we lost market share in this quarter?

Management: We had to actually in our efforts to reduce the price in the non-trade has gone down substantially from February onwards and it does not make economic sense for us to do jut non-trade sale. So we did sacrifice, in these two months we sacrificed about a lakh of tons.

Antariksha Banerjee: And did it make more economic sense for us to sell clinker than to supply at such low price at non-trade?

Management: Yes. The non-trade price had gone below in most of the markets.

Antariksha Banerjee: Okay. What price would it be per bag?

Management: Right from non-trade price has gone up to Rs. 190 - Rs 195.

Antariksha Banerjee: But you are seeing any positive development on that front or is it still ticking around there and the non-trade sales are only going strong in the market? And in Q1 is that trend continuing?

Management: We will have to bite this bullet so that we become more choosy in picking the non-trade and also gradually increase our trade size.

Antariksha Banerjee: I understand that. I am asking has the trend changed anything in Q1 or is it the…

Management: No, not as yet.

Antariksha Banerjee: trend has not yet changed?

Management: March actually was much more because lot of companies in efforts to shore up volumes supplied at too lower price and we felt that we are not in their game.

Antariksha Banerjee: In that case our trade, non-trade mix must have improved in Q4, right?

Management: Yes, it did.

Moderator: Thank you. Our next question is from the line of Alok Ramachandran from Future Generalli India Life Insurance. Please go ahead.

Alok Ramachandra: Sir, going ahead any kind of price increase you are going to see in coming quarters? And also two bookkeeping questions, volumes for last two quarters, in Q2 and Q3 FY18 please?

Management: Volume, I think fourth quarter volume we gave you.

Alok Ramachandra: I kind of missed it initially in the call. So can you give me for 2Q and 3Q please?

Management: Q3 it was 21 lakh ton and Q4 it was 22.32 lakh tons.

Alok Ramachandra: And any pricing improvement are you looking going ahead, means have you seen April onwards or May?

Management: No, April normally price increase takes place because the demand goes low because of the average season. If at all any improvement we will find only from…..

Alok Ramachandra: And have you kind of rewarded back to pet coke in your northern plant?

Management: Yes, we have. See, after the ban as listed in the month of January we have gradually come back to pet coke.

Alok Ramachandra: So what is our proportion right now of pet coke utilization?

Management: About 80% currently is pet coke.

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

Gunjan Prithyani: I had a couple of clarifications, on this non-trade when you say, do you also include this Prime Minister Awas Yojana, that also is included as part of non-trade?

Management: No, it depends. The Prime Minister Awas Yojana mostly they are very small ticket sale, they are buying through the dealers, so then it is a trade.

Gunjan Prithyani: But is there any intervention by government authorities to ensure that the material cost should not be an issue when the scale up is happening under this program?

Management: So, that have been in any case, where we are supplying mainly in the Awas Yojana is in Rajasthan and partly Gujarat, so whole of the year Gujarat price has been at a particular level and there is no sort of reflection there. And in Rajasthan prices were lower in any case, very, very low. In fact price is not an issue there in Rajasthan.

Gunjan Prithyani: Okay. So when you said that there was a lot of competitive pressure in the month of March it was more towards the other project?

Management: The Awas Yojana is basically channelized through dealers, because per unit requirement is about 150 to 180 bags and that too spread over six to eight months. So they are not buying more than 20 bags, 10 bags at a time. So that comes all as a part of trade. Where the prices have actually different tenders because many of these projects have come in the last quarter. So the people's urge to shore up their volumes have taken these orders at very, very low price. That five to six years back prices are prevailing in many of these projects there.

Gunjan Prithyani: And in terms of growth outlook, you have clearly seen pickup in FY18 and it has essentially lead by non-trade. On the trade side have you seen any green shoots, or it is still status quo?

Management: So, we have seen some green shoots in the trade also and that is what validates the belief that now the demand should show sustainable increase. And if that happens then I think the price corrections will take place. If not for anything the cost increase has been very substantial last year for all the manufacturers. So at least to the extent of cost compensation one expects the price will go up.

Gunjan Prithyani: And these green shoots are rural or urban, where has been the activity picking up according to you both in North and East?

Management: Mainly in the rural segment.

Gunjan Prithyani: And sir second question, I am not sure if I got it right, in terms of EBITDA per ton differential between the North and the East operations, we clearly had that pricing issue being resolved earlier this year, so what is the kind of improvement we have seen in the East operations now? And even with the cost initiatives we have taken how do you see the profitability panning out for East for FY19?

Management: I think Mr. Bidkar was mentioning earlier now our costs are very similar there, in the East and the northern operations because of this coal and the pet coke issue and also the fact that our waste heat has now been fully stabilized. And I think what has been inhibiting is the price point. Now with the government pressure as far as Chhattisgarh is concerned is eased out, now it will purely be driven by the demand economics. So I think if the demand growth sustains it is quite logical to expect a price increase there, and we have seen some price in the last quarter in East and one can expect more price increase in the coming time.

Gunjan Prithyani: So, cost is same but North in terms of pricing is about Rs. 200 a ton you mentioned is higher, so that is the only differential now between the profitability performance between the two regions, right?

Management: Yes.

Gunjan Prithyani: And then going ahead, how the pricing pans out in the East?

Management: I would expect the eastern price to correct first even before North.

Gunjan Prithyani: And last question is on the utilization levels, clinker utilization levels for North and East if you can share that number, where are we now for the exit of this year?

Management: It is 100% in case of clinker in both of our plants, in Durg as well as Sirhoi.

Gunjan Prithyani: Okay. So, given that we are at these utilization levels are we not looking at any kind of expansion given that the volume outlook that you are sharing is fairly optimistic. So, any expansion plans be it small brownfield expansion in any of the markets?

Management: Debottlenecking can always increase our clinker production, so that is always something which our technical people have been able to do without any major CAPEX. So in case there is any call on the requirement of the clinker we can always do that.

Gunjan Prithyani: What kind of increase can be expected on that basis?

Management: Not much, if only it operates 100% of the cement grinding capacity then there is only a paucity of clinker, otherwise not. So we do not see that 100% capacity utilization as far as cement is concerned to happen. So I do not think there will be any call on the clinker.

Moderator: Thank you. Our next question is from the line of Ujwal Shah from Quest Investment Advisors. Please go ahead.

Ujwal Shah: Sir, if you can share the price per bag prevalent in your key markets, especially East, Gujarat as well as North??

Management: We will take any further question, I will just give you in two minutes.

Ujwal Shah: Sir, also wanted to know in terms of the volumes, as you rightly mentioned about North markets and the trade segments, by when do you see this situation easing off? As of now it has not but considering that most of the North players are operating at higher utilizations be it on clinker or be it on cement side, so do we expect some sanity to prevail and prices to move up ahead?

Management: That is always a very difficult question to answer as to by when we expect.

Ujwal Shah: Sir, usually because we see such kind of dumping happening in regions like South where there is some excess capacity and people are eager to just jump on any available opportunity. Not considering that it was already operating at very good utilization levels, this kind of a phenomena looks a bit…

Management: Yes, I think one of the reasons could also be, I am also the word could one of the reason could also be the fact that there has been some bitterness because of these recent mergers and acquisitions, major acquisition of JP had taken some time back, yet volumes were to be ramped up. So, I think that could be one reason why the manufacturer could not catch on the situation. Secondly, also recently there have been issues of Binani, etc, I think there is a lot of complication, but I think all these things should now get settled in a month or two and then I think more normal market behavior should be expected. As far as the pricing is concerned, the prices had gone in trade segment to as low as Rs. 270 in the month of March. So we had started the year with Rs. 300 plus in April which came down to about almost Rs. 30 - Rs. 35 a bag by March. Ahmadabad was only market where we could sustain about Rs. 280 - Rs. 290, that too looking at the fact that last year the average price was about Rs. 220 - Rs. 225, compared to that we have covered quite a lot of distance, in some months we had seen even prices up to Rs. 300. But currently it has stabilized at around Rs. 290 or so in Ahmadabad. If one were to look at Rajastha, the trade prices were around Rs. 260 to Rs. 270, but the major sale in Rajasthan has been non-trade, because the number of projects which are currently going on both of the central government and state government they have been the infrastructure. These corridor work is going on, your Haryana to Bombay that corridor is going on, then we have all the roads which are major road projects going on there, the work in the refinery is going on. There is a lot of activity as well as infrastructure is concerned in the state of Rajasthan. And there the prices have gone to as low as Rs. 185 a bag which is I think almost six years low price as far as non-trade is concerned. So that is why we had taken that call that we will withdraw from the segments.

Ujwal Shah: And sir in East?

Management: As far as East is concerned the prices were about Rs. 250 in Chhattisgarh when we started the year, but then gradually they have now improved to around Rs. 250. So from Rs. 220 to Rs. 240 - Rs. 245 prices have improved. In Bhubaneswar the entire year was a very stable year at about Rs. 290 as compared to about Rs. 275 last year. So we saw improvement in the price as far as East is concerned. Unfortunately, in the North trend was not there whatsoever.

Ujwal Shah: Sir, basically our mix which was in favor of non-trade has affected us to certain extent because we were at Mangalam and JK Cements call as well and both of them have reported decent set of volume growth numbers, but probably of their mix they have reported.

Management: Both of them have freight advantage as far as compared to us is concerned. Mangalam has much lower freight than us. So even at those prices they do not have to really close down, they still make some positive contribution. While for us even coming to Jaipur these prices are prohibited.

Modertor: Thank you. Our next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: Sir, can you just tell the market mix in East for us between states?

Management: You want?

Rakesh Vyas: State wise sales mix for East.

Management: See, our major trend is in Chhattisgarh where we sell nearly 50% of our produce. And then we distribute equally, slightly larger, out of say 228,000 tons we do about 120,000 in Chhattisgarh, we do about 40,000 ton in Orissa, the rest is all divided between Madhya Pradesh, Maharashtra and a small quantity in Jharkhand, hardly about under 10,000 tons. So basically, we are concentrating in these four states, Chhattisgarh, Orissa, bordering Maharashtra and bordering Madhya Pradesh.

Rakesh Vyas: And sir how is the trade and non-trade sales mix different in East versus North?

Management: See, East we are majorly into trade. And there fortunately or unfortunately the non-trade prices are not giving you that sort of taste. In fact, Orissa today is non-trade even today gives me better realization than the trade.

Rakesh Vyas: And sir on that context I am just trying to understand, broadly if we do the numbers then the East per ton seems to be close to Rs. 400 or so, that given the context that East prices have been reasonably okay compared to North and especially in the context of trade, non-trade disparity. East has been growing market as well, so why is that we are still seeing below power profitability compared to other players that operate in the region?

Management: One is of course the power gap is still there, the waste heat recovery came only in the part of the year, it was not there for the whole of the year, about Rs. 100 a ton is still advantage to us. And then secondly, our percentage sale may be in Chhattisgarh is highest where the prices are the least amongst the eastern states.

Rakesh Vyas: But we will have a fleet advantage, I am just trying to, net of freight it is still low profitability?

Management: Net realization comparatively, we are one of the worst unfortunately.

Rakesh Vyas: Sir, secondly, has the clinker capacity in the East increased close to 2 million tons a year now?

Management: It is around that.

Rakesh Vyas: I am just wondering because we did close to 5 lakh ton in the quarter, so that run rate is almost 2 million ton.

Management: Yes, 4.9 we did. We can always reach that level, it is about 1.8 odd. 4.9 to be precise was the clinker production where we operated at 108% capacity.

Rakesh Vyas: Sir, this is the max capacity that we can produce out of each operations?

Management: Yes.

Rakesh Vyas: And lastly, can you just give me the pet coke price and the percentage utilization in Durg plant?

Management: In this quarter our prices for the company was about 7,500 total, which is about 24% higher than what they were in the corresponding quarter of last year. And we are using almost 65% - 70% pet coke in Durg and 85% in North.

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

Ayush Sharma: Sir, can you please detail what is the status on the conveyer belt and railway siding?

Management: We are not considering railway siding as I mentioned in response to one our earlier question, we are not working on railway siding as of now, that will be taken up when we expand in the second phase when we go for another line. As far as conveyer belt is concerned, there is 0.5 kilometer patch which is still pending because of land acquisition issue, that is why it is not getting completed. Only our work starts only when we get that patch of 0.5 kilometer. Out of 5.5 kilometer of that conveyer belt 5 kilometers we are already there, but some problem is coming in acquiring that land so that is the reason why it is getting delayed. So we are not able to put a timeline to that, land acquisition always some problem is there, so that is the reason why it got delayed and continues to be delayed.

Ayush Sharma: Right. Sir, on the Kattak grinding unit, the total CAPEX was Rs. 150 crores, so how much have we already spent and how much is the balance left?

Management: See, we have already done and about 100 is left which is coming in the current financial year.

Ayush Sharma: And sir on conveyer belt I assume it was Rs. 130 crores, so how much was spent over there?

Management: Rs. 100 crores we would have already done, so as and when we get that remaining 25 will get spent and get commissioned.

Ayush Sharma: Sir you indicated Rs. 200 crores of CAPEX in FY19, what will be the broad state over here?

Management: Rs. 100 crores on grinding unit and Rs. 100 crores on thermal power plant.

Ayush Sharma: And sir, any incremental capacities coming up in the region in East and North?

Management: We are not seeing any major capacity coming up, except for JK I do not have any information on any further increase.

Ayush Sharma: Sir, Wonder is adding, I am not sure?

Management: Yes, Wonder is adding one more line, but it will not come in this year, it is likely to get materialized only next year. Even Ambuja work is going on but they will all take time.

Ayush Sharma: Sir last question, is there any material which is flowing from Chhattisgarh cluster to Vizag region, between the realizations are better over there?

Management: Yes, we are moving some quantity, about 6,000 tons - 7,000 tons a month which is a very small quantity that we are moving.

Ayush Sharma: And is this only to us or the other players in the region are also doing that?

Management: We are not seeing very many players going from here.

Moderator: Thank you. Our next question is from the line of Madhav Marda from Fidelty Investment. Please go ahead.

Madhav Marda: Sir, just one question, you have commented extensively on the new supply and the impact that can have from JK Cement, etc. Was just wondering, Binani plant is very close to our existing plant in the North with similar market access as well, so once that starts ramping up may be in the next few months how much of impact do you think that can have on realizations?

Management: See, I am not too sure whether it will make any impact on realization, if at all it should improve. Much will depend as to who ultimately is the beneficiary. So I think it will be rather early in the day to characterize, I do not know which month this really actually happens because there are so many engagements. But suppose it were to happen in the course of next one or two months, largely it will depend on who takes it. If it goes to UltraTech then things should be better, because Binani has been selling at very, very low price for last couple of years. One of the cash constraint, the price consideration, it is all dependent as to who ever was able to pay the price and advance they could get any price. In fact that is also one of the reason why the price in the North have not picked up. But now I think that should get resolved, so to my mind that should be a positive development. But yes, the volume would increase because currently they are operating at about 50%. So I think that volume will increase. But in the overall market of about 70 million ton, and if I were to take even Gujarat as their catchment area, their total market size of about 90 million ton. So even a 5% growth would mean you require about 4.5 million tons. So 4.5 million tons is not in the site even if one factors that Binani will give another 2 million tons - 2.5 million tons, first quarter in any case is gone. So, even if any change takes place, if at all one is very positive, there is time for them to correct whatever. So I think at best the most optimistic one can be that half year will be there for Binani, so maybe 1 million or 2 million will come but the incremental growth would be not less than about 4 million tons - 4.5 million ton. So I think the demand supply equation in North should get better, that should get translate into price. So I am not seeing really much of a challenge there.

Madhav Marda: Sir, which is basically the surprise because North utilizations are anyways 80% - 85% and still prices come under pressure, that is the whole thing that beats logic a little bit.

Management: Yes, unfortunately the market does not behave always very rationally. But over a period of time it does come to ultimately demand and supply equilibrium takes place. Eventually that will take place, in the meanwhile yes there are challenges. And how long those challenges will last is anybody's guess.

Moderator: Thank you. Our next question is from the line of Sanjay Nandi from Ratnabali Investments. Please go ahead.

Sanjay Nandi: Sir, my question is, if the government is thinking of banning the coal in the pan-India region, so if that happens so we generally use 80% of pet coke in both the plants roughly, in Durg and North as well. So what kind of impact can we face as a consequence of that event if it happens?

Management: Again, very early to really comment. The government is not saying that they will ban, what they are currently talking is banning the import of pet coke. Then there are other issues relating to the trade agreements with other countries, is something is allowed to be used they cannot have a blanket ban. So there are many-many issues involved there, I do not think the decision will be very simple. But if at all it happens, ultimately the using of pet coke over coal gives us 50 rupees a ton to the extent the pet coke volume gets affected to that extent our cost will go up.

Sanjay Nandi: Sir, what kind of incremental cost we can face if we need to shift from using of pet coke

Management: Each ton of coal replacing pet coke to us would cost another Rs. 50 a ton. But that is what will happen to most of the other players in the North.

Sanjay Nandi: And sir do you have any plan of placing some special cement in that Orissa ban when we will just operating that Orissa grinding unit or we will keep on with that normal cement?

Management: In East we in any case are giving two, three varieties of cement, including composite cement. So depending on how the market is we are not going much into the coastal market currently, we are hopeful that in the coastal market we will be able to as far as grinding unit is concerned, we will be able to market it in coastal areas where I think composite cement can do a good business.

Sanjay Nandi: Okay. Sir, what is the price difference as of now between the composite cement and our PPC grade cement, sir, in the eastern region?

Management: We have started very small volume, it is difficult to say. But then we are normally placing it Rs. 10 higher.

Sanjay Nandi: Composite cement, right?

Management: Yes.

Moderator: Thank you. Due to time constraints we will take last two questions. The next question is from line of Naveen Sahadev from Edelweiss. Please go ahead.

Naveen Sahadev: Sir, I would just request update on the Udaipur udyog numbers, I know that Bidkar sir mentioned that it has reached a capacity utilization of 90, so I just want to understand was it 90 exact or are we looking at either quarter? And second, more importantly, I think there was a plan to move power plant from Sirohi into this region to improve the profitability of this subsidiary. So what is the update there?

Management: Udaipur was exact 90% when I said.

Naveen Sahadev: So was it for full year?

Management: Exact for the quarter.

Naveen Sahadev: Exact for quarter and for the year, sir.

Management: Year was about 55% - 60% utilization. Next year we expect to be much better because consolidation has happened, stabilization has happened. And yes, we were toying with the idea of moving the thermal power plant, after that the pet coke ban came and then it did not make sense so we have given up the idea of moving the thermal plant of 18 megawatt from Sirohi to Udaipur. So that has gone. And they have put up 4 megawatt of waste heat recovery and that has helped us. We are trying to explore some possibility of putting some solar power there, but that is only at exploratory stage. I will let you know in due course in case that materializes.

Naveen Sahadev: And for the year you said the utilization as around 55%, for quarter the utilization at Udaipur would have been how much, sir?

Management: Could have been about 80% - 85% for the quarter.

Naveen Sahadev: That is still profitability on a per ton basis here still looks like sub-300 and less, at least for the quarter I am saying, not for the year, year I am not even mentioning given that it would have been ramp-up stage. But for the quarter wherein we did 85% utilization already are there any other underlying efficiency measures which can be like pursued to pull up this or it will purely be a function of price?

Management: Basically the full impact, if stabilization comes in and the entire year it operates the cost of production per say would come down, efficiency parameters will improve. So other than realization there would be about Rs. 100 - Rs. 250 cost reduction because of volume gain, fixed cost getting absorbed over larger volume plus some efficiency benefit coming for utilization through the year at higher capacity.

Naveen Sahadev: And sir my second question, I think there is a proposal to reach out to shareholders to raise funds through various modes. So is this purely towards deleveraging as you were mentioning at least 18 months you do not want to pursue expansion or there is a possibility that we may consider an expansion for that?

Management: That is only first and foremost enabling resolution. And two, we have still not tied up for two projects, the thermal power plant of 20 megawatt and grinding unit in Orissa because it was getting delayed. Now we are seeing the seasonality in that, so we may do some fund raising for these two projects which will be about Rs. 200 crores. So it may either be some pure term loan or some issuance. Certainly not issuance of equity, would be some debt only. Otherwise it was only an enabling one because now the NCD or any security issuance requires shareholders approval. Normally this takes enabling every year, last year also we had taken a Rs. 500 crores, we did not do last year, so that is just enabling one.

Naveen Sahadev: And just one last thing, at Udaipur Udyog I think there is a brand introduced called platinum I think, so what is the trade and non-trade mix at Udaipur? Given the size that it is largely non-trade there, given that Rajasthan is a catchment area or there is higher exposure to trade here?

Management: There is a higher exposure to trade there and the fact that we have started selling in Gujarat also, because Gujarat market is basically mainly non-trade, that still gives much better realization than trade in Rajasthan. So we started about 20,000 tons - 25,000 tons in Gujarat, that would be higher percentage of non-trade. But gradually that also we will bring into trade, because that volume is small we can bring it into trade, that is what our attempt is.

Moderator: Thank you. Our next question is from the line of Nitin Bhasin from Ambit Capital. Please go ahead.

Nitin Bhasin: One subject is, freight cost and energy cost today, now with about half quarter gone what is the visibility that you are getting for cost for freight for near-term from your truckers and also for energy outlook for the next one or two quarters for pet coke and coal prices?

Management: Well, in this quarter we have not seen any increase in our base price, we are retaining about same price, same freight rate as last quarter because we will not be witnessing any change there. As far as pet coke price is concerned, we have seen hardening of the price only because of international price as well as also related to overall petroleum prices going up. So I think there have been some control and if it does not get stabilized soon then I think it will cascade into freight rate also

Nitin Bhasin: Because what could be the exact freight procurement cost roughly, if not exact but roughly procurement cost tosday compared to let's say what was the holier average or same price point last year? Any comparative number you can give compared to base price.

Management: Pet coke currently is of 5% higher than the previous quarter.

Nitin Bhasin: Sir, second thing is lead distance, if you could just help us with lead distance of North facility and also for East facility?

Management: East facility would be around 260 kilometers while in North we are about we have brought down from 432, last year it was 452, then we came to 439, now we are 426.

Nitin Bhasin: Sir, last one is this non-trade sales in North India. You said that the North sales are becoming very competitive right now but non-trade is also mostly OPC as you mentioned. So today if industry is operating at 85% utilization on cement so clinker utilization will be more than about 90% closer too or about 85% - 90%. So hence is it that many players are bringing in cement form other markets, other regions also into Rajasthan and adjoining NCR?

Management: We have not seen any increased movements into Rajasthan from other regions. The 80% - 85% number is not exactly correct of the cement utilization, the 80% - 85% utilization is basically of the kilns that is what people are talking about. The grinding capacity, in fact most of the people have created grinding capacity in excess to the exact requirement of the clinkerization capacity.

Moderator: Thank you. Ladies and Gentlemen, due to time constraints that was our last question. I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.

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

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your line.