JKLC:SECTL:SE:21
3rd February 2021

1 **BSE Limited**
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
Security Code No. 500380
Through: BSE Listing Center

2 **National Stock Exchange of India Ltd.**
"Exchange Plaza"
Bandra-Kurla Complex
Bandra (East)
Mumbai – 400 051
Symbol: JKLAKSHMI, Series : EQ
Through: NEAPS

Dear Sir/ Madam,

Re: Conference Call organized by PhillipCapital (India) Pvt. Ltd. on 2nd February 2021 at 4:00 P.M.

In continuation of our letters on the above subject, attached herewith the transcript/minutes of the aforesaid conference call, this is for your information and record.

Thanking you and assuring you our best co-operation at all times.

Yours faithfully,
For JK Lakshmi Cement Limited

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

Encl: a.a.

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"JK Lakshmi Cement Q3 FY-21 Earnings Conference Call"

February 02, 2021

MANAGEMENT: MR. SHAILENDRA CHOUKSEY – WHOLE-TIME DIRECTOR, JK LAKSHMI CEMENT LIMITED
MR. SUDHIR BIDKAR – CFO, JK LAKSHMI CEMENT LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to the JK Lakshmi Cement Q3 FY21 Conference Call 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 to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you, and over to you, sir.

Vaibhav Agarwal: Thank you, Sanford. Good evening, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q3 FY21 call of JK Lakshmi Cement. I need to highlight that JK Lakshmi Cement is also the holding company of Udaipur Cement Works Limited and therefore the call is also open for discussion about the performance of Udaipur Cement Works Limited. On the call, we have with us Dr. Shailendra Chouksey – Whole-Time Director; and Mr. Sudhir Bidkar – CFO of JK Lakshmi Cement.

I would like to mention on the half of JK Lakshmi Cement and its management that certain statements that may be made or discussed on the conference call may be forward-looking statements related to future developments and current performance. But these statements are subject to number of risks, uncertainties and other important factors which may cause the actual developments and results to differ materially from the statements made. JK Lakshmi Cement Limited and the management of the company assumes no obligation to update or alter these forward-looking statements whether as a result of new information or future events or otherwise. I'll hand over the floor to the management of the JK Lakshmi Cement for their opening remarks, which will be followed by interactive Q&A. Thank you, and over to you, sir.

Management: Good afternoon Mr. Vaibhav and all the participants. May I on behalf of our company and on behalf my colleague Mr. Bidkar welcome you all for this con-call and since the results have already published and well read and analyzed by you, we will straightaway go to the question-answer session.

Moderator: Thank you very much sir. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Sanjeev Goswami from Fractal Capital Investments.

Sanjeev Goswami: I just want to have some updates in terms of, how you are going to finance the expansion plan at Udaipur Cement Work. I understand its 1200 crores of expansion plan that you have, could you give us some idea about debt-equity ratio that you will have over there, how much for example the internal debt pool and how much equity you will be raising?

Management: This is going to be 1500 crores project including the railway siding and broadly we proposed to finance it with the debt equity of 2:1 means debt of about 1000 crores and in equity of 500 crores. Some portion of the equity will come from their own internal approvals and some would be the capital raising. We are yet to firm up that but that is broadly what the means of financing would look like.

Sanjeev Goswami: I just want to understand from the company and group's perspective, what is the reason for having a separate listed company which is also included exactly same kind of activity?

Management: You are right, first and foremost this is company which we had acquired taken out from BIFR and wanted to keep it separately for some time to nurture it as a separate company. Now at appropriate time we will take that call on the merger. As of now the compelling reason for not doing the merger upfront is the differential in the tax rate. While JK Lakshmi is at 34% at the old regime, UCWL is at the new rate and in case we do the merger, obviously whatever profitability is there of USWL will start getting taxed at 34% and also start paying MAT. So JK Lakshmi can't switch over to the new regime of the concessional tax rate of 25% either time the MAT credit gets knocked off which will take another 3 to 4 years. But yes you are right, ultimately that structure has got to collapse but at a time when it is tax neutral otherwise it will result in some unnecessary outgo or maybe losing some tax MAT as far as JK Lakshmi is concerned or subjecting UCWL to higher rate of tax then they are otherwise paying.

Moderator: The next question is from the line of Satish Kumar from Antique Stock Broking.

Pratik Kumar: This is Pratik Kumar from Antique. I wanted to understand how has been the demand trend and pricing trend in the month of January, now we are into February, are there any signs of price improvement which you are seeing in the market and how is the demand traction getting into Q4?

Management: We saw good run on the demand front in the Q3 and the month of January has been no different. We therefore are expecting that Q4 will continue to show buoyancy in the volumes as in the Q3 and then of course budget announcements also gives us the hope of optimism on the volume front in the coming next one financial year at least. So I think volume does not look to be an issue of worry in the immediate earlier future.

Pratik Kumar: And on pricing front, has there any improvement after some correction in Q3?

Management: We have not seen any correction in the prices in and one of the market we have seen some corrections, in Gujarat but otherwise the prices continue to remain as they were in the trailing period of the previous quarters.

Pratik Kumar: So you mean Gujarat has seen correction in January and East and North are stable versus December?

Management: Right.

Pratik Kumar: And on UCW operations you mentioned for 500 crores equity, you might want to raise capital outside internal accruals. Does that mean you want to raise in equity or is it like debt only you are referring to?

Management: Equity. Debt is 1000 on the debt equity when I mentioned debt equity of 2:1, so obviously 1000 crores is the debt, balance come from the equity and some internal accruals as I mentioned in response to the earlier question.

Pratik Kumar: But our balance sheet doesn't look to be like in a very leveraged position to fund this kind of project which is also spaced out for 3 years. So any specific reason we are looking for equity?

Management: Equity because UCWL on a standalone will require that sort of an equity to sustain that 2:1 debt equity. Already they are on a slightly high debt equity, so they will require some equity infusion.

Pratik Kumar: So JK Lakshmi standalone will not be funding this project that way?

Management: Lakshmi will not be required to borrow additional money to make equity contribution if it is required but otherwise JK Lakshmi on its own is at a very healthy debt equity.

Moderator: The next question is from the line of Nikhil Arora from Axis Mutual Fund.

Nikhil Arora: Just one clarification, when you talk about equity raising, (9.34) Udaipur Cement, right?

Management: Yeah.

Nikhil Arora: And that Udaipur will only do, more dilution will happen at JK Lakshmi, is that the right way to look at it?

Management: Sorry come again, I have not heard you rightly.

Nikhil Arora: What I'm trying to understand is that equity raising is at the Udaipur Cement, not at the JK Lakshmi.

Management: Yeah you are right, it is at Udaipur Cement, not at JK Lakshmi.

Nikhil Arora: What are the mechanism, are we going for the rights issue where JK Lakshmi will also participate?

Management: We have not yet firmed up but in all likelihood it could be rights only.

Moderator: The next question is from the line of Ritesh Sheth from Edelweiss Wealth.

Ritesh Sheth: I was looking for volume numbers for this quarter if you can provide.

Management: Volume for this quarter, we had JK Lakshmi volume was 26.95 lakh tonnes for total sales which includes cement of 25.04 and clinker of 1.91.

Ritesh Sheth: And what was it last year?

Management: Last year in the corresponding quarter we have total sales of 23.27 which included the clinker sale of 1.59.

Ritesh Sheth: I didn't get the volume numbers for last year, your voice broke up.

Management: Last year total volumes were 23.27 lakh tonnes which included clinker sale of 1.59, balance was cement.

Ritesh Sheth: Can you provide your debt figures for this quarter, both stand-alone and consolidated?

Management: Debt as of 31st December, 2020 on a standalone basis we had total debt in JK Lakshmi of 1450 crores and about 900 crores of surplus, so it was about 550 was the net debt. On a consolidated basis as of 31st of December, 2020 we had 1975 as the total debt and 1020 as the net debt on a consolidated basis.

Moderator: The next question is from the line of Kamlesh Bagmar from Prabhudas Lilladher.

Kamlesh Bagmar: What was our consolidated sales volume excluding our traded cement volume?

Management: We had mentioned about total sales volume for this quarter for JKLC was 26.95, UCWL was 5.05. So total was 32 lakh tonnes for this quarter. Then eliminating about 4 lakh tonnes of the interunit sales, the total net sales of knocking off the interunit sale is 28.02 which is going to 26 of cement and 2 lakh of clinker.

Kamlesh Bagmar: On the non-cement revenues like plaster and RMC revenues in this quarter in last quarter.

Management: This is your pet question which always ask every quarter. The other revenue value-added products in this quarter were, Kamlesh, 91 and in the corresponding quarter it was 73 crores, 73 has gone up to 91 crores.

Kamlesh Bagmar: We have seen fall in the prices in North like non-trade and even in the East market. what would be the trend in the month of January as compared to previous quarter's average Indian realizations or NSR?

Management: In response to the previous question, that we have did only some price increase within one of the markets in Gujarat. Rest all the margins have remained same as December. So be it East or North, they remained at the same level as December.

Kamlesh Bagmar: On the pet coke front, when are we going to see the impact or in this quarter how much increase could be there on the cost front for us?

Management: We should see some impact of that coming in this fourth quarter and full impact in the first quarter in the next financial year.

Moderator: The next question is from the line of Ritesh Shah from Investec.

Ritesh Shah: In one of the prior question to you with respect of price point differences between UCW and JK Lakshmi, you indicated that will take a couple of years before its tax neutral. So can you explain this, what is the quantum involved over here and why do say 4 years?

Management: Can you repeat that last bit of your question?

Ritesh Shah: You indicated the effective tax rate at UCW is 25%, now is it the existing or is it for the new expansion that what you are referring over here?

Management: We are talking of the existing, they have opted for the low tax regime. We JK Lakshmi did not opt for the lower tax regime because we had MAT credit entitlement pending. Now in case they switch over to the new rate of 25% total including the surcharge etc. then you lose on the MAT credit entitlement. That figure is about close to 200 crores for us as far as JK Lakshmi is concerned, MAT credit entitlement. So it will take some time before we are able to knock that off against our actual tax liability. So only when that MAT get knocked off then we can switch over and graduate to a lower tax rate change of 25% and when both the companies are at 25% that would be the opportunity for us to merge. So depending on the future profitability of JK Lakshmi it may take 3 to 4 years before we are able to knock off the MAT credit entitlement against our normal tax liability.

Ritesh Shah: Second related question is it will also be a function of UCW, the incentive is what UCW entails as compared to JK Lakshmi Cement. So can you please elaborate on how much are the incentive on a per ton basis at UCW versus JK Lakshmi?

Management: UCWL whatever incentives they were having for the sales tax that is going to expire sometime next month, so that is not a reason as to why we are not merging. For their new expansion that in any case they will get depending on where they are going to set up their units.

Ritesh Shah: But I am assuming that their new expansion will also have incentives.

Management: They will have incentives but will make sure that the merger doesn't impact the availability of incentives because the incentive is linked to the CAPEX and if CAPEX has been done the incentive should be available.

Ritesh Shah: Expansion timelines over here for UCW?

Management: We are talking about 3 years timeline from the day we do the financial closure.

Ritesh Shah: Last question for Chouksey sir, how much is the trade, non-trade gap in North, any scope of this huge gap which is there narrowing? That is one and secondly any color on pricing in Eastern India which is quite depressed—I understand like 2 last years—there is a market share story which is going on between them, but how should one look at this? Is there some way out, so if you can elaborate on pricing in North and East that will be very useful?

Management: Since there has been no change in the prices that huge gap between trade and nontrade continues unfortunately in case of North. And the lower prices in East also continues but one can only hope that better sense will prevail and I won't be surprised if that happens, in the month of February things might start looking up because the demand is good, many people are out of clinker. We ourselves don't have any clinker to running sort of clinker in fact. So lot of companies are facing that problem, so I think it need a very strong case of price correction and I think it should happen sooner than later.

Ritesh Shah: You indicated in the prior question, 91 crores of value-added products, is it possible you give a breakup over here and do we have any specific target for this segment and corresponding EBITDA numbers if you can give?

Management: We don't share the separate EBITDA numbers but broadly this coming from AAC blocks, RMC.

Management: And this quarter we have added the Putty also.

Management: POP also, so these are the three main constituents of that.

Ritesh Shah: And any targetsover here?

Management: We are targeting in the coming financial year about 500 crores turnover from the value-added product.

Moderator: The next question is from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: Can you help us with your fuel mix, pet coke coal and if you are looking to change this given the rise in prices?

Management: In this quarter we had total coal of about 27%, 68% was pet coke and 5% was other biomass etc. ultimate fuel. That broadly is there. It has changed in fact, the coal has gone up as compared to the corresponding quarter and also depends on the pricing and availability of coal at the plant site.

Indrajit Agarwal: This coal will be domestic or mostly imported?

Management: In the East it is mostly domestic only but in North it is partly imported as well.

Indrajit Agarwal: Right now what is the price differential online databases per ton, per kcal basis between coal and pet coke?

Management: Broadly on kcal basis it works out to be same but pet coke works out to be on kcal basis as slightly cheaper always.

Indrajit Agarwal: Even now?

Management: Yeah.

Moderator: The next question is from the line of Rajesh Ravi from HDFC Securities.

Rajesh Ravi: I have a few questions, first on the RMC numbers for the quarter was how much?

Management: We didn't give separately for the RMC number, overall value-added was 91 out of which if you specifically want it was about 35 crores for RMC.

Rajesh Ravi: And when you give the consol numbers for the quarter, 28.02 lakhs sales volume is it possible to share for nine months also how was this number?

Management: Nine months we had total sales for JK Lakshmi of 69.85, UCWL was 14.55, so aggregate was about 84.4 and if one were to knock off the interunit of 10.27, the net of the interunit sale was 74.13 including clinker of 7.95 and 66.18 of cement.

Rajesh Ravi: Clinker is 7.15 lakhs?

Management: 7.95 out of 74.13.

Rajesh Ravi: Talking on the clinker, we are also selling clinker and we would be also buying clinker in few markets. So could you elaborate on which market you are falling short of clinker and where you are getting the opportunity to sell surplus clinker that you have?

Management: We were only marketing. In the North there is no outside sale of clinker, whatever is there is negligible. But yes, in the East market there is a site we are doing some clinker sale. So in North and West we do not have any clinker to sell now. We are meeting our requirements from outsourced while in the East we do have some additional clinker which we are liquidating by sale.

Rajesh Ravi: And with this Cuttack grinding unit ramping up would that surplus remain?

Management: Gradually, this will come now.

Rajesh Ravi: How much clinker we would have bought in third quarter and for the nine months for standalone basis?

Management: I don't have the figure readily. We only bought in December. We did not buy it earlier. So the purchase in the third quarter that is in nine months also.

Rajesh Ravi: On the volume growth you have been delivering strong numbers, so any specific market you saw this growth like Gujarat, West, North and East if you could give some indicated numbers which market saw what sort of volume growth with you?

Management: We have been growing mainly in Gujarat and Rajasthan.

Rajesh Ravi: Sorry, Gujarat and Rajasthan?

Management: That is where our growth has come from.

Rajesh Ravi: And how about East, because market was growing in…

Management: East also we have grown there. In East we have grown all around and we have grown in MP and Maharashtra also.

Rajesh Ravi: Lastly, when you talked equity dilution at Udaipur, when JK Lakshmi participates in the rights issue, will that have any material impact on your leverage ratios?

Management: At JK Lakshmi we don't need to borrow to invest in UCWL. It will remain unaffected by this investment in UCWL as far as JK Lakshmi leveraging goes. JK Lakshmi will not be required to borrow further to invest in UCWL.

Rajesh Ravi: Okay. The current leverage level even if it remains stable, you can still participate in the required equity contribution.

Management: Yeah, we have as of now 900 cores of surplus cash. I don't see that as an issue.

Rajesh Ravi: I will come back in the queue and as it is you told that it's a 2 to 3 year spread, the CAPEX will be spread over three years.

Management: Yeah.

Moderator: The next question is from the line of Swagato Ghosh from Franklin Templeton.

Swagato Ghosh: One clarification on the differential tax thing. So, if we merge UCWL with JK Lakshmi, the total profitability goes up, then can't we actually expedite the MAT credit utilization as JK Lakshmi?

Management: But then they will be further required to pay MAT on their profits which they are otherwise no required to pay. So MAT will keep on swelling to the extent of the additional MAT being paid on UCWL profitability. On top of that they will be charged at 33% on their profit as opposed to

25%, which is their normal tax today. So we have done those numbers and that makes sense to wait till the time both the companies are at the same tax rates.

Swagato Ghosh: And UCWA did not have any unutilized MAT credit?

Management: They did not have, that was the reason as to why they immediately switched over as soon as it was offered by the government, this switched over to the new rate. They did not have MAT credit entitlement pending.

Swagato Ghosh: But for the period they were making losses, I am wondering, they were paying MAT, right?

Management: When they are making losses they don't have to pay MAT. In fact, they were able to take because of the losses the shield on the normal tax also. So if they are neither paying MAT nor paying normal tax, obviously they were at a nil tax. Now till the time their whole tax losses get absorbed they will continue with that after that they will pay at 25%.

Swagato Ghosh: And if we borrow at Udaipur level, versus if we borrow at JK Lakshmi level, what is the current interest cost differential?

Management: Since we are providing I don't see that to be an issue because we'll provide the corporate guarantee and then the risk is for the bankers on JK Lakshmi. So, I don't see that to be an inter-state differential. On a standalone basis, you are right; there could be inter-state differential for both the borrowing entities because risk appetite for the two entities are different. So, we will be offering the corporate guarantee.

Swagato Ghosh: And hence there would not be any differential.

Management: And hence there would not be any, because in any case…can you repeat your question? I missed that out. I will answer it again.

Swagato Ghosh: I got the answer that there will not be any differential. So I have one last question. Can you just give me the cement production for the quarter at JK Lakshmi?

Management: Cement production for JK Lakshmi is 22.74 lakh tons.

Moderator: The next question is from the line of Uttam Kumar Srimal from Axis Securities.

Uttam Kumar Srimal: What has been our trade mix during this quarter?

Management: Trade mix in this quarter is about 50-50.

Uttam Kumar Srimal: So nontrade has increased from last quarter?

Management: I think it should be around 2%.

Management: First quarter in fact trade was higher. From second quarter 49 it has gone up marginally to 50%. Overall in nine months it is 53% rate.

Uttam Kumar Srimal: This quarter Other Expenses has been quite higher and specific reason for that? Other expenses have increased quite sharply compared to last 3-4 quarters, so any specific reason for that?

Management: For two reasons, one towards the year end based on the profitability we have to provide for the managerial remuneration and instead of loading it in the final quarter we appropriated over the remaining quarter. That is number one. Number two, some additional assignment has been given to BCG so some fees has also got added there too. Thirdly, in the first two quarters because of this lockdown, etc., the activities on the advertisement front were slightly subdued. That has picked up in this as the lockdown got lifted in third and fourth quarter, should get increased.

Uttam Kumar Srimal: My last question with regard to volume, this quarter we had quite a good growth in terms of volume. So do we expect to maintain the same volume in this fourth quarter also?

Management: Yes. Dr. Chouksey mentioned in response to an earlier question, that tempo is expected to be there maintained in the fourth quarter.

Management*:* Last week when there will be see some impact of Holi, rest of the period we believe would remain same.

Moderator: The next question is from the line of Amit from Motilal Oswal.

Amit: My first question was around WHRS, so the Sirohi WHRS I believe you had guided for commissioning by September, 2021. Firstly, is the timeline still holding? My first question was on WHRS at Sirohi, so you had earlier guided for September 2021 commissioning. I just wanted to confirm that timeline is still holding effect?

Management: There could be a one or two-month slippage because of this COVID when there were workers going off and migrating to their respective places. So those have come back. So we are trying to make up for this loss of time, but there could be one or two months' slippage. Instead of it commissioning in September, it may spill over to the coming next quarter thereafter. That's all, nothing more one or two months.

Amit: And on the power and fuel front I don't know if it's already discussed, but Q-o-Q there seems to have been a drop in the cost also, I believe which will be for the low cost inventory. So is there still some low cost inventory left with you or its all invested now.

Management: Some impact would come for the high cost inventory in this quarter, so some inventory is left. And then full impact of the increase in the pet coke and coal prices would get reflected in the first quarter of FY22.

Amit: Lastly, on the freight cost again there was an increase in the freight cost. So, is it because of some leave distance increases or something like that? Q-o-Q I am talking about.

Management*:* It's mainly because of the fuel price, the container prices hike, that's why you notice a change quarter on quarter.

Amit: Q-o-Q diesel was down 2%. So that's why I was surprised, it went up by…

Management*:* The same quarter last year it was higher.

Amit: I was talking of Q-o-Q. Y-o-Y I agree. Q-o-Q diesel actually was marginally down whereas your freight cost has gone by like close to 6%.

Management*:* There is a bit of a lead increase also compared to the previous quarter.

Amit: Generally, just to understand why would that be, is it because of you are catering to central India and other markets?

Management*:* Basically the idea is to capture better prices in any markets and that is where we saw that in Rajasthan because of the price slippages more in the Rajasthan we had increased our volume in Gujarat in Suarashtra region and some in the North.

Amit: Which is also getting reflected in your volume growth. Okay understood. Thank you.

Moderator: The next question is from the line of Devesh Agarwal from IIFL Capital.

Devesh Agarwal: Firstly, sir I wanted a clarification. You said prices in the Gujarat market had fallen versus November or they have gone up?

Management**:** They have gone up.

Devesh Agarwal: Secondly, you said that you have been selling more in Gujarat market. Broadly what has been the change in the geographical mix in this quarter?

Management*:* Because of some inadequate availability of clinkers we could not sell enough in the North. And then North also has this issue of the farmer's agitation. So there was a higher volume in Gujarat and Rajasthan. But there was a slippage in the volume in the month. Just about (+/-2%) has changed.

Devesh Agarwal: Any broad numbers that you can share, region-wise our sales mix?

Management*:* I don't have it readily. You can send an email we can give it to you.

Moderator: The next question is from the line of Sumangal Nivetia from Kotak Securities.

Sumangal Nivetia: First question is with respect to the debottlenecking at UCWL which we are looking to complete in 4Q. I missed in case this was shared, but is it possible to share the update. Are we on track for the clinker and 0.6 million tonnes cement debottlenecking?

Management: Yeah, we are broadly on track. We should be with the increased volume in the coming quarter.

Sumangal Nivetia: So it is 0.3 in terms of clinker and 0.6 cement, is that right?

Management: You are right. Clinker going up by 0.3 from 1.2 to 1.5 and cement 1.6 to 2.2.

Sumangal Nivetia: With respect to UCWL, when are we looking for the financial closure, any timeline?

Management: We would do it in the first or second quarter of the next financial year, hopefully first quarter we should be able to close it.

Sumangal Nivetia: And then three years post the closure is the timeline for commissioning?

Management: Yeah.

Sumangal Nivetia: On this DCG project, is it possible to remind us over a last few odd years how much was the total spend on that? And is there any evaluation on the returns we are generating or selling because this involvement of DCG we are experiencing?

Management: Yeah, we had earlier retained them for our logistics and supply chain management and in that whatever fees was paid, we have been able to recover more than that substantially, some multiple of that fees. And now that has been extended directly to other areas and hopefully we should be able to reap similar benefits in these areas as well. But quantum may not be that huge as it was there in the supply chain management.

Sumangal Nivetia: Is it possible to share the amount and the timeline for how long we are involving them?

Management: Earlier we had paid a fees of about 27 crores to them. This time we are going to pay about initially 10 crores depending on the success and the savings which they are able to generate, they may get some additional sharing of the savings thereafter over and above 10 only after we have realized that 10 crores.

Moderator: The next question is from the line of Vincent Andrews from Geojit Financial Securities.

Vincent Andrews: Regarding the pet coke prices you actually mentioned the low cost inventory will be over so in the next quarter how much you are expecting like the average cost how much it has increased for a certain and how much the impact would be on a certain basis EBITDA?

Management: These pet coke prices, coal prices whatever they have gone up by almost 30% to 35% over the last 4-5 months. So, that impact could come in the first quarter of the next financial year. And based on our usage and efficiency parameters which we have been having which are one of the best in the industry so that impact would get reflected in the per ton cost.

Vincent Andrews: EBITDA on a per ton basis how much it would be?

Management: It will be difficult to compute as of now, but depends on the actual cost which we are booking in the coming quarter and the efficiency which we are able to generate, that will get reflected in the per ton cost.

Vincent Andrews: How much is the pet coke price now and what was the average in the last quarter?

Management: Last, quarter our total average was coming to be based on the blended mix was about 6,500. So it is close to about almost (+9,500).

Vincent Andrews: On a 100 price increase how much would be the impact on EBITDA per ton?

Management: We need to compute that as I mentioned based on the efficiency which we are able to generate in the coming quarter, but there has been almost a 35% to 40% increase in the cost.

Moderator: The next question is from the line of Swagato Ghosh from Franklin Templeton.

Swagato Ghosh: I have one clarification related to the BCG scope. Can you probably highlight one or two areas which BCG has worked on which is very unique to us? Or is it a case of only BCG plugging inefficiencies which we had and others were anyway doing? I want to understand this bit.

Management: It's very difficult to say that what they did was only to us. They may have done it other places also because they have been providing consultancy services to so many cement companies. We won't know whether it's unique or not. One of the areas which was tackled was of course the plant allocation which supply to give from which plant. And by how much time can give service and in what time. So that's one of the efficiency improvement areas taken up.

Swagato Ghosh: I meant that not unique to us. Like BCG might have done it for other clients of theirs. What I meant is what they did for us, are other cement companies doing it like anyway themselves or have they been trying to do that where we have been like leaders. I am just trying to understand that. I am asking this because other cement companies are not employing consultants, we have been for some time now, hence I want to understand if we have an edge over others because we have deployed BCG for quite a long time now.

Management: That's very difficult to really make that out. But every company will have its own models which they may have deployed whereas x is better or y is better, one is not privy to that sort of a…to their information. So, it's very difficult to really bring out whether there is an edge over the others, but yes, there is definitely an improvement over the past.

Moderator: The next question is from the line of Milan from Centrum Broking.

Milan: One thing I wanted to understand was when we are looking at actual purchases of raw materials that is on a year-on-year basis going up substantially. Any specific reason that we should attribute this to?

Management: Basically that way we are rationalizing the purchase of clinker into, basically inter-unit only. Only we eliminate the inter-unit then that goes off.

Milan: What would be JK Lakshmi's clinker production if you can just share for this year and the base quarter, that is December 2019 quarter?

Management: In this quarter JK Lakshmi's clinker production you asked? Clinker production was 17.07 lakh tonnes and corresponding was 15.9 lakh tonnes.

Milan: When we are looking at our current JK Lakshmi standalone capacity utilization, we currently should get about around 11 million tonnes odd capacity?

Management: Come again.

Milan: Our cement grinding capacity if I am looking at, should be at about 9.96 that is 10 million tonnes odd, is that assumption right?

Management: It is about 11.7.

Milan: The corresponding clinker that we are having is at about 7.3?

Management: Clinker is, we are having 5 million tonnes at this North for JK Lakshmi standalone and about 2 million tonnes in this, we have 7.

Milan: Given this in the next 2 years, do we see that we need to be slightly stead fasting on adding some capacity?

Management: In Udaipur we are adding so one balancing will get completed by March and there after till the time the new project comes in, we can always increase the blending to take care of the increased market demand for meeting the cement demand.

Moderator: The next question is from the line of Shravan Shah from Dolat Capital Markets.

Shravan Shah: Continuing the previous question, in terms of when we say we can increase the blending so currently how much is the clinker to cement ratio and how much more can we do and buy in next 1 or 2 years or it can be of higher time?

Management: In the last quarter December '20 we were 64% blended so that can always go up.

Shravan Shah: Couple of clarifications, first clarification is that in terms of the UCWL debottlenecking that will be done by this March, that was the previously we said or is there any delay in that?

Management: There has not been any delay. As I mentioned in response to earlier question, we should see increased volume from the coming quarter.

Shravan Shah: In terms of the other expenses whatever we said managerial remuneration plus BCG extra payment, is it possible how much extra that we have provided all this managerial BCG in this quarter and how we can look at the next quarter particularly fourth quarter how much more would be there in the fourth quarter in other expenses?

Management: About 10 crores odd is the additional expenditure which has been provided. Same would be there in the fourth quarter as well.

Shravan Shah: Fourth quarter we can see the same kind of a 150-160 crores odd kind of?

Management: Contribution be there in the fourth as well, you are right.

Shravan Shah: One clarification rather I would say last time we said that in terms of the trade mix it is 55%-56% and now we said that the last quarter that is a Q2 our trade mix was 49 and now 50. So just trying to understand our trade mix size gone up but in terms of the realization slightly we have seen an improvement. Any idea on what basis we have seen some improvement in realization, marginal versus other players actually have seen a Q2 decline in realization?

Management: Each market has his own trade and non-trade prices. So while there can be an overall trade and non-trade percentage change 1% or 2% but where is that change taking place is important. So in East we might have slipped say in our trade and we might have gone to non-trade but just might be beneficial because there the trade and non-trade price difference is much less than what is there in the North. Some changes may have taken place in the East while even if we don't drop non-trade to that extent the gap may not be as it was as in the case of someone else.

Shravan Shah: We don't expect the trade mix that is a 50% right now, should be declining from here. This should be the minimum or the lowest that we can see or is there a possibility that the trade mix can also further decline?

Management: Yeah, we believe so. When the trade and nontrade price increases beyond Rs. 50-60 a bag which is currently happening in Rajasthan and some of the Northern states, the trade volume per se for the industry is dropped because it was very tempting for the non-trade contraction etc. to pass that supply to the trade finance. Once that start happening then the industry also starts correcting in non-trade, so beyond a point when we are seeing the current situation, I don't expect this gap to be widened and therefore the non-trade would have peaked by now. From here onwards you should see an improvement in fact.

Shravan Shah: On the volume front as you initially said that we are optimistic even for the next year FY22 also for in terms of the volume. Is it fair to assume that we would be growing less than the industry for the FY22 as we would be having some constraint on the clinker upfront in next year?

Management: Then I don't expect, this year there was a bit of a clinker shortage as during the COVID period we could not take up any of the clinker brick lining work. So the brick lining work came on once the COVID impact was reduced and the skilled labor could be brought to our plant from their respective staying places. That took time and therefore when the market picked up then our skills were put to declining work and therefore there was a bit of a shortage of clinker. This may not happen next year.

Shravan Shah: Next year we can see a in line with industry growth or better than that or lower than that?

Management: We don't have much of a headroom to increase the volume as you rightly said but we will definitely be able to keep up to the level as the industry is expected to grow.

Moderator: The next question is from the line of Sanjeev Goswami from Fractal Capital Investments.

Sanjeev Goswami: Again back to UCW. Is there any constraining factor because of which the CAPEX has been done in UCW and not in JK because we have equity constraint at UCW?

Management: We don't have any equity constraint there in. We will end up the equity to make up for whatever is required to be there but seeing the other consideration in terms of the availability of land and the proximity of that location to the Northern market, it was found appropriate to do it in the UCWL.

Sanjeev Goswami: Which are the markets that we think there will be a serving from there? Will it be Northern market or Gujarat market?

Management: Not Gujarat basically Rajasthan and Northern market primarily.

Sanjeev Goswami: The clinker will also be put up at the same location?

Management: The clinker is the limestone mines are which is at the location, which is in the present plant.

Sanjeev Goswami: And the grinding will also be there, not clinker, the grinding. The grinding unit will also be in the same location?

Management: We are evaluating we have to put in; we have not yet formed up.

Sanjeev Goswami: On this realization, we have any good operating efficiency of the plant in terms of thermal, electrical efficiency but we will be pretty hit because the realization will lower compared to other companies primarily because our trade mix is lower? Where do you think it will take us in next 3 to 4 years in terms of making a shift or change over there?

Management: One of our drag is the lower prices in East and since there constitute almost 30% of our total volume, the huge price difference between the North and the East is dragging near but going forward I don't expect the situation to continue and once the Eastern market improves in terms of pricing, there I think our price through would get to some respective level.

Shravan Shah: The last question is over next 2-3 years besides the large expansion that we are doing, there is a CAPEX plan that we have for FY-21-22-23?

Management: Other than the large CAPEX, we don't have any other CAPEX program inline.

Management: That's a routine CAPEX that you get.

Shravan Shah: So how much is the base in the routine CAPEX will be?

Management: Routine is about 40 crores per year.

Shravan Shah: And this is includes the WHR that we doing?

Management: As I mentioned the ongoing is only the one we balancing of UCW which will get completed hopefully by March and the second is a waste heat project of Sirohi which will get commissioned by September or October, other than that will be only normal CAPEX other than this mega expansion.

Moderator: The next question is from the line of Nikhil Dehpande from Axis Bank.

Nikhil Deshpande: Just wanted to ask, this quarter we sold 1.91 lakh tonnes of clinkers, is the entire sale did in east or is there is something in north region also?

Management: Mostly it is in east, some small portion is in the north as well.

Moderator: Thank you, ladies and gentlemen, due to time constraints, may we request you to please limit your questions to one per participant. The next question is from the line of Uttamkumar Srimal from Axis Securities.

Uttamkumar Srimal: What has been the blending issue of this quarter?

Management: Blending for this quarter is 64%.

Uttamkumar Srimal: What has been the sale of premium cement?

Management: Cement would be in this quarter would be about 10%.

Management: 10% on the overall otherwise 20% of the sales volume.

Moderator: Thank you, ladies and gentlemen, due to time constraints; we take one last question from the line of Ritesh Shah from Investec.

Ritesh Shah: What is the consolidation of the incremental expansion at UCW cement, clinker, WHR as far as anything else on solar, you indicated railway siding it included in 1500 crores, just wanted broad contours of the consolidation.

Management: In the expansion you are talking?

Ritesh Shah: Yes.

Management: 1500 crores include the railway siding.

Ritesh Shah: How much is the clinker capacity, cement capacity, is there any WHRS, solar power included in that?

Management: We will have clinker 1.5 and 2.5 million tonnes of cement, this Clinkerization will include the waste heat recovery and solar will be on a captive mode because now in Rajasthan that will be there, we have not factored that. But otherwise investment will be there.

Ritesh Shah: What is the water source, based on my understanding we still tapped ground water over here for the existing plant as well as further for incremental expansion? Do you think that is a constraint, how should understand this?

Management: We have a collection line from our dam also besides the ground water.

Ritesh Shah: And last question would it be possible for you to quantify what is your average consumption cost of fly ash and slag this quarter and prior quarter if possible?

Management: For fly ash it was around Rs. 700 and slab cost is Rs. 800.

Ritesh Shah: And how much would this have moved on a sequential basis or on a year-on-year basis?

Management: You are asking is there any change in the prices?

Ritesh Shah: Yes, on fly ash and slag consumption cost.

Management: It remains more or less consistent for last 1 year.

Ritesh Shah: Do we have any long term contract over here?

Management: Yes, we usually want to have year-long contract. Most for slag and fly ash which are actually obtain from auction and mostly are year-long contract.

Ritesh Shah: Is that a reason to be worried on cost inflation on this two-variable going forward or is it something which is adequate supply and it's not a problem?

Management: Yeah, you are right, there is always a worry because like last year some decline in the slag price because not many clinkers were getting because of the high price in the prior year. So these prices keep on changing and there is always a worry that prices may take a upward trend. This worry becomes more when the coal supply to the power plant becomes a problem. So their own power generation was down and that's why this fly ash availability becomes the problem. The other issue is that the fly ash includes the cost of the fly ash as well as slag involves a logistic cost there go any change in petroleum price can also impact the landed cost of these two material.

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

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital (India) Private Limited I would like to thank the management of JK Lakshmi Cement for the call and also management for doing the call. Thank you very much sir.

Moderator: Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.