"JK Lakshmi Cement Limited Q3 FY-20 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Q3 FY20 Conference Call of JK Lakshmi Cement Limited, 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. I would now like to hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Vaibhav Agarwal: Thank you, Stanford. Good afternoon, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q3 FY20 call for JK Lakshmi Cement. On the call we have with us Dr. Shailendra Chouksey – Whole-time Director, and Mr. Sudhir Bidkar – CFO. I will now handover the floor to the management of JK Lakshmi Cement for opening remarks, which will be followed by interactive Q&A. Thank you and over to you, sir.

Management: Good afternoon. Welcome all of you. I am sure you would have all seen the numbers and we are all open for your questions if any.

Moderator: Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Amit Premchandani from UTI Mutual Fund. Please go ahead.

Amit Premchandani: Can you please give us a breakup of capacity in different locations both grinding as well as clinker and what are the expansion plans?

Management: You want the capacities basically; we have about 4.9 million tons of clinker capacity at our Sirohi location and 2 million tons clinker capacity in the Durg plant and the grinding is about 8.3 for this North and 3.5 after the commissioning of the Orissa grinding unit, 2.7 at Durg and 0.8 at Orissa. So we have 3.5 in the East. In addition we also have a clinker capacity of 1.2 million tons in our subsidiary Udaipur Cement Limited with 1.6 million grinding capacity. As of now we are working on a small balancing scheme for this Udaipur Cement Limited works when the branding will go up from 1.6 to 2.2 and marginal increase in their clinker capacity to take care of the additional grinding with a small CAPEX of about 60 crores. As of now those are the plans which are on hand, will announce as and when we finalize any major expansion at any of the three locations. Most likely it would be North only, but we are debating whether it may happen at Sirohi or in Udaipur.

Amit Premchandani: Do you have the land available at Sirohi?

Management: Yes, land as well as the limestone mine. Limestone reserves are adequate to take care of additional lines at both the locations in North. So we are just working out and would announce shortly about our expansion plan. Maybe it's towards the end of this quarter.

Amit Premchandani: And what in terms of expansion plans this 4.5 million ton clinker in Sirohi in the existing land that you have so this can be extended to how much million tons?

Management: Another line can be added, clinker can happen 1.5 to 2 million tons additional and with **(Inaudible)** 4.23 of 2.5 to 3 can happen. Land is adequate, reserves as I mentioned are adequate at both the locations.

Amit Premchandani: 1.5 to 2 clinker line is possible?

Management: Yes absolutely.

Amit Premchandani: In each of these locations?

Management: Yes.

Amit Premchandani: And what are the utilization levels right now?

Management: Utilization level is about in case of total we don't give broadly the breakup. But broadly it is about 66% in this quarter and clinker is 95%.

Amit Premchandani: So basically you are clinker deficient right now if a demand comes up?

Management: No we are also having exploration clinkers, right now not that all the clinkers is being utilized and Udaipur does have the surplus clinker as of now. Plus as Dr. Chouksey mentioned that we do have the stock of clinker and that should take and then if the demand further goes up we always can increase the blending, so with the same clinker have high quantity of cement to be sold in the market.

Amit Premchandani: But you already are at 95% utilization in clinker, right?

Management: Yes and this 95 also, we're doing some sale of clinker that obviously when there is increase in the demand that goes clinker sales may not happen that much as we are doing. So obviously there is a possibility of increasing without immediate need of increasing the clinker capacity which may not come overnight also to take care of any spurt in the demand.

Amit Premchandani: And what is the debt level now, net debt and gross debt?

Management: Basically we are today on a standalone basis we are gross as of 31st December we are 1570, down by about 50 crores from the March level and the net debt is 1150 on a standalone basis. On a consolidated including the Udaipur, on a net debt we are 1665. So, on a net debt equity for the company 0.7, gross debt equity for the company 0.95 and consolidated net debt is 1.03.

Amit Premchandani: And in terms of in case you expand going forward what is the capital structure that you're looking at for expansion?

Management: Broadly when we do we don't have any plans to raise any capital, it would be through the accruals and if it happen in Udaipur obviously JK Lakshmi will have to end of money into that and balance maybe about 70-30 or 65-35 debt equity for the project for the expansion. That may take at least 2 years, so over the next 2vyears we have repayment of about (+) 300 next 2 years. So I don't see our debt leveraging improving dramatically even after the expansion.

Amit Premchandani: So 35 would be equity through internal accruals that is what you are saying?

Management: Yes.

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

Shravan Shah: Can I have the volume numbers cement sales, clinker sales, cement production, clinker production and RMC revenue?

Management: Will have total sales of 21.03 in the quarter, 21.03 is the production and sales is 23.7 which includes clinker the sale of 1.59.

Shravan Shah: Total you said 23.01 sales?

Management: 21.03 is the production, 0.7 is the sale which includes our clinker sale of 1.59 and the RMC revenue for the quarter is about 39 crores.

Shravan Shah: Could you help us in terms of for the third quarter also how do you see the demand and now how you are saying the demand particularly from the states where we are working and whatever the price hike has happened how much we have witnessed in terms of the price hike and how do you see in terms of sustainability of the price hike?

Management: The demand in the last quarter has improved from somewhere end of November, so December was one full month in this quarter when we had a better demand. Going forward I think this quarter should see a good demand because the areas where we have witnessed good spurt in the demand gives us the confidence that this will continue in this quarter. Now in terms of the price increase, the price increase we have taken in the month of December and January, they are right now sustaining and I think is the demand remains at this level these prices should also sustain for the quarter.

Shravan Shah: How much price hike we have taken Rs. 15, Rs. 10?

Management: No, we have taken about Rs. 15.

Shravan Shah: Now this quarter I think last time you guided around 9.88-9.9 million ton sales, so that remains as it is?

Management: Yes it should remain around that.

Shravan Shah: I need some numbers in terms of trade, non-trade sales and the fuel mix and the petcoke average for the quarter and particularly petcoke how do we see the benefit in the fourth quarter also?

Management: As far as the prices of petcoke are concerned one would expect that it should remain now flat. We don't see any reason until and unless some scenario changes in terms of the disturbance in any particular area. Otherwise the prices should remain at the level at which we have witnessed in the last quarter, not much of a change there. In terms of usage cum percentage, we consumed petcoke at the rate of about 85% in this quarter.

Shravan Shah: Trade, non-trade mix for the quarter?

Management: We have slightly improved over the last quarter. We are at about 55%-56% of our sales in trade as far as the Northern operations concerned. But if I take the combined then there should be around 58% as the trade.

Shravan Shah: Do we expect any further improvement in trade sales?

Management: The need to improve trade is only if you are getting better pricing. If we're able to get nontrade in some of the markets because we are doing only pick and choose. So if we do that and if we are able to get almost the same profitability in the nontrade than I don't really need to cut down on the nontrade just for the sake of increasing the trade. The increase in the trade must give me some additional value, so what we are trying to do is to stress more on the EBITDA margins that you get from the respective orders rather than just going by the trade and nontrade definition.

Shravan Shah: How do we see debt further reducing by March and maybe if you can help me if we are not going ahead with the expansion then how do we see the debt at the end of the next year FY21?

Management: We expect if there is no further contraction of any debt then it should get reduced by about 300 crores next year.

Shravan Shah: And by March this quarter another 50 crore can be….

Management: Yes another 50 should come down.

Moderator: The next question is from the line of Madhav Marda from Fidelity Investments.

Madhav Marda: Could you help me with the timeline for that addition of the capacity and the cost per ton for adding the 2.5 million ton grinding?

Management: We have not yet announced, so it's too premature for me to put a timeline to there too or a cost there too but being the Brown field obviously it would be cheaper than a green field one. So timeline could be once we announced 2 years max it should be on.

Moderator: The next question is from the line of Nitin Dharmawat from Aurum Capital.

Nitin Dharmawat: How is the sizing trend in North compared to the last quarter? You said that you have taken a hike of Rs. 15. Just wanted to see across the board how is the trend now?

Management: As I mentioned it is sustaining at the moment and part of this Rs. 15 has come in the previous quarter and some of it has been taken in this quarter.

Nitin Dharmawat: The thermal power plant that we have put up, commissioned in Durg, how is the stability now? Have we achieved that?

Management: Yes we have broadly achieved that there in Durg. So it is now giving is the required whatever we had envisaged though when we had originally set out to put that plant it was based on usage of the petcoke. But now we cannot use petcoke, so if the usage of coal whatever savings though the generating is still working out to be cheaper in the sourcing for the grid.

Moderator: The next question is from the line of Sanjay Nandi from Ratnabali Investments.

Sanjay Nandi: Just you mentioned that there has been Rs. 15 price hike in some part in last quarter and some part in this quarter, so can you please guide us like what is the exactly net hike like from the exit of Q3 like how much hike we are standing in this quarter particularly?

Management: We have taken about Rs. 10 hike two weeks back and that is what I mentioned is sustaining.

Sanjay Nandi: So which means like from the exit of Q3 we are up by Rs. 10 per bag as of now?

Management: Yes Rs. 10 to 15.

Sanjay Nandi: We have also just heard that we have produced variation in clinker, so are we anticipating any hike in the demand in these coming quarters like in Q4?

Management: Q4 should normally be better than Q3. That has always been the trend and we expect no change in that trend.

Sanjay Nandi: What are the green shoots if you can kindly mentioned that from the government on the share like visualizing in the years to come from where we are anticipating some good demand or what exactly things are happening on the ground? So if you can kindly throw some lights on those projects which are creating the green shoots for this kind of the margin in the northern parts of the country.

Management: The current demand is actually more of a pent up demand because in this year almost 4 months were lost in monsoon rains in most part of our markets. So what we are witnessing currently from end of November is some of that pent up demand getting captured. So I don't see it is due to any particular reasoning of the economy which we can attribute to. Going forward yes, one is getting some optimum from the infra plan that has been announced by the Finance Minister. But obviously we will get to know more about it in the budget because the million dollar question is where does the revenue come from, those big ticket infra that's been announced. So that we will get to understand 2 days hence when the budget is announced.

Sanjay Nandi: And from the power and fuel cost front we have already reduced our total cost, power and fuel cost per ton. So can we anticipate any further reduction in the power and fuel cost in the coming quarter?

Management: We see this is the matter of continuous improvement. When we were at 110 millions we could not have imagined that we can go to 67 units. It's very-very difficult to say that whether you have reached the peak of the efficiency. So I think at any given point of time there is some headroom which is available for further improvement. So I will not say that we have reached the peak.

Sanjay Nandi: What is the current utilization if you can kindly guide us what happened exactly in the month of January 66% would have been our exact utilization level in December quarter, so what kind of things happened in the month of January, if you can kindly guide us?

Management: January we have seen some improvements definitely if I compare to the Q3. But I think that's normal trend which always happens is not very surprising that Q4 is always much better than Q3.

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

Ritesh Shah: My first question is a clarification, you indicated that our clinker capacity at Durg is 2 million ton, is that right?

Management: Yes.

Ritesh Shah: Earlier we had plans to increase capacity from 1.7 to 2.7, we were doing some sort of expansion or debottlenecking over here please correct me if I am wrong.

Management: For cement capacity where we had increased to 2.7, the clinker was increased from 1.5 to 2 million tons.

Ritesh Shah: And when we say clinker utilization at 95%, can you segregate it between North and East?

Management: As we are not giving these separately the figure of North and East. I think it is difficult to answer that question.

Ritesh Shah: Alternately can you help us with the blended cement mix, what it is for OPC, PPC, PAC in North and East? Basically it would help us understand the cement clinker balance.

Management: We are operating at about 64%-65% PPC in the North while in the East we have an additional 4% to 5% of slag.

Ritesh Shah: So PPC is also 65% in East and we have PAC which is around 4%, is that correct?

Management: Yes it is 80% PPC, quite similar yes.

Ritesh Shah: 80% is in East?

Management: Yes it is in East combined if I take.

Ritesh Shah: Can you help us with the broad split it will be of good help.

Management: Broadly I have given you the number that we are about 64% as far as North is concerned for PPC.

Ritesh Shah: East you said?

Management: East we talked of about 80%as we just mentioned. About 80% PPC and additionally we have 4% of about slag.

Ritesh Shah: How should one look at UCW, one is if you can give us the volumes for nine months that is one? Secondly current stake holds at around 75%, so what is the incremental plan and thirdly was there any intercompany transfer of volumes which I'm assuming it would be because of the GUs that we have in Gujarat like does it flow from UCW or does it go from Sirohi?

Management: Yes there is always…

Management: Previous quarter also we have answered that we do some inter-transfer of clinker and cement both partly on account of the grinding facility available in Gujarat which can be utilized by both the grinding units. Secondly when the markets where Udaipur offer some advantage in those markets we supply from Udaipur even for JKLC brands.

Ritesh Shah: What are the volumes for UCW for quarter if not for nine months?

Management: Nine months, we have nine-months figure, they have done our total sales of about 14.4 lakh tons which includes clinker of 3.22, 11.22 is the cement sale.

Ritesh Shah: For the quarter?

Management: We will just give you that number in a minute; do you have any other question?

Ritesh Shah: Yes I have just 2 more questions. How should we look at our market share in North and East, now we have lot of optionality to do Brown field and Greenfield, we have also limestone in place which is a problem of for others? So how are we looking at the market share given you have newer players like Wonder, you had JK Cement also which is adding and they will be putting more volumes into the market, so how should we look at it?

Management: We are much established players as far as Gujarat is concerned where we have our market share close to 10%. There we have no worry on our market share getting being opposed by any other brand. Similarly in Rajasthan, these two are our core markets and there we are not unduly worried about the other capacities coming because we have concentrating in our core areas. We are not apprehending any loss of market share. If anything we are more concerned about how do we ensure that our market share we are able to maintain by increasing our volume in time which was answered by Mr. Bidkar initially that we have additional clinker stock, we have blending headroom available, so I think till the time of our new capacity come we will try to maintain our market share by cutting down on the clinker sale, increasing the blending and utilizing the stock that we have.

Ritesh Shah: If I may just ask a hypothetical question, if you go by your desired blended mix how much of legroom do we have on the sales volumes because definitely there is more capacity which is coming up in North and there is risk for us to lose market share?

Management: I'm not really worried on that account because the two new capacities which have come is only JK and Wonder both have come. Wonder one grinding unit if I see in MP which is not exactly where we are marketing much, so I am not really worried there. In Gujarat we have not seen any new capacity being added in last 2 years, so the only addition is that of the grinding unit of JK which is going to there. So I think whatever has been the growth will be absorbed by this capacity without diluting the market share of the existing players. Even in the North if I see the total capacity with these Rajasthan plans cater to, it is close to about 75 million tons. So even on a 5% to 6% growth which we envisage for 2021 what you require is about close to 4.5 million tons and that is what the additional capacity which has come. I don't think any market share in any sort of worry of getting displaced.

Ritesh Shah: Should we look at anything specific on the cost side that we are doing either debottlenecking or any particular projects that we are undertaking at Sirohi or at Durg I think the only pending thing is conveyor belt in Durg. But are there any other variables that we should be aware of?

Management: No, I think most of the initiatives that we have taken over time have been getting absorbed except that one which is recovery plant which is been put up at Sirohi that will help in reducing our power cost to some extent.

Moderator: The next question is from the line of Pritesh Sheth from CRISIL.

Ritesh Shah: Firstly on the volumes for this quarter, you said 23.7 was sales for this quarter, right?

Management: Right.

Ritesh Shah: And how much was it last year same quarter?

Management: 23.27.

Ritesh Shah: And how much was it last year same quarter?

Management: 23.05.

Ritesh Shah: 23.05 was total sales and out of that clinker was?

Management: 2.05.

Management: Clinker sales have more or less remained the same.

Management: Gone down marginally.

Management: Yes he is right it has gone down by about….

Management: But cement has gone up by 3%.

Management: Though we are not giving separately the figure for East and North but I think we have been able to with the commissioning of our Cuttack grinding unit, our Eastern cement has gone up while in North we have seen a decline in the cement sales.

Ritesh Shah: So overall not for your numbers but overall for North and East combined how much would be the volume decline or growth for this quarter for the industry?

Management: I think in the market where we are operating this is in North and Gujarat and there mainly Chhattisgarh and Orissa, we have seen a decline in the North while Chhattisgarh and Orissa have shown some improvement. Here we have seen a decline of 3% to 4%.

Ritesh Shah: In North?

Management: Yes.

Participant: So East has grown?

Management: East has grown in this quarter, yes.

Ritesh Shah: You gave your estimation of demand growth for North that is 5% to 6% next year.

Management: Yes.

Ritesh Shah: How much do you expect in East especially Orissa, is it somewhere close to double-digit growth you are expecting?

Management: I'm expecting it can be double digit growth, 9% to 10% is what I would expect.

Ritesh Shah: So that is particularly for Orissa and Chhattisgarh would largely be like same growth?

Management: It may not be double-digit but should be a 7% growth.

Ritesh Shah: With regards to pricing, so we already have seen one hike for this month and it's year-end for most of the cement players, so generally March would be the month where players would focus largely on volumes and milestones. So do you expect in that scenario any further price hikes, are we in a position to take further price hikes?

Management: icing much will depend on how the demand pans out. If there is a good demand and we find that the volumes are not able to really cope-up that fast then maybe there can be some increase.

Ritesh Shah: Even downside is possible or do you completely take that out?

Management: I'm not apprehending any downside.

Ritesh Shah: So utilization you said was 66% in third quarter, in general broad numbers if you can give for North and East how much it would be?

Management: I think the utilization should definitely go up in the last quarter by about 3% to 4%.

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

Amit Murarka: On the Cuttack capacity, currently what is the utilization level and what is the expected ramp-up schedule there?

Management: Currently I think we are close to 40%. In this quarter it should improve to almost 55%- 60%.

Amit Murarka: You had said that you are considering a new capacity in North India, so where are we on that now?

Management: No, Mr. Bidkar explained that we have not even announced, we have not given finalized the exactly the plan whether it will be Sirohi or Udaipur. So we are still working out the details and as we mentioned that by end of this quarter that is in another next 2 months or so we should be in a formal position to talk about as to where we will get the expansion.

Amit Murarka: Then maybe it will take another about 2-2.5 years?

Management: Since it is at the same site where we are and where we have the land and the mine etc. I think it can be done. Possibly our attempt would be to do it in about 2 years time definitely.

Amit Murarka: I joined the call a bit late actually, so I see that the interest cost have moved up on a QOQ basis so I thought that you have been kind of generating so much of cash flow these days, in the last few quarters so it should have come down as this is what I thought, so any reasons for that moving up?

Management: Basically because of the commissioning of Orissa grinding unit and the thermal power plant of 20 MW which happened in the last week of September. So the interest on those two projects got capitalized either to up to September, so now it's being charged.

Amit Murarka: Could you share the debt numbers also for the quarter?

Management: Debt number as the end of the quarter is about 1570 crores of debt on a gross debt for a standalone JK Lakshmi and 1152 to net debt. On a consolidated level it 1665 net debt.

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

Chintan Shah: My first question is how do we see our RMC business going forward? The revenues over here has been more or less 35 to 40 crores, so if you could highlight what is the capacity and the volumes that we did in 9 months and how should we look at this business going forward?

Management: We have 11 plants and considering that they operate only during the daytime and the capacity not utilized, we are operating at about 65%-70% capacity utilization. So there is a certain amount of headroom which is available for increasing the volume further. But going forward the major fillip will come from the fact that we are now trying to concentrate on high quality projects where the realization would be improving. So we are expecting the profitability to come not so much from the volume but from the higher quality RMC that we are trying to supply in most of our plants.

Chintan Shah: What are the margins we make on this 40 crores of topline, 39 crores what you indicated for the quarter?

Management: This business typically has operating margin of 3% 4%.

Chintan Shah: In the earlier question you indicated we have WHRS at Sirohi, what is the capacity over here and what is the timing and what is the cost saving that one can expect over here?

Management: We are planning another 10 MW of waste heat recovery and it should be operational from FY 22 that is April-May-June of 21 it should be operational. So we would have some saving because hitherto we are using those gases for drying fly-ash, so dryers also been put up there. There would be cost saving of about 7 to 8 crores a year.

Chintan Shah: Do we get any tax benefits if we go ahead with WHRS or solar power under any state or center policy?

Management: No, we don't have any such incentive as of now.

Chintan Shah: What is the status on the conveyor belt in Eastern India at Durg?

Management: We are working relentlessly on that acquisition of that land which is causing concern to us. Though it has been going on for quite some time now fully we should see that culminating into some results by the end of the quarter.

Chintan Shah: We have done a wonderful job when it comes to reducing debt over last couple of years, you did indicate that we are not—basically we haven't planned any incremental expansion right now—but as management what is the gearing net debt to EBITDA that we are comfortable with?

Management: We are already at the comfortable level of 1:1 on a net debt basis. So it's high time that's why we are seriously working on some plans to expand further.

Chintan Shah: Is it possible you give a split of brand wise sales like we launched Platinum, we launched under the brand called Sixer, so what is the market feedback over here?

Management: I may not have that volume immediately readily with us. We can talk on it off-line. Both the brands have been accepted very well by the market.

Moderator: The next question is from the line of Gunjan Prithyani from JP Morgan.

Gunjan Prithyani: I just had a follow-up on that market rent that you spoke about in North; have you seen any difference in terms of trade and nontrade was there anything that trade was doing better or both these segments saw a decline? How have things changed in the last 1-2 months on the demand side?

Management: There has been definitely a tendency to move more towards the trade and the industry because everybody has been trying to move away from trade. So I think those non-trade which were comparatively for smaller unit size; they have been either converted to trade or the dealers are supplying to them. Therefore the profitability gap between the trade and non-trade to my mind would have shrunk. In our case it has definitely shrunk because we are now only choosing those non-trade which are either closer to us in terms of geographies; so we save on the freight or we are choosing those parties only which are, where we are able to get a better price.

Gunjan Prithyani: What is our mix right now on trade, non-trade? How much is our non-trade in the overall volume?

Management: As far as the North is concerned it is about 56%-57% is the trade while in the East we have close to 70% as the trade.

Gunjan Prithyani: In the Jan or December, have you seen trends change on the demand side in North or in East? Is anything giving you confidence that things are materially changing and we could look at growth next year for the industry?

Management: I think it's very-very difficult to say but then compared to last year we should definitely see an overall improvement in the demand for the very simple reason that last year we lost 2-2.5 quarter for various reasons. The first quarter we lost on account of the election, second quarter we had this monsoon which continued well up to October in most of our markets. So I think lot of time was lost last year which normally is only a loss of about slowing down of demand in 3 months. This year we saw it over extended over close to 7 months. So I think to that extent itself we should see an improvement during the next year and to cap it all if some of the measures which we expect to be, which we are all hoping might get announced in budget like the personal tax rationalization slabs going down. So that can possibly give some fillip to the organized real state also. Going forward we have all the reasons to believe that it will be much better demand that what we experienced this year.

Gunjan Prithyani: Maybe a mid-single-digit odd growth is that you think is possible and if government comes and does any policy push, you see upside to that? Is that how you are looking at the industry growth?

Management: You are right.

Gunjan Prithyani: One more thing on the trade and the non-trade price, now prices of course have firmed up a lot in North. Is it in both trade and non-trade are moving up in tandem or you are seeing that non-trade is seeing higher price movement and the gap is increasing between the two?

Management: Yes, we are trying to decrease that gap and that will obviously call for higher increase in the non-trade.

Moderator: The next question is from the line of Ashish Jain from Macquarie.

Ashish Jain: Just wanted to know the volume numbers for 2Q and also for UCWL; earlier in the call you said you will give the numbers later, if you can just share that?

Management: You wanted the volume numbers for Q2 or Q3?

Ashish Jain: Q2.

Management: Last quarter we did about 20.6 were the total volume sales which included clinker sale of 1.32, in the Q2 I repeat. For the Udaipur for this quarter we had done about 4.46 lakh tonnes of sales including 0.96 of clinker and 3.5 of cement.

Ashish Jain: 3.5 of cement?

Management: Yes, 3.5 and 0.96, 4.46 total.

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

Pratik Kumar: My first question is regarding realization; so we had did show 4.5%-5% decline in the realization on quarter-on-quarter, so how would this be different in two regions, North and East or is it primarily related to East?

Management: We have seen a bigger difference in the East than in the North, though North also declined no doubt.

Pratik Kumar: But last quarter we had like a sequential increase, so in that perspective it was a low single-digit decline in North?

Management: Sequential increase came only in the last part of the 2Q.

Pratik Kumar: 2Q right I was mentioning.

Management: No, 2Q we didn't see any price increase.

Pratik Kumar: So in 3Q there was a low single-digit decline in North or in the range of 3%-4% only?

Management: It was a low single-digit.

Pratik Kumar: So bigger decline is clearly from East only?

Management: Right.

Pratik Kumar: Regarding your consol volumes which you gave last quarter as 23.5 lakh tonnes, so consol volume is just summation of standalone plus the UCW volumes you just gave or it's this we have to subtract some inter-company sales?

Management: It is combination of our Northern operation plus Udaipur.

Pratik Kumar: So it would be like 2.77 based on numbers you gave, 27.7 lakhs?

Management: Yes.

Pratik Kumar: So this clinker sales which you are talking about in Udaipur, it's outside JK Lakshmi and not related to the sale of trade, the inter-company sales which we do?

Management: No, some quantity is to Lakshmi also.

Pratik Kumar: Regarding North and East cost difference is how with the commissioning of CPP now, how is the cost difference for Northern-Eastern overall operations?

Management: It is broadly now working out to be the same. So efficiency-wise also both the plants and these other plants have come on line in terms of efficiency and in fact in terms of power it is slightly performing better based on the blending mix of the two plants. Cost wise also we are broadly the same at both the locations.

Pratik Kumar: For CPP efficiency last quarter I think we envisaged that we couldn't get linkage coal, so benefits of not very clearly visible, so there is some stance change from there?

Management: Yes, that will remain. That will still take 9 to 10 months before we get the linkage once we commission the plant so that stance remain the same. You are right.

Pratik Kumar: So further savings may happen after that?

Management: Depending on the savings which you may able to get on the linkage coal.

Pratik Kumar: This UCW expansion which you mentioned, small expansion what is the timeline of this 60 crores project?

Management: This should be ready by the end of the current coming FY21 tak ho jayega.

Pratik Kumar: '21 end?

Management: FY21.

Pratik Kumar: Regarding this leverage position you mentioned there is 50 crores reduction for 1570 versus 1620 crores gross debt which we have in standalone.

Management: Right.

Pratik Kumar: This year seems to be like, so full year we are looking at only 100 crores because last year we did 400 crores debt reduction, previous year we did that 150 crores, so this year despite having higher profit we are not looking at major debt reduction?

Management: Basically in this year we also contracted the loans for these two Orissa grinding unit and Thermal Power Plant, so the reduction on one side is there and the other side there was some additional. That's why the net reduction is 50 only but going forward if we are not contracting for a year or so any further debt then there will be a 300 crores reduction further down the year FY21 and another 50 crores in this quarter basically because we are not contracting any debt in the current quarter and there will be some repayment happening in the natural course as per the agreed repayment schedule.

Pratik Kumar: So 400 crores could be there till FY21 end if we don't assume new CAPEX?

Management: 300 next year, 50 current year so 350 max.

Pratik Kumar: 50 we are also looking at 4Q because 3Q also we did 50 crores?

Management: Yes, you are right.

Pratik Kumar: On Orissa grinding unit you mentioned current utilization of 55%- 60%, so this was how much in Q3?

Management: Current we have said is 40; we are likely to go up to about 55-60 in the coming quarter.

Pratik Kumar: And any target utilization for FY21 because otherwise we are operating at full utilization in Eastern operations?

Management: I think it will be safer to assume 75% capacity utilization for the full year because part of Orissa demand is being met from Durg itself and the areas specially the western part of Orissa which is more closer to Durg rather than bringing, taking clinker first to Cuttack and then moving cement to North.

Pratik Kumar: On this CAPEX on WHR you mentioned how much is the CAPEX for Sirohi WHR?

Management: 150 crores.

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

Kamlesh Jain: If I see your quarterly numbers like we have seen quarter-on-quarter 5% fall in the realizations. That tantamount to roughly around Rs.220 odd but if we see the wholesale price number of the retail price low numbers; we have not seen much fall in the realizations. I believe it would be max Rs.130 quarter-on-quarter. So what went there, is it because of the higher sale in the non-trade the segment which has happened in this quarter and how do we see in this coming quarter overall on the blended realizations basis?

Management: We have seen a decline definitely as I was mentioning earlier, we saw a much bigger decline in the Eastern operation where no price increase was taken. So I think the major what you can say is this 4% to 5% fall in the net realization is on account of the fall that we have seen in the East. In the Northern operations was also a decline, but it was comparatively to the earlier margin decline.

Kamlesh Jain: But now on the blended basis how do we see the quarter this one, as of now how are the realizations compared to the quarter average which we had seen in the previous quarter? So are they up by Rs.100-150 or they are at this similar levels?

Management: Yes, they would be up by about Rs.100 definitely in the Northern operations.

Kamlesh Jain: On the overall operations?

Management: Yes, it should be around Rs.100.

Kamlesh Jain: Secondly since we are contemplating the capacity expansion on either of the location but if we go for the UCWL, given the fact that this capacity is near to the airport; would we be allowed to have a higher or Preheater **6** or size of capacity because I believe that particular capacity would be constrained by the airport because it can't be more than 4 Preheater so won't we be inefficient or uncompetitive in terms of the overall cost side in the Udaipur location?

Management: No we are not seeing any handicap because of the height restriction that we have had. So whatever height we have been permitted in the existing kiln we will be following the same for the new kiln as well. So I don't think there is any handicap with respect to the efficiency of the kilns when I compare Udaipur and Sirohi.

Kamlesh Jain: If I take the consol EBITDA, we have done roughly around 107 crores odd of EBITDA, so how much would be the overall volume of the JK Lakshmi doing the reconciliation for the inter-segment sales and everything. So how much EBITDA per ton would be there on the console basis?

Management: EBITDA per ton on a consolidated basis would be about 725 for the quarter.

Moderator: The next question is from the line of Keshav Lahoti from Angel Broking.

Keshav Lahoti: I want to understand what is the difference in realization in the Eastern part and the Northern part for this quarter?

Management: The realization there is lower by almost Rs.600 a ton.

Moderator: The next question is from the line of Hardik Solanki from Moneybee Investments.

Hardik Solanki: What would be our electricity consumption per KW for per ton of cement and what would be our average power cost?

Management: Power wise we would be about 70 KW per unit of cement and fuel wise we would be 83 per kcal of clinker, per kg.

Hardik Solanki: Second one can you repeat?

Management: 83 is the fuel, 83 per kg.

Hardik Solanki: What will be our overall the captive power plant capacity?

Management: We have 54 MW Thermal power at Sirohi and about 15 MW we have waste heat recovery. We are adding another 12 MW there in the North at Sirohi and in the East we have about 7.5 MW of waste heat recovery and 20 MW of Thermal.

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

Swagato Ghosh: Can you please repeat the Sirohi WHRS CAPEX number, I missed that.

Management: It is 150 crores.

Swagato Ghosh: And the savings from this did you say 7 to 8 crores a year?

Management: Yes, should be around that.

Swagato Ghosh: Then how is it a prudent investment 150 crores of capital we are spending and generating only 7 to 8 crores of savings per year?

Management: Baisacally we will also have to incur in expenditure…7 to 8 is per quarter, around that 5 to 6. I missed that out. It is around 20 crores of savings.

Moderator: Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.

Management: Thank you. On behalf of PhillipCapital I would like to thank the management of JK Lakshmi Cements for the call and also many thanks to the participants for joining the call. Thank you very much sir, Stanford you may now conclude the call.

Moderator: Thank you sir. 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.