JK LAKSHMI CEMENT Ltd.

JKLC:SECTL:SE:23
29th July 2023

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

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: <u>Conference Call organized by PhillipCapital (India) Pvt. Ltd. on 28th July 2023 at 4:00 P.M. IST</u>

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**

AMIT CHAURASIA Digitally signed by AMIT CHAURASIA Date: 2023.07.29 23:01:17 +05'30'

(Amit Chaurasia)
Company Secretary

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"JK Lakshmi Cement Limited Q1 FY24 Earnings Conference Call"

July 28, 2023

MANAGEMENT:	**MR. ARUN KUMAR SHUKLA – PRESIDENT & DIRECTOR, JK LAKSHMI CEMENT LIMITED** **MR. SUDHIR BIDKAR – CHIEF FINANCIAL OFFICER, JK LAKSHMI CEMENT LIMITED**
MODERATOR:	**MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the JK Lakshmi Cement Q1 FY24 Earnings 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, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, Mr. Agarwal.

Vaibhav Agarwal: Thank you, Melissa. Good evening, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q1 FY24 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 this call is also open for discussion about the performance of Udaipur Cement Works Limited.

On the call, we have with us Mr. Arun Kumar Shukla - President and Director and Mr. Sudhir Bidkar - CFO of JK Lakshmi Cement. I would like to mention on behalf of JK Lakshmi Cement and its management, that certain statements that may be made or discussed on this conference call may be forward-looking statements related to future developments based on current expectations. These statements are subject to number of risks, uncertainties and other important factors which may cause actual developments and results to differ material from the statements made. JK Lakshmi Cement Limited and the management of the company assumes no obligation to publicly update or alter these forward-looking statements, whether as a result of new information or future events or otherwise.

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

Management: This is Sudhir Bidkar from JK Lakshmi along with my colleague Mr. Arun Kumar Shukla, welcoming you for this Q1 FY24 call. You would have seen the results and we don't have any comments to it other than that we will throw the floor open for question and answer, so that we can take maximum questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Shyam Sundar Sriram from Franklin Templeton. Please go ahead.

Shyam Sundar Sriram: We had highlighted in our press release, clinker capacity utilization almost touching 97% and the cement utilization at 85%, with such strong utilization and our Geo Mix strategy, it appears our operating performance could have been better, so in this journey of improving EBITDA that we have embarked on, what according to you could have been better on the realization cost front and where lies the scope for EBITDA improvement?

Management: Good evening to all of you. I am Arun Shukla from JK Lakshmi Cement. Yes, I think couple of points, I think you could have done better because if you look at volume which is alright, our AFR realization also looks alright, which is in line with what others are doing. But 2-3 points where I feel we would have done better of course, first better volume and I think we have some headroom right, so 85% capacity utilization of cement, so we could have done better on volume, one. Second is we could have done better on operating cost, which is a little bit higher, right, and third, I think if I am looking at what others have published till now, employee costs. I think these are the three elements we feel I think we have gone little away.

Shyam Sundar Sriram: Sir, as you talk about volumes, which regions, if you can share some regional perspective between North, East and West, which were some regions from our utilization, how were the utilizations in these regions for us, any perspective that you can share and how that has improved either sequentially or year-on-year or declined that would be helpful to understand, sir?

Management: I think our peak utilization is about 90% and the North, West part of it I think it is lower than 90%, overall is 85%. I really give you sense as to where we could have done a better volume, I think in West because as I told you during my last call also that we have our new firm Geo Mix strategy wherein we plan to sell more in the areas where our realization is better and if you recall, I think we suffered a setback on account of the Biparjoy cyclone which happened in Gujarat during latter part of quarter right and in the month of April also and March end, there was Holi and there were labor unavailability in part of Gujarat because during post Holi is little higher than other part of India. I think there I could have done better volume than what we do normally. What we have done last quarter and also I think different parts of India because post this cyclone, in fact, Rajasthan was also impacted quite heavily. There also I think our volume went down and if you know hands on volume is about 25% in North and Western part of India. So, I think that is what has impacted our volume growth. Just to give you a sense, whatever information I am having, we have done better than industry. As per my estimation, I think growth is about 16% in Eastern part of India and we have grown more than 16%, but in case of North and Western part, West alone if you take then there we are in line with industry**,** but central part of India, which is in our case Rajasthan and Western part of MP, we are poorer than the industry. So, that is what the impact is because if Northwest volume goes down, then overall volume goes down, one and this also impacts our realization because realization in Northwest part is better than **(Inaudible) 7.12**. So, I think I would say the regional nuances which impacted our performance in quarter one of this year.

Shyam Sundar Sriram: So, as we look forward, while I understand this since we are getting into a seasonally weak quarter with the monsoons setting in, but post that, do we anticipate this situation to get remedied as we get into Q3-Q4?

Management: Yes, for sure, I think this is just most phenomenal and being kind of too heavily on North and West that was natural way, right, but I am pretty sure this is the most phenomenal we are going to just come back to original sense.

Shyam Sundar Sriram: Sir, on the operating cost other than the employee cost, we leave aside the staff cost, where else do we think there lies some scope for betterment?

Management: I think we could have done little better on our WHR I think, because we add one breakdown in one of our plants, so waste heat recovery production was lower than last year. That is one area that we could have better, but unfortunately I think we had one breakdown that impacted our power cost a little bit. One area actually I think is which we need to really work on going forward. Apart from that, I think power and fuel we have done alright in line with industry, in fact, better than some of the peers who have declared their results so we are better than them, but the power and fuel I think is going to give further maybe levy going forward. We are planning in that part. Power cost per say we are little bit higher because of the reason I told you lesser WHR production. So, this is what it is I think in summary.

Shyam Sundar Sriram: Sir, on the capacity expansion post the UCW expansion that is underway, is there an inorganic strategy as well? If so, what are some wide spaces from a regional mix that we would like to address and your thoughts on the upper bound on valuations, if you can share on those aspects?

Management: After UCWL expansion, which our capacity will be close to about 18 million tons and we have the vision of going up to 30 million tons as we mentioned in our earlier calls also and that gap between **(Inaudible) 10.05** to Brownfield and the Greenfield expansion. Brownfield can happen at the **(Inaudible) 10.12** and then followed by another line in Udaipur and as we mentioned in the past con calls, we have two mines recently been awarded one in Nagaur in Rajasthan and Kutch in Gujarat. So, those Greenfield can take us to 30 million tons by 2024.

Shyam Sundar Sriram: Sir, I was more trying to understand if there are any thoughts on inorganic acquisitions, which is also part of this and if so, how would we think on the evaluations there?

Management: We have plans to reach the 30 through the **(Inaudible) 10.49**, but like we always evaluate that always if it comes at the right valuation, we will evaluate.

Shyam Sundar Sriram: And what would be the upper bound, sir, for such valuations, anything internally that you would think of and you can share?

Management: But there is no limit as such, it has to make synergical sense to us. That is all.

Management: I think one thing which we see is strategic fit because we are not going to grow **(Inaudible) 11.23** comes underway. That helped to make sense and what Mr. Bidkar has to really add, value and the right value **(Inaudible) 11.32**. So, these are the two primary criteria which we applied.

Moderator: Thank you. We will take the next question from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: My first question is on your guidance. Last quarter we discussed targeting around 19% volume growth and Rs. 1,000 EBITDA per ton by the exit of this year, where are we in terms of that? And after a week first quarter results, would we want to revisit the guidance?

Management: Yes, so I think this is what the target we have taken 19%. Typically, I think the one used to be always good, but I told you in our geographies, I think we had some unprecedented situation. I would say, the cyclone and little bit longer layout forcefully. So, that impacted this thing, but still I think we hold on to our volume growth what we planned at the beginning of the year. There is no revision as such.

Prateek Kumar: I was asking that with high utilization both of cement and clinker specially clinker, how do you plan to achieve the guided volume growth?

Management: So, UCWL will be taking out the clinker from October this year. I said during last call also that one I think we are going to use clinker, some of the grinding, still we have that another 10% capacity, I think headroom. So, that is one. Second, we do have some tie-ups with external parties where from we can grind cement and we do have some tie-ups and even now also we take a little bit of volume out of that, so that grinding capability will complement with outsourced units, which we have already tied up, second. So, these are the two, I would say levers that we are going to use to reach to that level of growth, which we have envisaged for this year, our own grinding station capability utilization and second outsourced utilization out of the clinker which we are going to produce from Udaipur Cement Works.

Prateek Kumar: And what is the runway of our unit EBITDA from current quarter Rs. 610 to Rs. 1,000 by the end of this year?

Management: So, yes, I think Rs. 1,000, this is what I think our plan is and all actions which we have kind of put in place is internal, and we are moving I think in the right direction in terms of Geo Mix, we have kind of moved in the right direction. I think I told you that high realization area 75% volume we are selling now which used to be about 70:30 in favor of Northwest before, now it is 75:25. So, there we have moved very well. Second, I think within the regions also we are optimizing our volume. So, let us say within Northwest the areas where I think Western market where we get you know better realization, so selling more volume in that area and within North wherever I think those markets which are closer to our plans and remunerative we are going to sell volume, so that I think we are doing alright. Second lever, I think I mentioned you on premium product. So, we are progressing very well. Now we have reached to about 26-27% of premium product which was last year we closed at about 21%-22%. So, there also we have improved very well. So, that is second. Third was a blended, I mentioned you that we want to go to about 75%. We have reached to about 66%-67% now and that is because of the higher volume in Western market which is predominantly OPC market. So, that is what the reason is, but still I think we are working on reaching to 75% of our blended cement volume and next I think on lead and other supply chain efficiency, which we had envisaged, so that we are working on, we are using technology OTM, Oracle Transport Management we have deployed recently and that has started giving benefit now. So, probably in coming quarter, I think we will get benefit from logistics end also. Another thing which I mentioned before was that we are working on AFR, alternate fuel capabilities at different plants. Probably, I think I am sure that by October we will be commissioning our AFR capability at Sirohi and our plan is to take our TSR from currently 4% to about 10% very quickly once I think that facility is there. So, that is another action which I told all of you before. And of course I think we are coming up with AFR capability at our Udaipur Cement Works Limited as well. We are putting up some improvised capability at our Durg plant with very low CAPEX. So, that is also going to give us the benefit in terms of increasing our AFR. So, these are the actions which we are taking. Some of the actions I have already where I would say partially rectified and some of the actions I think will get realized in coming months. One of the examples is AFR capability which we are going to commission at Sirohi in the month of October. Parallelly, we are also working on renewable energy. I told you that within a captive mode, we are putting a 56 MW solar power plant in Durg with the third party with 26% equity from our end. So, that is also going to get commissioned in the month of October. So, all these things put together, I think I feel that we are on right track and we will hit that target which we have set for ourselves to achieve Rs. 1,000 EBITDA. When I spoke to you about six months back, that timeline was two years. So, still I think 18 months are there and we will reach there.

Prateek Kumar: One more question on your capital enabling resolution for Rs. 2,500 crores of capital, so by what time period we are looking to utilize this capital and is there a time lapse for this?

Management: There is no time lapse. Once we have taken that enabling resolution, we can do the fundraising within a year.

Moderator: Thank you. We have the next question from the line of Kamlesh Bagmar from Lotus Asset Managers. Please go ahead.

Kamlesh Bagmar: Sir, with regard to this enabling resolution Rs. 2,500 odd crores, so like I know we are in active discussion for Sanghi Cement's acquisitions, so like so based on that enabling acquisition, it suggests that we are looking for around Rs. 4,500 to Rs. 5,000 odd crores acquisition or consideration assuming like say Rs. 2,000 crores debt at Sanghi, so like say, what is the thought process there? If we are positive or if we succeed to get that particular asset, then what about the organic expansion because if you see North East market, we are the smallest player there like say, all the players who added capacity at your time, when your plant came in Durg, all have almost are at around 3X of their capacity, so there we have not expanded capacity and at Udaipur also we are looking at the second line, so what is the progress or what is the thought process there because if we go for this particular Rs. 5,000 or Rs. 4,500 odd acquisition, we would be starve of the capacity of the funds to fund our organic expansion really if you can share some thought process on that particular part?

Management: You are right, Kamlesh that we have not grown that much as others have grown in the Eastern and the reason which we have been saying for quite some time has been that due to the non clarity on the railway siding, we have not been able to expand our capacity. Now, the good news which we would like to share with all of you is that finally we have got the approval for setting up the railway lines. Whatever were the impediments, those have all been cleared and the approval is in place, so that gives us an opportunity to expand at a fast pace with the railway siding in place in the eastern region and reach the reach out to the markets which are having high realization mark with the movement of clinker through the railway sidings. That should be in place in about 9 to 12 months' time, now that the approval is in place and the visibility of that coming up in the near future is quite clear now. Yes, that was the reason as to why we have not been able to grow and yes, then once we complete this UCWL expansion, then there could be a possibility of another Brownfield there that coming in. So, you are right to that extent that we have fallen back, we have not been able to grow in the East as fast as others have grown, now that clarity has come, we will be in line with the growth of the other players.

Kamlesh Bagmar: But if this Sanghi acquisition goes through and then how this coal organic expansion will shape out because entire capital would get blocked there, so how would we grow our organic expansions because honestly, like say, Rs. 4,500 crores or Rs. 5,000 crores is pending at that particular inorganic acquisition, let us say, Gujarat would be around 50% of your capacity and on top of that, there are no good backup plans in case of Sanghi for that movement to the Western like say Maharashtra or the Mumbai market, you would have to expand spend another Rs. 500 to Rs. 600 crores over there, so how we are looking at that because for the size of us, we should only be focusing on the organic expansion?

Management: We are focusing on the organic expansion only. Inorganic, we evaluate the quantity and if it comes at the right cost and make synergical sense, we do take into account, but our focus has always been in the past also on organic growth only.

Kamlesh Bagmar: And lastly, on the like say for last three-four quarters, we have been so upbeat or like say we have been so vocal about this Geo and Geo Mix and then optimizing our NFR, but honestly for the last three quarters, it is nowhere visible like if I compare it with all the peers, be it East or the Gujarat market, they are way ahead of ours in terms of margin, like so on the consolidated margins we have done hardly around Rs. 615 and like say the gap with our all other players, now that has expanded to around Rs. 300-Rs. 350, so what is happening on that particular part because if we are impacted by this whole storm or the flood, all our other players are also impacted. If you see Shree Digvijay Cement, their volumes have increased by around 18% year over year, while in our case like we have expanded, our growth is hardly around 5% year over year?

Management: What Kamlesh, you are saying is absolutely right that we have been talking much on that bridging the gap, but barring this quarter, especially this quarter has been pretty bad for us. We were able to bridge, if you see our gap between the peers, we were able to narrow it down from almost Rs. 500 plus to close to about Rs. 200. This quarter was a setback for us. You are right that the rains and cyclones impact everyone, but for us it was slightly different in the sense that it hit two regions, which account for almost 70% of our sales, Rajasthan and Gujarat. So, that was the reason as to why while others were able to balance it out with the increase in sales from their other regions. For us, there was no backup from the Eastern or the Northern side. The impact has been severe for us more than other players because of Rajasthan and Gujarat accounting for almost 70% of our sales, but we are confident that going forward we will be able to again bounce back and bridge this gap. Your concerns are well founded that we have been talking big and not have been able to deliver, but barring this bad quarter, which unfortunately was for external reasons, we are quite confident we will be able to bounce back and bridge that gap going forward, as Mr. Shukla has explained in detail on various parameters through which we will be able to narrow that gap and reach that magic figure of at least four figures of EBITDA in about 12 months' time, 12 to 18, whatever we have projected.

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

Shravan Shah: Sir, just to reconfirming when we are saying the 19% volume growth, so this is on the console volume that we have done in FY23 on that we are seeing the 19% growth still we can achieve?

Management: Yes, over FY23 only.

Shravan Shah: So, that means for next 9 months, the ask would be a 23% plus kind of a growth that we have to do, so just to reconfirm at least in June-July, have we seen that kind of run rate, that kind of growth?

Management: That is what we are trying. I think arithmetically, we cannot put on a pro rata basis because July, August, September are typically lean months and I told you that October, we are going to have clinker also in place right and from October, I think we will have a good impetus on volume growth because we will add clinker, that 97% clinker utilization we have already done and grinding is about 85%. So, once I think clinker is available and we have grinding capability which is available at different locations, we will like hit that. Maybe I think growth rate is going to be much more beyond October, but July, August, September typically I think low months. So, definitely we will do better than others, but I would not say that we are going to kind of run at the rate of 23%.

Shravan Shah: And second aspect in terms of the though definitely Bidkar sir has mentioned in the previous reply, Rs. 1,000 EBITDA that we are reiterating to reaching next, let us say 18 months for this year, considering the first quarter, broadly, just trying to understand in terms of the on full year FY24, last time you said close **(Inaudible) 28.23** broadly where one can see on the full year FY24 we can look at?

Management: So, I think I will let you know. I think we are not ready that what is the landed kind of EBITDA by the end of the year, but maybe I think I will let you know.

Shravan Shah: Sir, I need many data points for this quarter, so just starting with, if you can share the console standalone clinker sales, then trade share for this quarter, lead distance for this quarter, rail mix for this quarter, gross date and cash standalone and console as on June?

Management: I will start with the reverse order. The debt numbers, standalone, our debt as of June on a standalone basis, Rs. 770 crores and on a console basis Rs. 1,950 as of June and the cash balance about Rs. 900 on a standalone, Rs. 950 on a console basis. To answer other questions regarding the sales, you had asked about the rail-road mix and...

Management: I think we are very heavy on the road, about 10% is rail and 90% is road.

Shravan Shah: Trade share for this quarter, sir?

Management: So, trade is quarter 55%.

Shravan Shah: The same because we for last three quarters, we were saying that we want to reach to 60% and in last call we said that in March we reached to a 60% but?

Management: We are not being bothered about trade, nontrade, we are focusing more on, as we have been explaining on the Geo Mix. If nontrade in the certain market is higher than the trade in the other zones, obviously we will sell more in nontrade. So, that was the reason. So, Geo Mix is a better parameter for us, anything which adds to the ultimate EBITDA. So, we give priority to Geo Mix than to trade, nontrade. Ultimately yes, with even in particular market that nontrade is higher, our focus will be to focus trade, their trade and nontrade and then go to our market where the trade is lower than the nontrade of the high price market.

Shravan Shah: Sir, lead distance, non-cement revenue and then finally the volume clinker sale standalone and console?

Management: Lead distance is about 400 overall.

Management: Overall is 400 kilometers.

Management: 430 odd in the in Northern side and about 300 in the Eastern side, and about your clinker sale, we have done a total clinker sale of about 2,00,000 tons out of the total in this quarter of 32,00,000 tons, 2,00,000 is the clinker sale.

Shravan Shah: Non-cement revenue and RMC revenue for this quarter?

Management: You are doing a very detailed analysis.

Management: Rs. 133 crore is non-cement revenue.

Shravan Shah: Rs. 133, sir?

Management: Rs. 133 out of which Rs. 63 is the RMC.

Shravan Shah: Rs. 63 is RMC and broadly in terms of the margin for that last quarter it was 5% for non-cement revenue, so will it be the same or has it improved?

Management: It has fallen to 4%. On the sale of Rs. 133 crores out of the total sale of Rs. 1,633 crores, so about 1500 is our cement sales and 133 is the non-cement sales and on the non-cement the operating margin is 4%.

Moderator: Thank you. We have the next question from the line of Parth from Investec. Please go ahead.

Parth: Sir, I had a few questions. So, the first one is on that, you mentioned earlier that we won few leases in Gujarat and Rajasthan, so wanted to understand like what is the reserve size like? What is the premium paid over there and by what time do we plan to exercise this growth optionality?

Management: The premium etc. is a little slow. You can see I don't have the figure readily available, but it has not been exorbitant premium which we have paid. It has been almost a year that we have acquired those mines. That is number one. Number two, we are focusing initially on the Nagaur mines in Rajasthan. We have started the land acquisition process and Kutch will be after some time.

Parth: And so what are the reserves?

Management: Reserves also will let you know separately, but that is all in public domain. We don't have the figure right now with us in the call, but I think the both the data on the premium at which that those mines have gone as well as the reserves available are in public domain. Still you can send a mail, I will respond to that. I don't have any available here.

Parth: Sir, this Rs. 2,500 crores that you are planning to raise, this would be used for organic and inorganic expansion?

Management: Yes, it is an enabling resolution because if we have to grow organically or inorganically, we don't have to rush back either to the shareholders or to the board for that approval. It is enabling and we have the levy of doing the fundraising in about a year's time. We are not doing it tomorrow.

Parth: And sir, there is one question on related party transaction, so if I look at H1 FY23 numbers that you have shared, in that there is a number of Rs. 300 crores which is under purchase of cement, so this is pertaining to what exactly?

Management: Rs. 300 crores, sorry, come again.

Parth: There is a number of Rs. 302 crores under the purchase of cements and others, so this would be pertaining to what?

Management: Just give me a second. Purchase of cement, purchase of stock and trade is there.

Parth: Purchase of cement under related party transaction 3019 is the figure?

Management: You are talking of which report you are reading?

Parth: This is related party transaction that you have disclosed on H1 FY23 basis?

Management: Yes, that is basically the normal purchase of clinker or the cement purchases which we are doing from our subsidy Udaipur Cement Works Limited.

Parth: Can you help me with the clinker and cement volume like both in value and volume terms related to this transaction? Is it possible?

Management: Yes, this would be primarily cement which we are sourcing from Udaipur, it is about 2.35 lakh tons in this quarter. I will explain it. JK Lakshmi on a standalone basis, I have done total sales of 29.25, you can note down. 29.25 is the total sales of JK Lakshmi in this quarter on standalone basis, right?

Parth: Right.

Management: Which includes 27.64 of cement and 1.61 of clinker, right?

Parth: Right.

Management: And you add there to 5.15 lakh sales of UCWL. That again, breakup you can note down, out of 5.15, 4.71 is cement and 0.44 is clinker, right?

Parth: Right.

Management: So, the total of JK Lakshmi 29.25 and 5.15 is 34.4, but in the consolidated we are reporting 32.05. So, the difference between the summation and the console number is the inter unit sale of 2.35 for which that 300 odd figures you are talking of pertains to the related party transaction of the inter unit sale of cement within JKLC and UCW which is knocked off in console numbers. So, on console basis, it is 30,00,000 tons of cement and 2.05 lakh tons of clinker, making a total of 32.05.

Parth: And this would be all cement?

Management: That is all cement, but going forward, as we see the production from the clinker line of UCWL started coming in from October, there will be increase in the clinker sale from Udaipur to JK Lakshmi in the third and fourth quarter.

Parth: Until the time grinding unit at UCW comes up?

Management: Yes, you are right. That is still maybe 6 to 8 months away from their Clinkerization line. So, till that time their grinding unit comes up, we will be using that clinker for grinding at our locations.

Parth: Sir, would it be possible to share the same numbers for even FY23 like I could write a mail to you and if you can share it over mail?

Management: Full year, I don't have it readily, but you can mail it, I will respond to that.

Moderator: Thank you. We have the next question from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Just wanted to clarify the target of Rs. 1,000 per ton is including the fuel cost benefit that you are seeing or it is excluding that?

Management: As I told, I think this is excluding right, all internal efficiency because we wanted to bridge that gap of about Rs. 300 - Rs. 350.

Amir Murarka: So, industry I understand is having or estimating like a Rs. 300 cost benefit from foreign fuel costs, so then basically we should expect 1300, right? Is that understanding correct?

Management: So, I think our estimation is a little lower on fuel cost for this thing because we are already there at about 2.3 now around, right, so maybe if you have recent cost, it started going up. I don't think 300 headroom is there for fuel cost, this is what my estimation is.

Amit Murarka: But whatever industry will get basically additional over and above 1000?

Management: Yes.

Amit Murarka: So, earlier, I know you had given a road map for reaching 1000, like it has been, I think, almost a year since we had spread out the road map, so how much progress do you think we have made on Geo Mix and other aspects around cost and all?

Management: That is what I was trying to explain that on Geo Mix, we have been able to optimize to an extent about close to 75% of volume in North and West part of our geography and within North and West, I think then core areas. So, that is one. Second on premium product, we have improved quite a bit. So, we have gone to about 37%. So, this is second. Third, I think I told you that logistics using technology, if you can take some advantage and revisiting our distribution network, so that project is in progress. So, probably I think we will get this benefit in coming quarters and third was on alternate fuel capability, which we are setting up at Sirohi and some kind of improvisation at Durg, capability at Udaipur, so this is what I think progress we are making. Some of these actions which I explained to you before are work in progress. So, maybe another 3-4 months' time those some of the actions will get rectified. Then we will start getting benefit out of that. We are also working on renewable energy as to how we are going to improve our renewable energy proportion in our total consumption. So, right now we are close to about

30%. Our plan is to go to about 37% to 40%. So, for that we are setting up **56 42.15** MW under captive mode in East and another 7 MW at Sirohi. So, these projects also will get concluded in the next 3 months' time at Durg and about 3-4 months' time at Sirohi, so that will also give some benefit.

Amit Murarka: But would it be possible to have some numbers around it, because on realization if I am not wrong you had mentioned like 150-175 will come from realization, so have we got like maybe 50 to 100 out of that already, like how should we think on number terms on these things?

Management: Definitely, I think we have got out of, I mentioned about 250 plus around on realization, so definitely we have got about you know 50 to 75 out of that and if you look at our realization, I think we are almost we are reasonably already placed with the leaders in the industry.

Amit Murarka: And also like on this clinker purchase that you would do from Udaipur, just to understand like how will the cost work on that like purchase cost will, how will the margins be split basically between Udaipur and JK Lakshmi on that?

Management: They will be doing it on a cost plus basis.

Amit Murarka: And lastly, any thoughts or clarity around merging UCWL like FY25, FY26, anytime we can expect?

Management: Yes, we will be certainly doing it, once we graduate in JK Lakshmi to the new regime of 25% and for us to graduate, we need to first exhaust the MAT credit outstanding, which earlier used to be Rs. 200 crores has narrowed down to now Rs. 140 odd crores. So, maybe in a couple of years we will exhaust that MAT credit entitlement and then we can graduate to 25% and collapse the structure, so maybe two years away, may still.

Moderator: Thank you. We have the next question from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: My question pertains to first, could you share the clinker production at Udaipur and standalone entity?

Management: Production of clinker in the standalone entity in this quarter, our clinker production was 16.65 lakh tons and for Udaipur it was 3.88 lakh tons.

Rajesh Ravi: What was the fuel cost on console per kilocal?

Management: Our fuel cost in this quarter on kcal basis was Rs. 2.23 paisa.

Rajesh Ravi: And this was what number in Q4?

Management: And Q4, it was 242.

Rajesh Ravi: And how are these even trending in month of July?

Management: In the coming quarter, we expect it to further go down from 223 to 215 or so.

Rajesh Ravi: But why is the softening you are looking at a very smaller number because petcoke prices and all have come down significantly, so the current spot prices by when do you look them to reflect in your numbers?

Management: Time lag between the cost reduction and its impact in the P&L is ranging between 4 to 6 months depending on the inventory which you are carrying. So, eventually it will come, but based on the inventory levels in the coming quarter, it will be slightly lower at 2.15, likely to be that.

Rajesh Ravi: And this 40 MW solar capacity which you talked about, this is only installed capacity which is 40 MW, which would have effective 10 MW availability or it is actual 40 MW which you would be sourcing?

Management: You are right on the installed basis, based on the PLF about 20-25%, you are right, effective availability could be 8 to 10 MW only, but the big advantage in that arrangement is especially in this state of Chhattisgarh is that they allow the banking of that power generation and can be used in the non-generating hours, so that is a big advantage.

Rajesh Ravi: So, your costing would be just overhead cost?

Management: No, costing, since we are not making any investment, our landed cost would be about close to Rs. 5.

Rajesh Ravi: Rs. 5?

Management: Yes, as opposed to we are not making any capital investments, only a 26% equity stake costing us about.

Rajesh Ravi: And sir, what would be your grid cost currently?

Management: It is more than about Rs. 7.5 in East. So, if we are getting at Rs. 5 per unit there is Rs. 2 plus saving.

Rajesh Ravi: Sir, given that these solar power plants have such a strong effect period, would it not make better your business since to have it captive than going through, is there any other cost which gets up, like any incentives which like you said the banking and all which prevents you to having on your own books and just incur the overhead cost?

Management: We have adequate land, for a 40 MW you have to have live huge land bank available, the first foremost requirement, but ultimately yes, it makes sense if you can have that sort of land to do it in a CAPEX mode as we are doing in Rajasthan where they are imposing even on the captive

26%, they are putting the cross subsidy and the electricity duty etc. Yes, in Rajasthan, it is not allowed. So, we are in fact doing the reverse thing in Udaipur. There is a 7-8 MW of power project, which we had started in the captive third party route. Now, eventually we are forced to buy it and put it under the CAPEX mode because of the policy of the Rajasthan government. So, yes, ultimately it makes better sense to put if you can and have the necessary resources and the land to put it at the captive or the CAPEX mode, but the policy of the government has to support that.

Rajesh Ravi: And then last question on the balance sheet, we have net debt to EBITDA of 1x and given the market chatter of you bidding for Sanghi while you will not confirm, I agree, I know, I accept that, but could you give us a sense to the minority shareholders, what are your peak net debt targets or leverage factors which you would be following or no go area at least because given that JK Lakshmi has rebated balance sheet after long and this has helped the stock move up, so could you give us a sense what sort of leverage number you are looking at while you would be pursuing your growth?

Management: First and foremost, we don't distinguish between the majority shareholders and minority shareholders. We take all the shareholders together. They are part of the shareholders family. That is number one. Don't treat anybody as a minority shareholder, even if they are not part of the promoters group. We have never made that bifurcation or distinction. That is number one. Number two, whenever you are doing any expansion for a temporary period, you may sacrifice certain ratios so long as you have a clear visibility that going forward in next couple of years whenever we commensurate EBITDA from either the new plant or the expansion which you have done comes in or any acquisition which you have done, like take the case of Udaipur, they have just completed the rights issue of Rs. 450 crores. Prior to that, their EBITDA used to be in the range of about Rs. 150 crores and they have contracted a debt of Rs. 1,100 crores for the expansion. Just before the start of the expansion, the existing debt of Rs. 500 crores together with the Rs. 1,100 crores of the expansion debt, the debt number looks like Rs. 1,500-Rs. 1,600 crores on the EBITDA of Rs. 150 crores which looks haywire, but movement that expansion EBITDA starts flowing it that numbers get narrowed down and comes within the visible range. So, also, whenever at a console level you also see either you go for the expansion or any inorganic growth. For a couple of years, one or two years, it may haywire, but so long as we have the clear plan that it will be narrowed down to the range of about, not the debt to EBITDA not more than 3, 3.5, 4 max that should not be of concern being a temporary phenomenon so long as the clear visibility is there. On talking on a prudential norm, yes, you are right, 3 to 3.5 is the outer limit, but can be sacrificed for exceptional cases.

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

Sanjay Nandi: Can you please guide us on the coal inventory on the petcoke inventory which you were holding, like what kind of three months inventory or what is the shipment have been done for this quarter, if you can throw some lights on that?

Management: We are holding an inventory of about 100 odd days.

Moderator: Thank you. We have the next question from the line of Mudit Agarwal from Motilal Oswal Financial Services. Please go ahead.

Mudit Agarwal: Sir, my question is pertained to again on the inorganic growth opportunity. Sir, what valuation we are comfortable for the acquisition, what is your thoughts on this?

Management: We have not assigned any number for any acquisition value, depends on what benefit that asset drives to us and whether it makes synergical sense. So, it could be different figure for assets located at different place, ultimately has to be seen in a case to case basis. There is no fixed number there too.

Mudit Agarwal: And just last question on net debt, what is the current consolidated net debt, I missed the number, sir earlier?

Management: No issues. I will read out that. Net debt is Rs. 1,000 crores as on date, 1950 is the gross debt and 950 is the cash.

Moderator: Thank you. Ladies and gentlemen, we will take one last question from the line of Uttam Kumar Shrimal from Axis Securities Limited. Please go ahead.

Uttam Kumar Srimal: Sir, what is our CAPEX guidance for FY24 and FY25 on standalone level?

Management: We have CAPEX on 2-3 counts, which is presently underway. We are working on a waste heat recovery as we mentioned of about 3.5 MW. Then there is an AFR project going on. We are doing some AC blocks at Alwar plus the solar power also. All in all, about Rs. 400 crores of CAPEX is lined up and now that the approval as we mentioned in response to our earlier call, the approval for the railway siding and the conveyor belt having been there, there could be some CAPEX of about Rs. 100 odd crores, 100-250, maybe around in that range on that, so maybe 300 plus 100 around 400 in this year.

Uttam Kumar Srimal: 400 in FY24, sir.

Management: Yes, out of which we have already done about 50 odd in the first quarter.

Uttam Kumar Srimal: And sir, what has been our fuel mix in this quarter, petcoke, coal and alternate fuel?

Management: Yes, we have done about 40% coal, 43% odd petcoke and the balance is the biomass and others.

Uttam Kumar Srimal: And so you said about the premium cement is about 25% on overall sale or trade sale 27%?

Management: Trade sale. It is only always on trade sales.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference back to Vaibhav Agarwal for closing comments. Please go ahead.

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital (India) Private Limited, we would like to thank the management of JK Lakshmi Cement for the call and many thanks to the participants joining the call. Thank you very much, sir. Melissa, you may conclude the call. Thank you.

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