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**23.01.2024**

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| **The Bombay Stock Exchange Ltd. Corporate Relationship Department,Phiroze Jeejeebhoy Towers,**<br>**Dalal Street, Fort, Mumbai-400001**<br>**Scrip Code:532644 (ISIN.INE 823G01014)**<br>**Through BSE Listing Centre** | **National Stock Exchange of India Ltd.,Exchange Plaza, Bandra Kurla Complex,Bandra (E), Mumbai-400051Scrip Code: JKCEMENT (ISIN.INE823G01014)**<br>**Through: NEAPS** |

**Dear Sir/ Madam**

**Sub: Transcript and Audio Recording of Conference Call pertaining to Financial Results for Quarter and Nine Months ended 31st December 2023**

Please find below the Link of Transcript and Audio Recording of Conference Call held on Tuesday, January 23, 2024, in respect of the Financial results for Quarter and Nine Months ended 31st December 2023. The said results were approved by the Board at its meeting held on January 20, 2024. The same is also available on the website of the Company at www.jkcement.com.

Link for Recording and Transcript: https://www.jkcement.com/transcript-report

This is for your information and records.

Sincerely

SHAMBHU SINGH Digitally signed by SHAMBHU SINGH Date: 2024.01.24 15:36:40 +05'30'

Shambhu Singh
Vice President & Company Secretary
FCS No. 5836

# "JK Cement Limited
# Q3 FY '24 Earnings Conference Call"
## January 23, 2024

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| **MANAGEMENT:** | **MR. AJAY KUMAR SARAOGI – DEPUTY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER – JK CEMENT LIMITED**<br>**MR. PRASHANT SETH – PRESIDENT BUSINESS INFORMATION AND INVESTOR RELATIONS – JK CEMENT LIMITED** |
| **MODERATOR:** | **MR. VAIBHAV AGARWAL – PHILLIPCAPITAL INDIA PRIVATE LIMITED** |

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3 FY '24 Earnings Conference Call of J.K. 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 operator by pressing star, then zero 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:** Yes. Thank you, Michelle. Good evening, everyone. On behalf of PhillipCapital India Private Limited, we welcome you to the Q3 FY '24 call for J.K. Cement Limited. On the call, we have with us Mr. Ajay Kumar Saraogi, Deputy Managing Director and CFO; and Mr. Prashant Seth, President of Business Information and Investor Relations.

I would like to mention on behalf of J.K. Cement Limited and its management that certain statements that may be made or discussed on conference call may be forward-looking statements related to future developments and based on current expectations. 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 statements made. J.K. 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 J.K. Cement for their opening remarks, which will be followed by interactive Q&A. Thank you, and over to you, Saraogi sir.

**Ajay Kumar Saraogi:** Thank you, Vaibhav. Good afternoon, and welcome to Q3 results. So the Board of Directors met on 20th of January to review the working of the company for the quarter ended 31st December, third quarter 2023. The salient features that the net sales during this quarter as compared to Q2 had risen by 9% at INR2,690 crores as against INR2,476 crores and if we compare them with previous year, it is up 18% at INR2,281 crores as against INR2,690 crores. The EBITDA during the quarter was INR608 crores as against INR447 crores in the previous quarter, an increase of 36% and INR246 crores in the previous year, an increase of 147%.

The EBITDA margins for the quarter was 22.6% as against 18% in the previous quarter and 10.8% in the previous year. The profit before tax in this quarter was INR415 crores as against INR246 crores, an increase of 69% and INR90 crores last year, an increase of 363% over last year. The EPS was INR37.40 paisa as against INR23.10 paisa, and INR7.40 paisa in the previous year. So during this quarter, the company also commissioned the grinding unit of 1.5 million tons at Ujjain. And the work at the grinding unit of 2 million tons at Prayagraj is at advanced stage, and this would likely get commissioned by September -- July-September quarter.

So also, the Board of Directors in the meeting decided an expansion of 6 million tons in Central India, out of which the salient features of the expansion are that 3.3 million tons would be the Clinker Line at Panna, which will be line number two at Panna and 6 million grinding unit. So grinding of 6 million is coming from 3 million of greenfield grinding in Bihar and 1 million incremental grinding by way of modifications in the existing systems at Panna, Prayagraj, and Hamirpur. So that would be 6 million tons of cement grinding. This is expected at a total project cost of INR2,852 crores -- INR2,850 crores, out of which it is proposed to borrow rupee term loan and some debentures from banks of INR1,850 crores and balance would be from internal accruals.

The commissioning is around within 24 months and it is expected that the work may start sometime by March, April this year. So within FY '26, we expect to complete this expansion of 6 million tons. And with this expansion, by FY '26, the company's overall grey cement capacity, installed capacity would be 30 million. The present capacity is 22 million. 2 million tons at Prayagraj is under implementation and 6 million tons, new capacity is proposed. So by end of FY '26, the company's overall grey cement capacity would be 30 million tons.

During the quarter, if we see the capacity utilization for the grey cement was around 75%. The grey cement volumes was 4.15 million. The blended ratio was 66%, the trade mix was 62% and the premium products was 12% of the trade volumes. If we look at the gross debt as on 31st December, that was INR4,585 crores and the net debt to EBITDA was 1.64% as against 2.21% as on 31st March 2023. So these are the major highlights and the working. If you have any questions, we'll be pleased to address the same. Thank you.

**Moderator:** Thank you very much sir. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:** Congratulations, sir, for a very good set of numbers. Sir.

**Ajay Kumar Saraogi:** Thank you.

**Shravan Shah:** Sir, my first question is just to getting a time line confirm in terms of this 3.3 clinker and 6 million. So this 3.3 clinker at Panna would be starting in Q4 FY '26 and 6 MTPA grinding to start by Q1 FY '26, that's the fair way to look at?

**Ajay Kumar Saraogi:** No, no. See, by end of FY '26, all this will get commissioned because we are expecting the clinker line, as we have done earlier at Panna, so we are taking an outer limit, some approvals are pending. I mean, once we get the consent and all, if we start work by March, April this year, we can definitely get it commissioned within December '25, everything. The cement grinding can be completed earlier, but there is no point in completing it earlier when we will not have the clinker available.

**Shravan Shah:** Okay. Got it. And now considering this INR2,900-odd crores kind of a capex, so what's the capex we have done in 9 months and what's the revised guidance for FY '24, '25 and '26?

**Ajay Kumar Saraogi:** See, we have done the actual capex of around INR900 crores till now. And earlier guidance was INR1,400 crores, but we expect to close with the spillover of INR200 crores. So this year, the capex would be in the range of INR1,200 crores.

**Shravan Shah:** Okay.

**Ajay Kumar Saraogi:** And next year, yes, against the guidance of INR800 crores. Now we will have the capex for this Line 2 also, Panna Line 2 and this 6 million grinding. So it will be in the range of INR1,200 crores and INR200 crores of the spillover from current year, so next year capex would be INR2,200 crores.

**Shravan Shah:** Okay, INR2,200 crores. Okay.

**Ajay Kumar Saraogi:** Yes.

**Shravan Shah:** And in FY'26 would be then?

**Ajay Kumar Saraogi:** FY'26 would be around INR1,800 crores.

**Shravan Shah:** INR1,800 crores. Sorry, sir. INR2,000 crores and -- INR2,200 crores in FY'25 and INR1,800 crores in...

**Ajay Kumar Saraogi:** FY'26.

**Shravan Shah:** FY'26. Okay, got it. Now coming in terms of the volume and the pricing and the profitability front, so just two, three things. So in terms of the -- definitely, we are doing much better on the grey volume front. So in nine months, we have done 21.3% kind of a growth. So is it fair to say that for the full year, definitely, we should be having a 19% kind of a growth? And any broader idea in terms of the next year in terms of the volume growth? Because for industry, I would say, it would be a slowing. So for us, how one can look at in terms of the grey volume growth for FY'25?

**Ajay Kumar Saraogi:** So you see, we should close anything around 16.5 million tons in this year by March '24. And as we said earlier, incrementally, you could say, minimum 2 million tons coming each year in FY'25 and FY'26, incremental volume.

**Moderator:** Thank you.

**Ajay Kumar Saraogi:** Hello?

**Moderator:** Yes, sir. Sir, the participant has left. We will ask him to join the queue for follow up.

**Ajay Kumar Saraogi:** Okay.

**Moderator:** Thank you. The next question is from the line of Aman Agarwal from Equirus. Please go ahead.

**Aman Agarwal:** Yes. Sir, thank you for the opportunity and many congratulations on a strong set of results once again. Sir, on grey cement -- while I understand grey cement business has been doing very well, I just wanted more clarity on how the white business is doing. Last, you mentioned there were some realization cut, especially in the putty business due to steep competition. Just wanted an update on that, how is the current scenario?

**Ajay Kumar Saraogi:** So we've achieved -- the white business, there is a stiff competition in the white business, especially in the putty segment. And though we have been growing, and if you look at the white business, that has also grown by about 5% in the nine-month period, if you look at over year-on-year. So with April-December '22 to April-December '23, there's a 5% growth. Yes, the profitability, I would say that the white cement is more or less flat if you look at the whole business. So we are expecting around anything between EBITDA margins of 15% to 18% in the white business.

**Aman Agarwal:** Sure, sir. And sir, in terms of overall cost per ton, last call, you highlighted that you expect INR50 per ton kind of a saving in 3Q as well as 4Q. In 3Q, if you see, we have already posted a cost saving in excess of INR100 per ton. Would you be expecting further cost saving in 4Q on a sequential basis?

**Ajay Kumar Saraogi:** Yes, there could be. See, again, Q3 has been exceptionally because one, some of the cost per ton, when you see net of the stock adjustment, is also because the freight adjustment is there when you value the inventory. But definitely, we could see another -- but major savings have been already affected. We may get some marginal savings, anything between INR30 to INR40 in this quarter also.

**Aman Agarwal:** Understood, sir. And sir, would it be possible for you to share your region-wise growth for this quarter or maybe nine months '24?

**Ajay Kumar Saraogi:** No, we are not sharing those numbers.

**Aman Agarwal:** Sure, sir. I'll come back in queue. Thank you for your response, sir.

**Moderator:** Thank you. The next question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

**Devesh Agarwal:** Thank you for the opportunity, sir. Sir, firstly, on the expansion itself, so you did mention that we are targeting by at least end of...

**Moderator:** I'm sorry to interrupt. Sir, your audio is not clear.

**Devesh Agarwal:** Is it better now?

**Moderator:** Yes, sir. Please continue.

**Devesh Agarwal:** Yes. So sir, on the expansion, I just wanted some more clarity in terms of whether the land is available at all the locations, except for the greenfield? Is that -- will that be the case?

**Ajay Kumar Saraogi:** Yes. Except for the Bihar grinding location, where we have identified a few locations, but we are still to close those locations. Otherwise, rest is, in a way, brownfield expansions. So there are no land issues.

**Devesh Agarwal:** Right. And in terms of ordering, sir, what will be the targets?

**Ajay Kumar Saraogi:** Pardon?

**Devesh Agarwal:** For ordering?

**Ajay Kumar Saraogi:** So we have already started getting the quotations and I think we should be able to finalize all the orders, also the main plant and equipment within next three to four months' time.

**Devesh Agarwal:** Understood. And so in Bihar, sir, you have not finalized the location, right? It is still in works, exactly where the plant would be?

**Ajay Kumar Saraogi:** Pardon?

**Devesh Agarwal:** In Bihar, where exactly the plant will be that is still in works. The location has not...

**Ajay Kumar Saraogi:** We had two, three options, so we are just working out and we shall freeze the same within next two, three, four months. See, again, once we get the land and we simultaneously get the approval, environment clearance and all so that the land acquisition and environmental presence should take about anything between six to nine months. And we feel that we can commission the grinding unit within a span of 12 months.

**Devesh Agarwal:** Right, sir. Understood. And sir, if you see the share of Central India in that total volume is kind of increasing, just wanted to understand the difference in the profitability between North and Central India.

**Ajay Kumar Saraogi:** So now, see, again, Central India, though the pricing is a bit lower than what it is in the Northern region. But there, because the plant is a new plant, so we get the plant efficiencies and we have a subsidy benefit. So more or less, we can see that the profitability of Central and North is more or less the same, considering we get the benefit of the subsidy in the region.

**Devesh Agarwal:** Understood, sir. And sir, finally, what is the update on the paint business? How much has been to revenue and EBITDA? And what will be the target for FY'25?

**Ajay Kumar Saraogi:** So as we already said, yes, we are working on the paint business, and we have been able to ramp up the volumes. If we look at -- we have already crossed a turnover of INR100 crores in the nine months. And now we feel that we should be able to close the year somewhere around INR150 crores plus as a top line. So that was -- after launching the JK Maxx sometime in the beginning of this year in a small way and then ramping up into our main core markets, so we have -- we are getting a good traction and we feel that it would definitely be over INR150 crores because if we look at the paint top line, we have done around INR46 crores in quarter three itself. And so we expect, so around INR150 crores plus.

Yes, there would be because of the one-time asset, we have to develop the brand with the branding cost. There would be an operational loss, anything ranging from INR15 crores to -- INR20 crores was our plan. What we estimated could be INR20 crores, INR25 crores could be our loss. So up to a nine-month period, we have incurred a loss of about INR15 crores on the paint business, but that is nothing exceptional. I mean, if we look at, we are monitoring the business on gross margin basis and, there, we are at the level where what was planned.

**Devesh Agarwal:** And for, sir, FY25, any numbers that you can share in terms of profitability?

**Ajay Kumar Saraogi:** So FY25, we should have a top line anything between INR250 crores to INR300 crores. As far as profitability is concerned, again, it will depend, I mean, how there will be a marginal profit or loss because we need to build up the brand. Actually, we've become EBITDA positive in a way in FY26, when we are closer to INR500 crores top line -- INR400 crores, INR500 crores top line.

**Moderator:** Thank you, sir. The next question is from the line of Pathanjali Srinivasan from Sundaram Mutual Fund. Please go ahead.

**Pathanjali Srinivasan:** Yes. Firstly, congrats on a good set of numbers. I did have a few questions. One is on gross debt, so post our capex, what would our gross debt levels be at the peak in the next couple of years?

**Ajay Kumar Saraogi:** So see, our present debt -- gross debt is around INR4,600 crores. And post, we are -- by FY26, if you see, it should be around INR5,500 crores of -- see, we are going to borrow about INR1,850 crores. But the two years, we will end up paying -- repaying about INR800 crores, INR900 crores of debt also. So incremental increase would be around INR1,000 crores of debt, so we could say we can peak maximum up to INR5,600 crores as a gross debt.

**Pathanjali Srinivasan:** Okay. Sir, and white cement, the realization seem to have increased from the previous quarter, is it possible to quantify what the increase was?

**Ajay Kumar Saraogi:** No, see, realization increase when we're talking about, it's a -- total white cement is a combination of -- when we talk about, it's the product mix change and other things. So exactly -- as far as putty is concerned, definitely, quarter-on-quarter, there is some pressure on the pricing, but there is a product mix change where it is showing marginally higher realization per ton.

**Pathanjali Srinivasan:** Okay. So does it mean that we've been selling more of specialized products or something, which is why the realizations have gone up a bit?

**Ajay Kumar Saraogi:** See. It's a combination of everything. Specialized, we make a ShieldMaxX, a premium putty, and other products. And this was a seasonal quarter, so it depends on that.

**Pathanjali Srinivasan:** Okay. Sir, and just one last question. What is our energy cost per kcal?

**Prashant Seth:** So INR1.80.

**Pathanjali Srinivasan:** And we see it going down by how much in the next quarter?

**Ajay Kumar Saraogi:** Marginally, if -- because we already have inventory at this rate, so I don't think so that in this quarter, there could be some marginal difference, not anything. The petcoke prices have reduced, and we should see some reduction. But it will -- it would be seen only in the first quarter of next fiscal because this is based on the inventory levels looking to -- we are more dependent on imported fuels, so we have 60-75 days inventory with us.

**Pathanjali Srinivasan:** Okay, sir. And just one last question, if I could squeeze in. What is our WHRS and renewable targets for '25, '26?

**Ajay Kumar Saraogi:** So on WHRS, again, one, a new WHRS plant at Muddapur is in advanced stage. It's actually under trial runs, so that will get commissioned and that will add. So in the next quarter, we will start seeing the benefit of -- and partially in this quarter and fully in the first quarter of next fiscal, we shall be seeing. So our present --

**Prashant Seth:** The present WHRS capacity is 64 megawatts, so that will go up to, say, by another 18 megawatts at the Muddapur. And then we will have the WHRS in the new Clinker Line-2 at the Panna also. So we will be doing --

**Ajay Kumar Saraogi:** Solar and wind, we are doing the regular tie-ups and we hope to increase it by around, say, 50 megawatts – 50-60 megawatts every year.

**Pathanjali Srinivasan:** So related to that, I saw something in our presentation, which said 22 megawatts agreement until 31st March '24. What does that actually mean, sir?

**Prashant Seth:** So that agreement meaning that tie up will expire by that period.

**Pathanjali Srinivasan:** Okay. So will we renew it? Or how does it like -- is that our option --

**Ajay Kumar Saraogi:** We had new tie-ups also. Actually, we had some short-term tie-ups. Now we are entering into a long-term PPA agreement. So in between, we had a short-term tie-up also, which was included in that.

**Pathanjali Srinivasan:** Yes, I just wanted some number on how much we target for '25, '26 in terms of renewable?

**Ajay Kumar Saraogi:** So see, '25, '26 in terms of renewal, we should definitely have -- I mean, I think we can take around additional 50 megawatts, for sure. Of which, 25 megawatt would be waste heat by FY26 because Line-2 will have that waste heat and incremental solar power of another 25, so we could see another additional 50 megawatts coming up in FY25-FY26.

**Pathanjali Srinivasan:** So this is an addition to our Muddapur 18 megawatt, right?

**Ajay Kumar Saraogi:** Yes, yes. This is in addition to Muddapur, yes.

**Pathanjali Srinivasan:** Okay, sure. Thank you, so much sir.

**Moderator:** Thank you. The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

**Amit Murarka:** Yes. Hi, good evening. Thanks for the opportunity. So on central India subsidies, how much was booked in this quarter?

**Ajay Kumar Saraogi:** So each quarter for the company, total subsidy works out to around INR26 crores-INR27 crores per month. It's about INR80 crores per quarter. INR75 crores to INR80 crores per quarter.

**Amit Murarka:** Okay. And like what is the total quantum of the available fiscal incentives here?

**Ajay Kumar Saraogi:** So we expect that for total quantum, it varies at -- in Panna, total is about INR300 crores, which we will get. And then there are fiscal incentives, which are available for the grinding locations. Different, so year-on-year, we should get around INR300 crores for next few years.

**Amit Murarka:** Okay. And then Panna Phase-2 will also have incentives again, right?

**Ajay Kumar Saraogi:** Yes, so we shall be making an application and, hopefully, we should get.

**Amit Murarka:** Got it. And in terms of the peak net debt, you said, I think, INR5,600 crores of gross debt, right?

**Ajay Kumar Saraogi:** Yes, that is what -- presently is INR4,600 crores, so I said incremental INR1,000 crores should be there, or that is what we see as a peak debt.

**Amit Murarka:** Understood. And also in terms of the paint revenue, you, I believe, booked some revenue in stand-alone business as well. What would be the quantum for Q3, nine months?

**Prashant Seth:** So that is around INR25 crores -- INR26 crores, exactly.

**Amit Murarka:** And that would be getting clubbed into the white cement putty revenue, right?

**Prashant Seth:** Yes, yes.

**Amit Murarka:** Okay. And is there some EBITDA also of this? Or should we consider this would be neutral on EBITDA?

**Ajay Kumar Saraogi:** No, there is no -- see, as a paint -- when we talk about total -- in the stand-alone results, there could be some marginal EBITDA, but it could be zero. By balance the advertisement goes into the MaxX business, in the paint business itself.

**Amit Murarka:** Right. And lastly, like on the Toshali acquisition, is there any update?

**Prashant Seth:** So at Toshali agreement, we are still in dialogue with the state government and the owner regarding transfer of mining lease. So the state government also had concerns with respect to that giving Toshali on our confirmation on buying out Toshali, so we are actually working at that. And -- because, one, we are also simultaneously working at an arrangement for a long-term tie-up for the limestone, pending the allocation of the mining lease.

So government is also considering that in case the transfer of mining lease may take some time, they can assure a long-term supply of limestone and whether the company would be in a position to consider that as an alternate option for the interim period until the limestone is -- mines are transferred.

**Amit Murarka:** Sure. And just the last question on employee cost. I believe there was some increase this quarter, it looks like some incentives and some employee bonus --

**Ajay Kumar Saraogi:** Yes. So the employee cost increases there because we have a variable pay option, and it had a component on a -- so since the targeted profit is being achieved, so there is an incremental provision for the variable pay, which has to be paid.

**Amit Murarka:** Okay. Okay. And the fourth quarter, will we see a similar number?

**Ajay Kumar Saraogi:** Fourth quarter number could be marginally lower because this has an impact of the previous -- additional impact is there in this quarter.

**Amit Murarka:** Sure. I will come back and give four more questions. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Jyoti Gupta from Nirmal Bang. Please go ahead.

**Jyoti Gupta:** Good afternoon, sir. Thank you so much for the opportunity. Good set of numbers. I would like to understand, given the capacity breakup between grey and white Cement, can I assume that we did 1,200 EBITDA on grey cement and roughly around 2,400 EBITDA on white cement?

**Ajay Kumar Saraogi:** Pardon, we are not really sharing the EBITDA numbers separately for both the businesses. You may derive at whatever basis you're calculating.

**Jyoti Gupta:** Okay. So basically, based on my calculation, I believe that is where the number should be close to. And second, on the expansion line. Effectively, my gross numbers are quite close to, but in terms of -- where do you see the volume growth going forward in terms of the entire overall India cement growth since every company is expanding the capacity, do you think the demand going forward will commensurate the existing and upcoming capacities?

**Ajay Kumar Saraogi:** So see, the demand is also increasing. If you look at the base has gone, the incremental effective capacity increase is not more than the demand. So we really see that whatever is the incremental capacity that will get absorbed.

**Jyoti Gupta:** Okay. Okay. So what kind of pace are you assuming for demand, all India demand? Or maybe in the markets where you are actually operating?

**Ajay Kumar Saraogi:** So we see a demand -- a growth in demand of anything between 7% to 9%.

**Jyoti Gupta:** And that 7% to 9% specific in the market where Shree, UltraTech are also very, very active and the capacities are going to be significant, additions are going to be there. You assume, you believe that it is self-consuming, the market will consume all the upcoming capacity, so which means it is...

**Ajay Kumar Saraogi:** So far, it has happened and we feel that, yes, it would be.

**Jyoti Gupta:** Okay. Sir, on your fuel front, I would like to understand -- I mean, since there's been a significant drop in your fuel costs, I would also like to understand, will this remain consistent? If that is so, then possibly, I can expect a 1,200 EBITDA in the fourth quarter, around the same levels. I mean, not a same at 1,300, but maybe around 1,200 levels is what I anticipate in the fourth quarter. So is -- will there be any changes in your fuel?

**Ajay Kumar Saraogi:** See, again, you said fuel and EBITDA. EBITDA is a combination not only -- it's not related to the fuel price position. Definitely, there will be some. We feel that, as I said earlier, we already have some inventory, which is at par with the fuel cost of Q3 average, so we don't see a major drop in that count. And EBITDA is a combination of other costs as well as the -- and the main is the realization.

So as of now, the realization in the current month is marginally lower than the exit of the third quarter. So we would be definitely -- we are definitely -- I mean, not that -- we do expect some price increase to happen, but if it does not happen, then it would be difficult to comment on anything on the EBITDA per ton.

**Jyoti Gupta:** Okay. All right. Okay. And the other thing I would like to understand in terms of the WHRS, you will be adding additional 50 megawatts in the next two years, which is by FY'26?

**Ajay Kumar Saraogi:** So WHRS actually we shall be adding incremental of 43 megawatts. 18 megawatts is being added, is under already trial runs at Muddapur. And 25 megawatts of WHRS is being add -- is proposed along with the new expansion at Panna.

**Moderator:** Ma'am, I would request you to kindly rejoin the queue for follow-up questions. Thank you. The next question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

**Navin Sahadeo:** Yes. Good evening, sir. And thank you for the opportunity. Heartiest congratulations, sir, for such a strong set of numbers. In my estimates, you could certainly be higher than industry leader, UltraTech cement, for the quarter. My question was I understand pricing is dynamic. And on the cost front, we have wasted recovery as the benefit coming in the next quarter. Apart from that, are there any more levers for -- from a cost rationalization or a revenue optimization point of view, which will ensure that we keep up with this lead over the industry?

**Ajay Kumar Saraogi:** So see, WHRS is there, but we will not see the benefit. The benefit will not be at full for this quarter. We would be seeing the full benefit of WHRS from in quarter, Q1 of FY'25 because it is under commissioning and by the time it stabilizes and other things, it may take some time. On the other costs, yes, there could be on fuel, as I said, though we are trying to -- there could be some fuel and other costs of around INR30, INR40 a ton incremental saving could be there. Beyond that, we do not see any savings immediately in this quarter.

Regarding the pricing, yes, though we are trying to work out on the other mix; at the same time, we need to also see our new markets of eastern UP, which is necessary to be developed, look into the Prayagraj expansion, which would get sometime in the -- by end of second quarter of FY'25.

**Navin Sahadeo:** Understood. Helpful. So the other question was on the overseas operations, so you were just simply doing difference between the consolidated and stand-alone EBITDA. And you also said that paint was a loss of around INR5 crores roughly as you said for the quarter. But yet, the difference is a decent INR16.5 crores or nearly INR17 crores. So I wanted to understand, is there anything similar to the previous quarter, which -- wherein, there was a one-off export opportunity of clinker to Australia if I am correct or this is more sustainable sort of recovery or margins in the UAE?

**Ajay Kumar Saraogi:** So Fujairah operations, as we told earlier, we have been trying to work out on our turnaround plan for the Fujairah operations. The operations are also adversely affected by a very high fuel cost and because of high logistic costs. So things are becoming normal over there. There has been a reduction in the fuel cost. We are also working out on the other value-added products, which have also now giving us some positive revenue. So in this quarter, Fujairah also, we have earned -- there is an EBITDA similar to -- somewhat similar to Q2. Q2, the EBITDA for Fujairah was about INR25 crores. And in this, it is INR21 crores.

**Navin Sahadeo:** And sir, how sustainable is this? This is my broader question because historically, as you said, I mean, multiple...

**Ajay Kumar Saraogi:** So again, we had some good -- I mean, some one-off volumes also. But I think as we are seeing Fujairah, anything annually we should be able to -- though we are trying to work out on a plan in Africa and -- which may take some time. But there are other restrictions or other cost increase and restrictions, which are being imposed in UAE, but on a consistent basis, if things remain normal, we do see that we could -- not at this pace, but definitely on an average around -- anything between INR30 crores to INR40 crores annually could be sustained at Fujairah.

**Navin Sahadeo:** Great. That will be a much better scenario versus the past. And just one last question, freight cost per ton sequentially increased, I think, of course, there was a busy season, surcharge on the rail, I assume that. But is there more to it in the sense that since we are looking to probably develop those eastern UP market, as you said, or maybe Bihar because I mean we are eventually going to set up there. So is there an increase in lead distance? And is this number then...

**Ajay Kumar Saraogi:** Yes, so there is an increase in the lead distance also, so one is a busy freight. There is an increase in lead distance. Lead distance increases on account of servicing new markets. There is a change -- there's a mix change. The south where the lead is still lower, the volume was marginally lower over there, so all these factors were there. So these are the two major factors.

And one other thing is that there has been some inventory increase there, which is again, an increment adjustment, which is, we get on a particular day, some freight gets shown as an expenditure and is part of the stock valuation. So -- but if you look at the major two counts, one is the busy period. I mean because of railway freight and there's an increase in the lead distance.

**Moderator:** Thank you. Sir I would request you to kindly rejoin the queue. The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

**Sumangal Nevatia:** Good evening, sir. First question is, is it possible to get the breakup of this INR2,800 crores in terms of grinding, clinker, WHRS, some sort of breakup if you can share?

**Ajay Kumar Saraogi:** So see, the breakup of INR2,800 crores, I mean, if you look at the grinding stations, at the -- in Bihar and the expansions, which we have to do could be around INR600 crores to INR650 crores, and INR2,200 crores would be the amount, which will be spent at Panna including WHRS.

**Sumangal Nevatia:** Okay. Understood. And sir, since we're entering Bihar, I mean, what sort of -- I mean, what's the strategy, I mean, in terms of new catchment area versus further increasing our penetration in existing? So does Bihar will be servicing the entire new market?

**Ajay Kumar Saraogi:** So Bihar would be a new market for us. So presently, we are not selling in Bihar. So as a new catchment when we set up Panna, so there was a similar -- there were new markets in MP and UP, which we are capturing. So we will have a similar plan to enter into Bihar and the new markets, we would be planning to consolidate on new markets.

**Sumangal Nevatia:** Okay. And sir, this announcement was kind of anticipated since a while. I mean, now can we assume, I mean, in future, you kind of reach out as far as Panna expansion is concerned and future expansion will be either in some other location or a greenfield plant?

**Ajay Kumar Saraogi:** So as I said earlier, see, we have 2, 3 options and we would -- looking to the market scenario, we have an option for an expansion in the North at Jaisalmer and we have an option for an expansion in the South, where we are already operating at a very high level of capacity utilization. And also option for Line-3 at Panna and if something works out for Toshali, that's an option. So these are the four options, which we have. And I think by the time we are able to have -- we are in advanced stage for completing Panna Line-2, we should -- we would have a clear plan where we need to go next.

**Sumangal Nevatia:** Understood. And just one last clarification, sir. This year, you said around 16.5 million ton volumes for grey. Out of this, how much would have been contributed from Panna? I mean, just trying to understand overall average year, what utilization would be operating at?

**Ajay Kumar Saraogi:** So Panna is already -- would be operating at 75%, 80% capacity utilization, 75%. So definitely, 75% capacity utilization would be at Panna.

**Moderator:** The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

**Rajesh Kumar Ravi:** Hi sir, good evening. Am I audible?

**Moderator:** Yes sir.

**Ajay Kumar Saraogi:** Yes.

**Rajesh Kumar Ravi:** Congrats, sir, on a great set of numbers. I have a few questions. First on the expansions, these grinding expansions, which you are doing in brownfield. So are they actually are adding some balancing equipment? Or will it be a separate grinding mill, which is getting ready?

**Ajay Kumar Saraogi:** No, separate grinding unit. It is in the existing unit itself, some upgradation. I mean, we have a scope in the design and followed it by adding additional packing system and...

**Rajesh Kumar Ravi:** Okay. And the capex number, which you mentioned for FY '25, if I heard it correct, INR2,200 crores, and next year then it will be around [INR1,500 crores]?

**Ajay Kumar Saraogi:** Yes, So INR2,200 crores, which was set for FY '25 included the capex for the expansion at Prayagraj. So it included the Prayagraj grinding unit, which will get commissioned in FY '25. It included some out of the capex of spillover INR200 crores out of the current year. The current year plan was INR1,400 crores and we are doing -- we should close around INR1,200 crores.

Some normal capex and about INR1,200 crores, INR1,300 crores of the new expansion expenditure.

**Rajesh Kumar Ravi:** Okay. And on the operating metrics, you've posted strong numbers, but I see a few things. Your nontrade mix has improved -- trade mix has come off quarter on quarter from 69% to 64%. And -- our panels have suggested central market where I assume relatively flat beyond, too. And also, there is a large inventory -- negative inventory adjust -- negative inventory numbers, just how the adjustment, so can you explain what was this? Where do you -- how you will be benefited on the realization despite loss on nontrade sales and this large inventory number?

**Ajay Kumar Saraogi:** So number one, we would like to emphasize that we have been able to maintain our market share and trade across all markets. We have not lost the market share, when we talk about in terms of the trade sale. In fact, in the new markets, I mean -- in fact, in the new markets, we have even further improved upon our trade share over there. If -- yes, the nontrade volumes percentage has grown because if the incremental demand and the opportunity is coming from nontrade, to get the incremental volume, you will have to sell in the nontrade segment.

**Rajesh Kumar Ravi:** Correct. So what was that if you're selling more in nontrade, you were gaining on volumes…

**Moderator:** I'm sorry to interrupt sir, your audio is not clear right now.

**Ajay Kumar Saraogi:** No actually, Rajesh, in this quarter, the pricing was better than the previous quarter. That's why we have seen improvement in the realization.

**Rajesh Kumar Ravi:** And sir, this inventory adjustment number, could you explain that?

**Ajay Kumar Saraogi:** Because stock mainly -- see last quarter since our maintenance was high as a normal because Q2, normally, we have the maintenance, so clinker stock had reduced. Now we have come to the optimum level again in this quarter.

**Rajesh Kumar Ravi:** Okay. So nothing one-off?

**Ajay Kumar Saraogi:** Yes, yes, nothing one-off.

**Rajesh Kumar Ravi:** So last question, WHRS, you are doing for 3.3 million ton, you have mentioned around 25 million tons WHRS. So is it some surplus because usually, we used to think of 3 million ton odd would suffice at max 15-megawatt of WHRS.

**Ajay Kumar Saraogi:** No, no, it is not that. We already are having a 22-megawatt of WHRS in the Line-1 at Panna.

**Rajesh Kumar Ravi:** Correct. But optimal utilization is possible with…

**Ajay Kumar Saraogi:** Your voice is not clear, actually.

**Rajesh Kumar Ravi:** Sorry. I'm saying with 3.3 million tons, was it the optimal decision you can do, all this 25-megawatt is possible?

**Ajay Kumar Saraogi:** Yes, yes, it is possible.

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

**Prateek:** Yes. Thanks for the opportunity. Most of my questions are answered. Sir, first question is on green energy mix, just to get a number. While you talked about megawatt installations both in solar and WHR, so 50% of FY '24 YTD is expected to touch what number, like maybe by FY '26? Like some of the peers I've talked about 60% number by FY '26?

**Prashant Seth:** So if you look at the green power, presently, we are at 50%. I think by FY'26, we should be closer to about 60%.

**Prateek Kumar:** And one of your erstwhile presentation talks about 75% as like probably a more...?

**Prashant Seth:** That is the target for 2030.

**Ajay Kumar Saraogi:** That's the target for 2030.

**Prateek Kumar:** Right. On realizations, so this INR26 crores, which were booked in stand-alone business for paint, was this a similar number last quarter also because your total nine months, you said 100 plus?

**Prashant Seth:** Last quarter was INR19 crores.

**Prateek Kumar:** INR19 crores. So there's a small benefit on reported blended realizations in white cement because of paint also, but not so material?

**Prashant Seth:** Yes.

**Prateek Kumar:** Sure. And sir, with regard -- to this last question on freight, you talked about some increase in lead distance because you're like building new markets. So this 1,290 number, is this like expected to like sort of sustain or like there is some one-off, particularly in this quarter?

**Ajay Kumar Saraogi:** So I think quarter-on-quarter, it should be sustained because, one, the railways surcharge would be same, similar. So it would not have any impact. The lead distance also, I think, there should not be any major increase in the lead distance. So I think quarter-on-quarter, it should be flattish.

**Prateek Kumar:** It would remain higher, like last year, we were 1,220 on an annualized basis. It will probably remain at this closer to 1,300 going forward?

**Ajay Kumar Saraogi:** The same as this quarter, I'm saying.

**Prateek Kumar:** Sure. Okay these are my questions. Thank you.

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

**Ritesh Shah:** Thanks for the opportunity. A couple of questions. Sir, first is on how one should look into the cement clinker ratio from now to FY'26, looking at the capacity? I think, you've indicated a number of 66% for the quarter.

**Ajay Kumar Saraogi:** Yes, so we could see anything ranging between 0.62 to 0.64.

**Ritesh Shah:** Okay. And sir, what gives us confidence over here? Do we already have tie-ups or flash lag? Or is it like the deals are already in proximity, that gives us this confidence?

**Ajay Kumar Saraogi:** Yes, yes. So see, that is already a tie-up for all the existing grinding locations, which will also include the brownfield expansions at Hamirpur and Prayagraj. So only the long-term tie-up, which is under negotiation has to be done once you finalize the location for the Bihar unit.

**Ritesh Shah:** Okay. That helps. Sir, are we looking at LC3? A few of the companies have indicated that they are ready for commercialization. Any plans on calcined clay as a product?

**Ajay Kumar Saraogi:** Yes, yes. So we are also -- actually, we have done the -- a trial production. And also we are definitely looking at and see how we can have that as a commercial option, so we are there already at it.

**Ritesh Shah:** Sir, any time lines?

**Ajay Kumar Saraogi:** So time line, see one, you can again do it, but we had to see, unless we have a proper commercial model. So that has to be seen on the demand-supply on the -- time lines will depend on that.

**Ritesh Shah:** Okay. But if the product is ready for us, so hypothetically...

**Ajay Kumar Saraogi:** Yes, the product is more or less ready for us. We've done the testing.

**Ritesh Shah:** This is helpful. And sir, last question. Any specific reason to go for Bihar? Why not any other states?

**Ajay Kumar Saraogi:** That's a natural growth. That's a natural once we go from East, so that's a natural market. We have no other options from Panna to go to. That's the natural growth market area.

**Ritesh Shah:** This is very helpful. Thank you so much and all the very best. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on account of time constraint, this will be the last question for today, which is from the line of Sonal Bansal from Eureka Stock & Share Broking Services limited.

**Sonal Bansal:** Congratulations, sir, for the fab results.

**Ajay Kumar Saraogi:** Thank you.

**Sonal Bansal:** I would like to know how do you see the price movement in North and Central region in the next two quarters?

**Ajay Kumar Saraogi:** So actually, we are expecting that some price increase should take place in this quarter. So if it takes place in this quarter, it will be good. Otherwise, the first quarter may be difficult because of the elections and other things.

**Sonal Bansal:** Okay. Thank you, sir.

**Moderator:** Thank you. As that was the last question, I would now hand over the conference to Mr. Vaibhav Agarwal for his closing comments. Over to you, sir.

**Vaibhav Agarwal:** Yes. Thank you on behalf of PhillipCapital India Private Limited, I would like to find the management of J.K. Cement for the call and many thanks to the participants joining the call. Thank you very much, sir. You may now conclude the call. Thank you.

**Ajay Kumar Saraogi:** Thank you everyone for joining. Thank you. And if you have any other questions, yes, you can contact us directly.

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