"JK Cement Limited Q1 FY24 Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY24 Conference Call of JK Cement 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, please signal an 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, Michelle. Good evening, everyone. On behalf of PhillipCapital India Private Limited, we welcome you to the Q1 FY24 Call of JK Cement Limited.

On the call, we have with us Mr. Ajay Kumar Saraogi – Deputy Managing Director and CFO, Mr. Sumnesh Khandelwal – Deputy CFO and Mr. Prashant Seth – President, Business Information and Investor Relations.

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

I will now hand over the floor to the management of JK Cement for their opening remarks, which will be followed by interactive Q&A. Thank you and over to you, sir.

Management: Yes, thank you, Vaibhav. Good evening and welcome to Q1 results. The Board of Directors met on 12th of August to review the performance for the first quarter that is quarter ended 30th June. And the major highlights during this quarter, the net sale was Rs. 2,541 crores as against 2,613 crores in the previous quarter, a drop of about 3%, though it was higher by 20% vis-à-vis quarter last year. The revenue from operations was down by 2% at Rs. 2,624 crores as against Rs. 2,665 crores and Rs. 2,163 crores previous year. The EBITDA during this quarter was Rs. 402 crores as against Rs. 364 crores in the previous quarter, which is up by 11%, though marginally lower by 1% as compared to 407 in the previous year. The EBITDA margins in this quarter was 15.8%, 13.9% in the previous quarter as against 19.2% in the last year first quarter. The profit before tax during this quarter was Rs. 193 crores as against Rs. 190 crores, an increase of about 2% as against Rs. 270 crores in the previous year.

In this quarter, we have the Jaykaycem Panna, which was being operated as in the subsidiary. The subsidiary has got merged. And accordingly, the figures for this quarter have been regrouped, including the Panna working and also wish to inform that the Panna working has been quite satisfactorily. We commissioned Panna sometime in November, December last year, and within a short span of time, today the plant is already operating at about 75%. The work on the Ujjain project where we are putting up a grinding unit of 1.5 million tons is an advanced stage and hopefully, this will get commissioned in the fourth quarter of the current fiscal. As regards, the grinding unit at Prayagraj, now we have received the environment clearance and we have already placed the orders for main plant and equipment and immediately after the monsoon, the work would start at Prayagraj and we are hopeful that we should be able to commission in quarter 3 in FY25. These are the major highlights for this quarter.

If you have any questions, we'll be pleased to answer the same. Thank you.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, first is last time you talked about the 15% volume growth, so this quarter already increased, we have done 29% kind of a volume growth. So, for full year on Grade A cement per se, can we even see 20%-25% kind of volume growth for this year?

Management: No. I think we said about 15%. So, definitely our efforts would be there. The demand is good, but if we see the current quarter, the month of July has been affected by rain. So, the volumes are lower and looking to the other maintenance schedule and all. We are confident that we should be growing minimum to 15%, though we will try and see if the demand momentum, which is likely to continue, we may grow by closer to 20%, but not beyond that.

Shravan Shah: And for Panna for this quarter, last quarter we had a 2 crore EBITDA. So, this quarter broadly the EBITDA would be, so trying to understand the further improvement in the profitability?

Management: So, there is an improvement in the working of Panna. So, as we said, 75% capacity utilization is already there. And even on the EBITDA terms, it's closer to the average for the company. And in this quarter, we have commissioned the waste heat recovery plant and we would be gradually going forward, start using more of AFR. Benefits of all this would also be reflected in the coming quarters.

Shravan Shah: Now broadly, I have more data points are needed, but before that, broadly trying to understand in terms of the profitability. So, for last two quarters, we are saying that the White segment is having a kind of a similar EBITDA margin for grey cement 15%-17%, so is it fair to say if I take let's say 15%-17%, so this quarter in terms of the grey broadly, I understand we don't discuss in detail. But broadly, there's still the EBITDA per ton in grey is less than Rs. 800, so one can see this number increase as we increased the volume to 900 plus number?

Management: Yes, definitely, we are confident that going forward, the EBITDA should improve. When we are seeing some benefit, we will get in the cost in terms of lower fuel cost. We have seen the benefit in this quarter as we said earlier that this year we expect around Rs. 250 to Rs. 300 a ton overall saving in the fuel cost. So, out of this, actually the first quarter has been quite good in terms of the fuel cost vis-à-vis the previous quarter. Because we had some window to get still more cheaper fuel, but still having said so, even sequentially going forward, we should see Rs. 60 to Rs. 75 per ton saving in the fuel cost itself in the next two quarters. We have to see that whether we get the savings thereafter in the fourth quarter onwards or not as the petcoke prices have started firming up. So, we have to see that whether there is prices, how the prices remain going forward, it has come down to around $115 and it has again gone up to about $130 - $135.

Shravan Shah: So, now a couple of data points. So, what's the power and fuel cost? Last quarter it was Rs. 12,000 and in terms of Kcal, we say 2.4. So, what was the number for this quarter?

Management: Actually last quarter 2.4 was standalone. Now because we see after merger of the Central India operations, so with that last quarter was Rs. 2.50 paisa and in this quarter, the combined is Rs. 2.20 paisa.

Shravan Shah: And in terms of Rs. 12,000 will become for last quarter, how much for this quarter?

Management: So, there's slight reduction of around Rs. 1,000 per ton.

Shravan Shah: Rail road mix, lead distance for this quarter?

Management: Rail was 14%. Lead distance was 426 kilometers.

Shravan Shah: That is great, sir. And fuel mix for this quarter?

Management: Fuel mix is broadly 60% petcoke on the heat basis. And balance 40% is the other fuel and AFR.

Shravan Shah: And in terms of the CAPEX, so we are looking at the CAPEX of 1,200 to 1,400 crore for this year. So, how much we have done in the first quarter and is the number remains the same?

Management: Number remains the same and we have done the CAPEX of around Rs. 150 crores in the first quarter.

Shravan Shah: And for FY25, 700-800 crore kind of CAPEX?

Management: Yes, 800 crore.

Management: So, whatever the indication we have given regarding the CAPEX. As of now, it remains the same because there is no change in the plans.

Shravan Shah: And sir broadly in terms of working capital loan, would be the 400 crore which was the case in the March?

Management: Yes, it is around 400 crores.

Shravan Shah: And then in terms of the pricing, post June, how are the prices? Is there some marginal decline?

Management: So, as far as pricing is concerned, on a reason there's been some improvement in the prices in the month of July in the Northern region, though the Southern region still remains same or under pressure, but in the Northern region, there has been some improvement in prices. The central has been more or less same.

Moderator: Thank you. We'll take the next question from the line of Navin Sahdev from ICICI Securities. Please go ahead.

Navin Sahdev: I have three questions. One, sir, the other operating income, basically the net sales given in the presentation and the difference in the net sales given in P&L account, that has come to, I think for the quarter has shot up to 83 crores versus on an average run rate of 50 crores as I see in the past. So, what could you attribute this to this jump of roughly 30 crore?

Management: That is the increase in the subsidy.

Management: One, Navin, the subsidy would be around 250 crores for the year. So, approximately we could say around 60-65 crores each quarter. Besides that, there is other income pertaining to some AFR sale and other scrap sale and other, some could be one time. But if we talk about subsidy alone, this would be in the vicinity of about 60-65 crores because we have now subsidy in case of Panna, we have subsidy in case of Hamirpur, Aligarh and Nimbahera.

Navin Sahdev: Understood. So, at least let's say 70-75 crore kind of a run rate can continue per quarter for the next couple of years. Is it fair to assume that?

Management: Subsidy would be 60-65 crores, but then another 10-12 crores other income normally there.

Navin Sahdev: Yes, that is what. So, 75 crore on an average can be a safe run rate.

Management: That should be.

Navin Sahdev: So, then my second question was this waste heat recovery plant, which you said has commissioned in the previous quarter of 22 MW. So, did it commission towards the fag end of the quarter or I'm just trying to understand.

Management: Just fag end.

Navin Sahdev: So, there are no benefits of that?

Management: We will not get a normal operation in this quarter, this quarter would have say I think maybe 50% utilization in this quarter because again, monsoon is a very difficult month where rain also disturbs the operation of the kilns when the kiln operation is not very stable, it affects the waste heat power generation. So, it would be, this quarter we would see at least 50% benefit coming out of the waste heat at Panna and from the third quarter onwards, yes, optimal generation from captive power would be there.

Navin Sahdev: So, on a normalized basis, let's say from third quarter, compared to Q1, we should be able to see annualized saving of roughly 60-70 crore per year from WHRS?

Management: 50-60 crores should be there.

Navin Sahdev: Understood. And sir, my last question, we see the debt I think sequentially has gone up roughly a little over 100 crore, net debt I'm talking and you said we have done some CAPEX of just 150 crore, so?

Management: Actually, Navin, yes, the point is that is excluding the CAPEX, balance CAPEX is spill over on the Central India expansion completion, right. So, we have spent this substantial amount on that for the waste heat recovery commissioning and all that. So, that is in addition to 150 crores.

Management: So, the CAPEX of 150 crores excludes the CAPEX done at Panna. So, there has been, the spillover CAPEX at Panna was around 300 crores as at the beginning of the year. So, during the quarter, another 175 to 200 crores has been spent on the balance work at Panna. So, if you look at the CAPEX, actually has been 300 crores plus during the quarter.

Navin Sahdev: So, it will still be part of the 1,400 crore guidance that you have given for the year?

Management: Yes. It is part of the 1,400 guidance and the debt increases that we have drawn out, there is some drawn even done in month of July. So, whatever the balance debt which had to be drawn for the Panna expansion that has been drawn. And we have taken some additional borrowing for the Ujjain project.

Navin Sahdev: No, understood. But just to conclude, net debt, is it safe to assume that it's nearing, it is peak, we have peaked out largely.

Management: Nearing its peak, it has peaked out in fact, I would say now, because in the first quarter repayments were also not there. Once we have a normal repayment schedule and all, the net debt has already peaked out.

Moderator: Thank you. We'll take the next question from the line of Ritesh Shah from Investec India. Please go ahead.

Ritesh Shah: Sir, a couple of questions, Sir, first is on Toshali, any update on the limestone lease transfer, any timelines on growth optionality, incremental things that we intend to do over there?

Management: No, as of now there is no means we are still awaiting the government approval. And unless and until there is an approval by the government on grant of the mining, we shall not go ahead with the transaction. That is the condition precedent in the agreement.

Ritesh Shah: So, sir, has anything gone from our balance sheet? Have we given us some?

Management: Nothing. We have not spent anything.

Ritesh Shah: This is helpful. So, second is a more generic question, Sir, can you detail what will be the sizing for the putty and white cement market in India and whatever market share would stand right now and in the prior call, you had indicated that the profitability has been continuously been under pressure. Sir, how should we understand and read this, sir?

Management: So, the market for putty, I would say should be close to around 4 million. So, that would be the market present market for the putty. And as far as the white cement is concerned, we have about close to 1.4-1.5 million ton capacity in India. And balance, there is some imports which are into India mainly from UAE which is RAK White and JK cement Fujairah. So, these are the two countries from, major imports are coming from UAE only into India. So, that is the position. As you said, yes, because major the putty market has become very competitive because of the entry of the paint manufacturers because one, they find this as a very lucrative value added item or it is part of the paint, this is why we entered the paint business because we felt that we are already there in the paint because our customers, influencers, everybody is common. So, for the paint manufacturers, now putty is again and for them, yes, they have an advantage that they don't have to do much publicity. It is a part of their additional product in the bouquet of products which they have. So, as we see, the paint industry operating at the margins of 12% to 18%. So, I think going forward as per the white business would also be operating at the same level of EBITDA margin.

Ritesh Shah: And sir on market share, how much would that be on putty and on white cement?

Management: So, putty should be anything between 22% to 23% We don't have exact all numbers available, but we have between 20% to 25%. I think we did one analysis. It was around 20% to 23% is our market share. And white cement, it is mostly 50:50, maybe 48 to 52 between UltraTech and us, so we are more or less equal in the market share for the white cement.

Moderator: Thank you. We'll take the next question from the line of Sanjay Nandi from VT Capital. Please go ahead.

Sanjay Nandi: So, just to mention, like we have taken some price hike in the Northern part of our country in this Q2. So, can I please quantify the numbers like what kind of price hike did you take?

Management: So, the price hike, it has been around Rs. 7 to Rs. 10 per bag, effective price hike.

Sanjay Nandi: Sir, just you told like you have taken a price hike of Rs. 7 to Rs. 10 per bag so that it can get really or you are taking like any further rolling back of the price?

Management: So, as of now, this is the effective price increase which has been already passed on in the market. We have to really seek how long it sustains and whether there is any room for further increase in the price.

Sanjay Nandi: And sir, what has been the utilization in this first one and a half months of the Q2, the utilization?

Management: So, the utilization level in the first quarter for us is around 80%.

Sanjay Nandi: So, what has been the utilization in the first 1-1/2 months of the next quarter, sir Q2?

Management: Q2, utilization has been slightly lower because the sales was low because of the massive rains and the flood conditions. So, what happens, Q2 is always low during the monsoon. The demand goes down and the problem in movement of material and our planned maintenance was also, most of the maintenance has been in this quarter.

Sanjay Nandi: Sir, last question is like can you throw some lights on the paint business like what kind of topline you're targeting for that?

Management: So, on the paint business, as you know, we have already started opening up more areas. And all our existing dealers who have shown interest, now we have started sending the material to them. So, gradually to our network, the business has started and we are seeing a good response as of now. If we see, we plan to achieve an incremental growth of around 70 crores or 200 crores in this fiscal. Yes, the first quarter has been low, but we are expecting now that the volumes as we have already started the dispatches, the volume should grow and then with the upcoming festival, we should be able to get to a reasonable number.

Sanjay Nandi: I meant to say like are we considering that we can maintain the topline growth in comparison to the peers at same par?

Management: So, what we had planned, we feel that we will be able to achieve like in the previous year with Acro, the topline was about 80-90 crores and we had planned anything between 150 to 200 crores in this year and 300 crores in the next FY25. We feel that as of now this should be achievable.

Moderator: Thank you. We'll take the next question from the line of Deepika Gagwani, an individual investor. Please go ahead.

Deepika Gagwani: Sir, can you please guide us on the realization for this quarter?

Management: So, we should expect the overall realization to maybe if as things go as it looks now, anything between average around Rs. 50 to Rs. 70 a ton improvement in realization over the previous quarter.

Deepika Gagwani: And if you can tell us what was the realization for Q1 FY24?

Management: Q1 realization, NSR was close to Rs. 5000 per ton.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, firstly, Karnataka WHR 16 MW, when that will get started?

Management: So, the work has already started. I think by end of December, this should get commissioned.

Shravan Shah: That's great. Second, Panna clinker debottlenecking from 8000 TPDL to 10,000. So, that will be by Q3, that will be also done? At paying part, you mentioned in terms of the revenue, but for this year as a whole, 150-200 crore revenue, but on accounting basis we should be having some EBITDA levels and some EBITDA loss.

Management: Yes, we have already indicated that the EBITDA loss of about 20 crores.

Shravan Shah: And any update in terms of the next phase expansion that we are looking at for the second line at Panna and then we are also thinking post that maybe the Jaisalmer so any update when we are likely to start the work or when we will announce the second phase of expansion at Panna?

Management: No date has yet been fixed, so I think the board will review situation sometime, maybe early next year or close of the current financial year. So, at that point of time, we will review the entire status and then take a call.

Shravan Shah: But our preference will be to first go for expansion at Panna?

Management: Should be. I cannot comment on that, let us see what is the decision?

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

Prateek Kumar: My first question is on fuel cost. You mentioned we were like looking at Rs. 5,300 per ton of fuel cost savings and Rs. 60 to Rs. 75 pending for next two quarters. So, that means like over 200 is realized in first quarter or what?

Management: 150 odd is already realized. As I also mentioned that this quarter has been exceptionally good because we had an opportunity to where we got certain domestic fuel at the cheapest rate. When the international rates are at the lowest, we got at that rate. So, that is also reflected in this quarter's earnings, but having said so, if we see the 150 we are expecting another 60 to 75 gain over the first quarter in the second quarter, so we still expect, so we should get about Rs. 300 a ton saving by end of December.

Prateek Kumar: You said 150 was realized in this quarter or 300 was realized in this quarter?

Management: Yes, 150.

Prateek Kumar: And at like peak off like whatever number we are looking at in terms of savings, what is the kilo-cal cost versus 2.2 which we booked for this quarter?

Management: So, we should see about 20 paisa reduction.

Management: Around 1.9 to 1.95.

Management: So, that should be there in the next quarter and maybe another 20 paisa. So, this is how we expect sequentially the prices to go down.

Prateek Kumar: So, why I asked this is because some of the other companies have indicated 1.7-1.8 as like probable peak realization of savings?

Management: So, 1.8 we should reach by end of this third quarter as I said.

Prateek Kumar: So, 1.8 is the lowest cost which we might be looking at.

Management: As of now, whatever is the price of fuel which stands, we have to see that.

Prateek Kumar: And on Panna unit profitability, you say it is in line with the company, so is it in line with Grey operations or is it in line with the overall standalone operation?

Management: Naturally, Grey operation.

Prateek Kumar: So, we have reported 900 per ton approximately for standalone operations. So, it would be like obviously lower than that because it includes white cement also.

Management: Yes, marginally, not major impact, not a significant difference.

Moderator: Thank you. We will take the next question from the line of Aman Agarwal from Equirus Securities. Please go ahead.

Aman Agarwal: So, just wanted to understand on the kind of savings we are expecting out of the green power capacities that are coming in, not only WHR, but also the renewable capacities. We have a target of 80 MW of WHR by FY24 and I guess around 94 MW of renewable power?

Management: So, presently, our renewed power is around 46 MW and we are planning to increase this up to 100 MW maybe by end of next fiscal.

Aman Agarwal: So, sir, just wanted to understand on the kind of savings that you are expecting out of these?

Management: So, since we are not doing a capital model in most of the thing, it is a captive power. So, we expect a power savings of around 30% to 40% from the grid rate.

Aman Agarwal: And just on the Toshali acquisition, we see that Northeast market is a pretty small market. And we have already seen quite a few capacity additions, one from a major cement player operating in the Eastern region. So, just wanted to understand your view on how you view if the regional dynamics playing out?

Management: No. See again Toshali, when it materializes, it is the natural extension of our market. As we are doing, you know when we do the next expansion at Panna, besides consolidating on the existing markets of Central India, we shall also be entering the Eastern market. So, that will become our natural market. And when Toshali as an opportunity, we see getting a limestone deposit in an area where in the vicinity of 400 to 500 kilometers, there is no plant. So, we get a very good opportunity and we are planning, if everything goes well and we get all the mining lease and everything, then up to 2.5 to 3 million tons of capacity can be added in a region where there is no immediate competition. So, 500 reduced, when you get a plant where there is no competition available, material can come from any other region. So, you will have lot of local advantage in catering to those markets.

Aman Agarwal: Understood, sir. And then lastly on our mid term target of reaching the say 30 million ton capacity target, so further addition would be largely Brownfield or Greenfield in nature or is there a further debottlenecking scope left with the company?

Management: Not major debottlenecking is left because we have already done all the modernization at the existing plants. So, we see that the next expansion would be by way of Brownfield and Greenfield only.

Moderator: Thank you. The next question is from the line of Navin Sahdev from ICICI Securities. Please go ahead.

Navin Sahdev: So, for Acro Paints against the guidance that we are looking at revenues of 120-150 crore, how was the performance in Q1 both in revenue and EBITDA terms?

Management: So, for the paint, we did about approximately 25 crores in Q1. And the overall EBITDA during this quarter was a loss of about 2 crores.

Navin Sahdev: Loss of around 2 crores because the Acro Paints as such was…

Management: Acro Paints and including whatever in the new areas through Acro Paints, the new markets which we are entering or that is included in the 25 crores topline as well as the loss.

Navin Sahdev: Understood. Our second question is in the clinker factor. I was just looking at the annual report. So, year-on-year, there is a marginal drop in clinker factor. I think 65.6% to 65% or so for the quarter. So, how much further reduction can this clinker factor see with commissioning of the Ujjain and the Prayagraj grinding units?

Management: So, you see, grinding unit definitely would help in reducing the clinker factor improvement, so that would definitely help because the production from the grinding unit is all blended cement. So, having said so, I think we have to see if we get incremental production of about, so it's about saving is around 10% more in case of the grinding unit in terms of on an average when you look at the clinker factor.

Management: So, Navin, just to add to Saraogi like it will impact overall ratio like once Prayagraj and Ujjain starts, it might impact by 2% to 3% like so 65 might be...

Management: Yes, it depends on the weighted average and there is one more thing, a lot of incremental demand is coming from the non-trade sector. So, again to be able to grow with the industry or more than the industry, we will have to go in towards for the non-trade also otherwise, the overall volume growth will not be there, though we have been growing the trade segment, but overall volume to grow on an overall absolute numbers, you have to grow both in the trade as well as non-trade segment. So, having said so, if there is an improvement in the trade segment but equal improvement in the non-trade segment, then the clinker factor will not change.

Management: Logically, like from grinding unit, we don't supply OPC. So, as we increasing like grinding units, so definitely that impacts the ratio.

Navin Sahdev: Understood. So, directionally at least we can see some improvement. There is scope of further 200-300 basis point improvement of reduction in the clinker factor, is that safe to assume, right?

Management: Yes, once those plant like starts full-fledged like when it is running at 75%-80% of the capacity, then definitely that should.

Management: Yes, there is a possibility. But again, as I said, a lot will also depend on how the demand supply between trade and non-trade shifts are going forward.

Navin Sahdev: Understood. And on the fuel cost, you said we've achieved roughly Rs. 150 per ton this quarter and around Rs. 75 to Rs. 50 per ton savings, each of...

Management: 150 in the next two quarters. So, as we gave an indication that saving of around Rs. 300 a ton over Q4, so which should be there.

Navin Sahdev: Yes. So, the only change there is, I'm saying petcoke, which had fallen to as low as $105, as you said in your initial comments, it's come to $130 odd and we keep inventory of maybe two to three months. So, we are in August, this increase should impact in Q3 itself, or that will come in more like in Q4?

Management: Whatever indications, it's again some shipments will come at a lower cost, some would be at a higher cost. So, whatever indication with the fuel planning which we have at this moment, so we have given an indication of 20 paisa per hundred GCB saving in each of the next two quarters. So, that let us look at that as an indication, our fuel cost was about Rs. 2.20 paisa in Q1, it should be around Rs. 2 in Q2 and Rs. 1.80 in Q3.

Navin Sahdev: But directionally it is safe to assume that Q3 would have bottomed out in terms of your **44:50**___ cost saving?

Management: Unless and until we see further reduction in the petcoke pricing.

Navin Sahdev: Yes, but as of now, there is an increase of $20-$25. So, from that point of view…

Management: Actually, 105 was very, it was a very short period, it has not gone down to levels of 105, it remained between 115 to 122-123. 125 was very small window. Very few plants could get major shipments in that price range.

Navin Sahdev: Understood. So, my last question. Do we have any more avenues because operationally I understand there is scope of further cost reduction whether it is waste heat, there is clinker reduction. On the fixed cost front, is there a scope of things to get a little lean, now more so if I look at the consultancy charges or anything like that, are there any avenues where we can see some cost reduction in the fixed cost front?

Management: Yes, definitely. We are working out on that and maybe not immediately, but definitely this cost is the focus for us. As a next, because again it is not only variable cost, the fixed cost is equally important and we are working out on possible reduction in the fixed cost. Yes, year-on-year, the increase is there, the increase is on account of inflationary trend, the additional manpower and the other expenses because of an increase in business, but we are still working out on avenues as you said on the consultancy and other expenses. So, wherever we see that there would be a net business gain, we will work on it and it is definitely as part of our plan, not for now. Going forward, it will always be there to see how we are able to reduce the fixed cost.

Navin Sahdev: Any guidance to give or?

Management: No, actually the guidance if you in any absolute number, no. We have guidance with our internal budget which we had prepared for the year. We are trying to see how we first reduce from the budget because any increase from absolute numbers is very difficult because mainly it is out of control when you have expansion and other things already in way.

Moderator: Thank you. The next question is from the line of Raghav Maheshwari from Asian Market Securities. Please go ahead.

Raghav Maheshwari: My question is primarily for the Ujjain grinding unit. Does our Ujjain grinding unit, we have sufficient clinker from existing clinker from Nimbahera or Mangrol or we need to improvise or modernize our line one of the Nimbahera as per my understanding because Nimbahera line one is not working due to the very old operating parameters?

Management: So, we have sufficient clinker. In fact, if we see even in the last fiscal, the line one and two of Nimbahera, we had operated only for about 2 months in whole year. And even now, so we have sufficient clinker available for the Ujjain project from Nimbahera and Mangrol.

Raghav Maheshwari: Basically, for the Nimbahera line 1 and 2, so what is the cost difference between the latest operating parameter, then the difference between that line in per term of the clinker costing, manufacturing?

Management: Yes, definitely, if you look at the operating cost from kiln No. 1 and 2 is higher than the operating cost of the other tens and the variation is between Rs. 300 to Rs. 450 a ton. But having said so, I mean this is utilizing a spare capacity. We don't need to any invest. We already have certain fixed expenses of that line because we cannot go for a derating of the capacity. So, there are many advantages while we do incur certain additional variable costs, there is an overall saving in the fixed cost of about, maybe about Rs. 100 a ton, and otherwise, if you only look at the operating profit is different, but if you look at the overall net cost including interest and depreciation, there is no cost of interest or depreciation when we operate these lines.

Raghav Maheshwari: Got it, sir. And one last question from my side. After the Prayagraj and the Ujjain expansion, when it will get over, do we have any scope to expand only cement capacity and we have the extra clinker so because I want to understand there is any scope of spending cement capacity without any clinker expansion. Is it possible?

Management: Our grinding capacity after Prayagraj would be 24-25 million tons and that would be, I mean the present clinker capacity would be just sufficient to for the entire capacity. So, we will not have additional clinker available for more grinding capacity.

Raghav Maheshwari: In any reason, right?

Management: Yes. Broadly, yes, maybe some, we do continue to sell some clinker in the southern plant. While we have a capacity of 3.5 million tons now in the South, we still sell on an average about 1-1/2 lakh tons of clinker in a year, but that's all. Otherwise, we don't have any clinker available.

Raghav Maheshwari: But if we want to operate line one and two in the future when if there is any demand boost up in the North or the Central India, is it possible to do the cement capacity expansion on the dependency of the Nimbahera line 1 and 2?

Management: No. What I'm saying that the present grinding of 24 million tons is including the clinker from line 1 and 2.

Moderator: Thank you. We'll take the last question from the line of Ritesh Shah from Investec India. Please go ahead.

Ritesh Shah: Sir, my first question is we have several new products, which we have launched overtime including WhitemaxX, GypsoMaxX, TilemaxX, Wood Amore. Sir, what is the revenue on the EBITDA run rate over here, if you could please help with that that is the first question.

Management: So, one, WhitemaxX is not a new product, we have all the white cement products are part of the MaxX family. This is a part of the branding exercise. WhitemaxX when you say, it is the white cement. So, it is not a new product. GypsoMaxX is gypsum plaster which we introduced about 4-5 years back and see today to maintain all our dealer network and retailer requirement, you need to have a bouquet of products, one product because it is not when the customer comes, he would like to take away, take all the products from one counter. If your counter only has one product and which is there, while we are facing challenge from demand coming in from the market that this is the difficulty being faced by the dealers. So, when we started on this journey of introducing VAPs across the company, so we took this, we started the journey about five years back and so we have seen one with the introduction of VAP, we have been able to create a new profit pool, new bucket, though it is not very substantial, but we say from the VAPs itself, about 12% to 15% of the total white EBITDA, we get from the VAPs.

Ritesh Shah: Sir, would it be possible for you to quantify what this number was for last year full year?

Management: No, we do not share for the VAPs. We are not sharing for the main products and you are asking for sharing of the VAP, which is again a business confidentiality data, so we are not sharing the data of VAPs separately.

Ritesh Shah: No worries, sir. Appreciate that. Sir, my second question is sir, how should we look at the optionality that we have at Jaisalmer. So, when you think about it, you look at Jaisalmer versus Nimbahera deal expiries or you look at Jaisalmer versus Panna Brownfield optionality, just trying to understand your thought process over here?

Management: Jaisalmer works out to be a long-term strategy. In Rajasthan, you have no new sites available. And when we see going forward when the demand increases, one, Jaisalmer has got good limestone deposits. It has challenge, it has logistic issues in terms of both incoming and it is away from the market. So, there we are trying to work out what incentives can be given by the state government to partially offset of this disadvantage, but otherwise good quality limestone, we can have good clinker production from there and with the grinding units, have a good business model. So, going forward if we have to see, we have to meet out the increased demand, so that has to be meant the whole North market is primarily dependent upon the cement coming in from the state of Rajasthan. Rajasthan is not going to have more limestone deposits. So, we have to go to areas where the limestone availability is there.

Ritesh Shah: So, sir, this is not a backup to Nimbahera lease expires, I appreciate...

Management: This is not a backup to Nimbahera lease expiry. For that, in the last year we took one additional lease in the auction close to Nimbahera. And in any case, it is not the platform to discuss, but I am of the view that mining leases are getting expired, but definitely there is a provision and there would be much more clarification closer to the date by the government that the right of refusal will go to the existing player. Otherwise, it is not the practical option.

Ritesh Shah: Right. And then just last follow-up question on Nimbahera. How do you look at water as a commodity over here? I understand earlier the government was not giving approvals because of water as an issue over here. So, is it something which has been taken care of by putting on pipelines or are we still relying on groundwater?

Management: Nimbahera, we do not have any problem in case of water.

Ritesh Shah: I'm referring to Jaisalmer.

Management: So, yes, Jaisalmer, we have taken approval for water from the government. Various approvals we have taken approval from the government for the requisite water.

Ritesh Shah: But are we relying on groundwater, sir?

Management: No, we also proposed to get a pipeline, that is part of the project.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I will now hand the conference over to Mr. Vaibhav Agarwal for closing comments. Over to you.

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital India Private Limited, we'd like to thank the management of JK Cement for the call. And many thanks to the participants for joining the call. Thank you very much, sir. Michelle, we now conclude the call. Thank you.

Management: Thank you Vaibhav. Thank you everyone for joining the call.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of PhillipCapital India, Private Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.