JKLC:SECTL:SE:22
5th November 2022

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: NSE Digital Platform

Dear Sir/ Madam,

Re: **Conference Call organized by PhillipCapital (India) Pvt. Ltd. on 4th November 2022 at 4.00 P. M.**

In continuation of our letters on the above captioned 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: 2022.11.05 15:29:26 +05'30'

(Amit Chaurasia)
Company Secretary

End: as above

"JK Lakshmi Cement Q2 FY23 and H1 FY23 Earnings Conference Call"

November 04, 2022

MANAGEMENT: **MR. SUDHIR BIDKAR – CFO, JK LAKSHMI CEMENT**
MR. ARUN KUMAR SHUKLA – PRESIDENT AND DIRECTOR, JK LAKSHMI CEMENT
MR. RAJESH SHARMA – JK LAKSHMI CEMENT

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

Moderator: Ladies and Gentlemen, Good day and welcome to the Q2 FY23 and H1 FY23 Call of JK Lakshmi Cement hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and 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, Sir.

Vaibhav Agarwal: Thank you Melissa. Good evening everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q2 FY23 and H1 FY23 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 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 maybe forward-looking statements related to future developments and current performance. The 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 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: Thank you Mr. Vaibhav and good afternoon ladies and gentlemen for this and welcome to Q2 call for FY23. We have with us as Vaibhav mentioned Mr. Arun Kumar Shukla – our President and Director and also my colleague, Mr. Rajesh Sharma. The results you would have seen I do not have to harp on or repeat the results to save on time let us keep the floor now open for questions and answers please.

Moderator: Thank you. Ladies and gentlemen we will now begin the question-and-answer session. We have the first question from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: My first question is can you highlight like versus peers or volume growth have been a bit tepid, but our realizations seems to have significant difference versus what most companies have report in the sector, so is there any material difference in our strategy for past 6 months which have helped our realization better versus the peers?

Management: I think our focus when it comes to prices and realization has been on couple of things. One of course how we are going to optimize the geo mix so that is one area which we have been focusing on for the last so many months. Second, has been the premium product proportion which we are driving because we do have some good products in our portfolio and we are trying to take leverage of that and third of course I think other elements like product mix and segment mix also which has been in the focus of our team and JK Lakshmi Cement as a whole to drive realization and the top line.

Prateek Kumar: So, what would be our trade mix and OPC mix currently and how do we look at 12 months to 18 months from now?

Management: Blended cement production is about 67% and 33% OPC and trade also we are at about 54%, 55% now. There has been good improvement in the past few quarters on account of segment mix which is trade and nontrade and product mix which is blended versus pure cement.

Prateek Kumar: Sir how has the sense like in past fifth year and how do you see that moving forward next 12 months to 18 months from current run rate?

Management: So, you are asking about the outlook.

Prateek Kumar: So, trade mix has been now 54-55 I guess it was close to 50% earlier.

Management: Our plan is to take it to beyond 60% in the next maybe two, three quarters and blended proportion to about 72% to 75%. So, that is what our plan is.

Prateek Kumar: And sir any specific focus on overall profit per ton as a business under new leadership?

Management: I think I will give you the focus because it is very important and it is not only about top line, but I think you have to really look at all elements of your balance sheet. So, when I said that our major focus is on the top line. Of course, I think we need to grow our volume, we need to grow our volume in the right market where our competitiveness is better than others. So, this is one. Second I told you about the segment and the product mix which we are driving and third of course the premium product which we have with us. So, this is what the focus is on our top line of course I think focus is on utilizing our full capacity grinding station or Clinkerization unit and we are keeping a very close eye on each and every element of cost be it our logistic cost, be it our fuel cost, fuel mix or power cost I think this is what our focus is. So, while we are working consistently on top line improvement, but at the same time trying to better our performance in terms of efficiency at the plant and all other valid names which takes our cement to the customers.

Prateek Kumar: Last question on your CAPEX project the UCW project the timeline for commissioning of the same and the status of environmental clearance etcetera for that project?

Management: On Udaipur 75% civil work has already been accomplished. Our target is to accomplish our Clinkerization unit wise we hope to complete that project by March 24.

Prateek Kumar: So, the clinker plus grinding all by March 24?

Management: So, maybe I think clinker would come little earlier. So, maybe around March and month or two latter is going to be the grinding capability.

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

Shravan Shah: Before asking the questions couple of data points first is non cement revenue and the RMC revenue for the quarter?

Management: Non cement revenue is 116 crores and RMC is 52 crore.

Shravan Shah: Premium sir last time you said 14% of total sales is premium product, so what was in this quarter?

Management: It is more than 21%.

Shravan Shah: 21% of trade sales or the total volume?

Management: Total sales.

Shravan Shah: 21% of total volume is a premium sir?

Management: 21% of trade sales volume.

Shravan Shah: What was the sale number in Q1 FY23 last quarter?

Management: I think it was a percentage and half lower than this.

Shravan Shah: What was the lead distance in Q2?

Management: Q2 lead distance about 395 kilometer.

Shravan Shah: Still once again I want to reiterate the first question again still not able to understand clearly in terms of the realization the growth that we have seen last 6 months particularly Q1 we have seen a 12% plus and this quarter only 0.4 decline though you have mentioned, but if you can elaborate more because that is the thing that is definitely positive for us, but we are still not able to understand and how do we see in terms of the pricing post September how much price increase we have seen in each of the states or the region where we operate so that I want to understand?

Management: On pricing Shravan July, September typically is lower demand wise and hence prices also were also under pressure. Overall industry wise we see a decline of about 5% in the prices. So, July, August price wise I think there was lot of pressure, but September prices realized little bit during fag end of the month maybe after 15 or so. So, we have seen revival of prices towards end of September and now onwards it is going to take a steam because demand is improving. So, this is on market side if you really look at our net sales it has gone up by 8% YoY and if you compare this with previous quarter it has gone down by 3%. So, while industry our estimation is about 5% lower. We are down by about 3% lower than the preceding quarter and 8% with respect to corresponding quarter.

Shravan Shah: Sir that I understood, but if I look at our trade share has not increased it has remained another from the last quarter it was 56% now it is 54%, 55% nothing has much changed in terms of the premium share also 1.5%, but the realization increase so not only my I think the entire trade just wanted to understand in detail in terms of if we divide revenue by the volume the realization growth that we are seeing in the first quarter and the second quarter of this year it is much higher than the entire all other peer. So, that thing we are not able to understand so my question is on the console level. So, I understand on the standalone last quarter we have changed the method, but on the console level nothing change it remains, but still we are not able to understand what is driving our realization growth?

Management: I will tell you Shravan I think it is very good question and in fact you have noticed when I started my conversation the first priority of course is geo mix. Typically our presence is there in north, west and east part of India part of this trade, prices in western part of India is better. So, our effort was to maximize our sales in western part of our footprint where prices are better. So, just to hallucinate this nontrade realization our margin of west is much than trade in some part of north and even in part of east. So, our focus was to first optimize the geo mix how we can sell more in the area where our margins are low irrespective of the segment so that is what is the first effort is and that is what we have done in the previous quarter and even before. We are consistently increasing our volume share in this part of geography where our margins are better irrespective of the segment this is one and then there comes thereafter within that area how we are going to optimize our maximize trade. Suppose we have optimize segment mix or geo mix let us say more sales in western part of India and when it comes to north then we are optimizing our trade and non trade our segment if you go to east the same way. So, wherever our margins are better first we go for geo mix and then we go for nontrade. So, the kind of hierarchy which we follow. We are not really looking at segment first why at all we have divided that sale into segment because of the profitability of margins. If you get better margin in nontrade segment I think we are not averse of that and that is what we have done in previous quarters as well.

Shravan Shah: So, just furthermore on does our trade, nontrade price gap in last 6 months has it reduced significantly versus Q4 average?

Management: Yes this has gone down.

Shravan Shah: How much was in Q4 and now in last 6 months how much it has reduced what is the difference gap between what we sell in trade and nontrade, on an average I am not asking the exact number, but broadly?

Management: Shravan range is average would not be the right one. So, I just give you example in case of west the gap in trade and nontrade is very low. It is about maybe about Rs. 200 a ton. If you go to Rajasthan and northern part of it the gap is about Rs. 1,200 to Rs. 1,400 a ton. If you go to east I think gap is about Rs. 400. So, averaging would not be the right way of looking at this gap between trade and nontrade because there is a huge I think wide band and that is why I told you that first focus was to really kind of capture non trade also in western part of our footprint where trade, nontrade gap was the least.

Shravan Shah: Last question is on the power and fuel mix so what was the fuel mix for this quarter and the fuel consumption cost because last quarter we said even 1,700 and how do we see though we expected 20% increase this quarter, but it has only the 10%, so how do we see now in the third quarter the power and fuel cost?

Management: In this quarter our petcoke consumption was about 48%, 39 was gold and balance was the other. Broadly it will remain the same in the coming quarter. Cost was yes you are right we had thought that it will go up, but thanks to some additional low-cost inventory we are able to curtail it down to less than Rs. 12,000. Going forward we will see that overall fuel cost going up from 12,000 to 13,000 in the coming quarter.

Shravan Shah: So, currently for Q2 it was 12,000 and it will increase to 13,000?

Management: That is what our expectation is in the coming third quarter.

Shravan Shah: And sir last on the working capital we are seeing the 420 odd crore increase in the first half for console basis, so do we see this once again reducing in the second half and that if you can clarify?

Management: That is increase in working capital on account of the stocking of the petcoke and coal primarily on account of that. So, it may depending on our strategy going forward of sourcing petcoke and coal it is expected to come down that is what we believe.

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

Kamlesh Bagmar: Since we had changed that volume accounting or volume presentation for standalone operations right from Q1 FY23, so can you give the numbers for the Q1 and Q2 of last year to have the like-to-like comparison?

Management: It will be erroneous for us to give because last time we had accounted for a clinker sales and all that so that will not be proper, but for the sake of giving the figures I am telling you in the corresponding quarter last year you want on a consolidated basis.

Kamlesh Bagmar: Because what happened that there are some doubt in the market that our volumes in the standalone has gone down because we do not have the like-to-like volumes for the last year on the standalone front?

Management: On a standalone basis this year you have the volume 22.36 is cement sales and 0.69 is clinker sales total in this quarter is 23.05 in the corresponding quarter last year our cement sale was 20.43. So, there is an increase in cement sales by 7% but clinker has gone down last year it was in corresponding quarter 1.48. So, that has reduced from 1.48 to 0.69 clinker sales. Overall, this time it is 23.05 last year it was 21.95 overall growth is 2% clinker and cement included, but important is cement has gone by 7%.

Kamlesh Bagmar: And same for the Q1 last year?

Management: Q1 I do not have ready because I have for the corresponding figure quarter I have kept it ready.

Kamlesh Bagmar: And sir lastly like if we see our performance or the margins in this quarter they have been far better and the way the gap between our and like say the peers the margins is like us say that the gap is hardly around Rs. 100 now, so going forward like I believe in this quarter we had some benefit of low cost coal which peers may not have. So, going forward do we see this particular trend going on like Rs. 100 to Rs. 150 gap because over the years we had this particular argument that on the logistics front we are not that competitive as against peers because of our low plants location is Sirohi. So, have we been able to contain that particular impact our margins going to remain like say now the gap is going to remain let us say Rs. 50 to Rs. 100 compared to our peers, so what is the thought process on that part?

Management: I cannot comment on the fuel cost of the other players. We can talk of what we are doing as I mentioned in response to our earlier question. Fuel cost is expected to go up from about 12,000 the cost to about 13,000 I do not know about the other, but yes this quarter we have been able to substantially reduce other overheads. Our endeavor would be to continue to work on that and improving as Mr. Shukla mentioned the geo mix which helped us to reduce the logistic cost also doing more of direct dispatches and trying to reduce on the lead aspects. So, that should help us to bridge that gap going forward.

Kamlesh Bagmar: And sir any measures we are taking in east market to bring down our power cost or any particular effort going on there?

Management: East we are trying to evaluate the possibility of increasing from the renewable sources, trying to see if we can put additional solar power to reduce the cost of thermal generation and that we are evaluating.

Kamlesh Bagmar: So, what is the potential there like what can we do there?

Management: We can do about maybe because of the availability of we can go up to an additional because we need to make some investment. We are evaluating the proposal maybe about 30 megawatt, 40 megawatt we are trying to evaluate. For doing the entire CAPEX in our books we will try to get some implement the project for us and we take a stake in that because as of now the state of Chhattisgarh allows the various benefit under the captive roof by taking only 26% stake. So, we are evaluating as of now that could come with the complete plan going forward may be in this quarter.

Kamlesh Bagmar: And lastly like say on the console size if we take out the non cement revenues then it seems that realizations have fallen by Rs. 94, Rs. 95, so it is not the case that our realizations have not fallen it has fallen, but to a very less quantum that is Rs. 94 because you have provided the non cement revenues so based on that your realizations have fallen Rs. 94, so is it on the correct line?

Management: Other players were commenting other colleagues of your who are commenting was maybe because of non-exclusion of the non-cement revenue. Last year in the corresponding year last year it was 92 crore it has gone up non cement revenue to 116 if you eliminate that what you are saying maybe right.

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

Rajesh Kumar Ravi: I have a few questions some of them have already been answered, could you share the clinker production number for this quarter?

Management: Sorry.

Rajesh Kumar Ravi: Clinker production in Q2?

Management: Clinker production in this quarter was 19.47, 14.9%.

Rajesh Kumar Ravi: Sorry can you repeat please?

Management: 14.69 lakh ton.

Rajesh Kumar Ravi: 14.69 this is standalone console?

Management: 14.69.

Rajesh Kumar Ravi: Standalone or console?

Management: This is standalone and UCWL was 3.8 so on a consolidated basis the clinker production is 18.49.

Rajesh Kumar Ravi: Sir, if I look at the purchase of traded goods that number is heard of considerably I assume this is with regard to the arrangement with Kanodia Cement, so how is this being accounted sir you are booking sale of clinker to them and purchase of cement from there and subsequently sale of that cement is booked into the top line again?

Management: Yes that will be the way it will be accounted for the balance purchase. We have to do that way.

Rajesh Kumar Ravi: How much would be the volume from this Kanodia Cement is that would be Q2 numbers?

Management: About 70,000 ton right. So, we started during this monsoon season end of August that is about 70,000 tons.

Rajesh Kumar Ravi: By March what sort of number, you are looking at?

Management: We have ramped up plan for this outsource unit and we have a plan to take it to about 65,000 ton by March 2024.

Rajesh Kumar Ravi: 65,000 tons per quarter?

Management: No, per month.

Rajesh Kumar Ravi: And this quarter **(Inaudible) 27:12** 70,000 tons of cement?

Management: Yes.

Rajesh Kumar Ravi: If you are looking to increase our blended cement by another 600 to 700 bps and similarly trade share should go up so we have sharp jump as you mentioned two to three quarters, what are the strategies which are helping you which gives you confidence?

Management: Question is not clear your voice is breaking.

Rajesh Kumar Ravi: I wanted to understand from 54% trade sales you are looking to go up to North of 60% over next two quarters and similarly your blended cement sale is also expected to expand and which is a good thing given that you are running high on clinker utilization, so what is giving you this confidence in terms of your strategies distribution?

Management: I think we are reasonably confident that the steps which we are taking at the ground level that is going to help us and more so I think all those efficiency ground logistics efficiencies which we are looking at I think that will also help us to achieve this. So, we are reasonably confident that this will help us to achieve our objective of blended cement.

Rajesh Kumar Ravi: Second question pertains to an earlier participant have also wanted to know this in terms of realization see we understand sequentially all markets witnessed pressure on the realization while on blended basis your numbers do not reflect that, but for your own market, can you give us a sense what was the like-to-like realization for across north, west and east market for you in Q2 quarter-on-quarter?

Management: I think market wise we are not ready with all those realization data what we have as of now is consolidated one. Perhaps I think we can improve we can discuss or send you separately this data.

Rajesh Kumar Ravi: In terms of two more questions on the green power usage what is the current green power consumption and what are the targets for FY24 and in FY24 what sort of green power number you are looking at on sequential basis?

Management: We are working quite intensively on improving our green power proportions and right now we are close to about 35% number renewable source of energy.

Rajesh Kumar Ravi: And where do you see this number going up?

Management: So, we see that this number should go to about 37% from currently we are at 35%.

Rajesh Kumar Ravi: Other expenses number on a per ton if I look at quarter-on-quarter they have come off despite lower volume quarter-on-quarter, so is there any deferment in the maintenance expense or some other cost which was building up in Q1 has not come in Q2 could we explain the Q2 other expense number?

Management: Other expenses have dropped in this quarter you are right, but a major portion of that like other expenses includes packing, commission, stores and spares which are in direct proportion to the change in the production. So, production has fallen so as these expenses, but overhead we have slightly been able to reduce on that. So, broadly the fall is in line with the fall in the production.

Moderator: Thank you. We will move to the next question from the line of Navin Sahadeo from Nuvama Securities. Please go ahead.

Navin Sahadeo: Sir two questions one is are we also looking at or in a way already able to narrow the price gap versus peers because since Shukla ji in his initial comment said the prime focus is on the top line and revenue, so I am saying is there already an implementation or a thought to narrow the price gap how do you see this?

Management: Yes I think you are right this is one of the major value driver when we talk of top line and we do have identified few actions which we have started implementing market by market and perhaps this implementation part would be over by end of this quarter or maybe it will extend till about January and hopefully I think February, March onward we see that in our prices price gap will dwindle and we have clarity in our thought as to what we need to do in order to reduce this gap. So, all those actions have been taken.

Navin Sahadeo: Second question then I had was on the cost front so of course I think on the power utilization front in terms of overall energy consumption I think we are already at a fairly low level even I think both at clinker stage as well as at the cement stage and you said you are looking at adding some waste heat recoveries or more green renewable energy per se at the eastern plant. Apart from this what are the other initiatives which are possible to pull the cost down further both from a near term or even if it is a medium term kind of a thing what could be those revenue sir?

Management: I think renewable is one part which we are working which is going to help us to reduce cost. So, that I told you that we have we are already at 35% will go to 37%. Another big area where we are working on is alternate fuel afar. Right now, we are at not so great level like about 3.5 level. Our plan is to take this afar proportion to 10% in the next 9 to 12 months' time and for that we have already started developing our capabilities at our integrated units that is you know second major action which we are taking and third action also is on how we can really use cost effective raw materials. So, just to give you an example maybe mineral gypsum versus phosphorgypsum, chemical gypsum versus mineral gypsum, fly ash rise also I think also different sourcing flyash sources and different kind of flyash availability. So, that is another thing raw material part also we are looking at very closely as to how we can use all those resources to reduce our cost without compromising on our promises to customer so that is another thing which we are working on and as you know I think we are already competitive in terms of heat value, power consumption, but we are not at all complicant let me tell you I think there is an endeavor to further reduce these cost elements by two ways. One of course straightway improvement of efficiency second also if we can improve productivity to an extent with some low CAPEX intervention. So, these are the few actions which we are looking at.

Navin Sahadeo: I will just leave this with one feedback that while JK Lakshmi is taking so many efforts like it spills up profitability it would be really great if you can also have some sort of a quarter presentation which gives volume data and more importantly the ESG milestone targets if there are because most of the company's other cement companies tend to talk about this and investor also incrementally are getting aware of ESG target and the roadmap that the company has I think if you include it in a presentation form it will really help JK Lakshmi not just the realization gap which you are trying, but also the valuation gap in mind.

Management: We will do that we will upload that on the website in near future.

Moderator: Thank you. We have the next question from the line of Simranjeet from Omkara Capital. Please go ahead.

Simranjeet: Sir, I just want to understand what is the JK Lakshmi focus on the debt to bring down the debt of the Udaipur Cement how the company is focusing on that in the future means because we are still having close to 1,000 crore of that mix of long and short in the Udaipur Cement so that is the only point which I want to understand how the JK Lakshmi Cement is focusing on bringing down the debt of Udaipur?

Management: Basically, we are in the process of implementing this project of expanding its capacity in clinker of 1.5 which will take their capacity from 1.5 to 3 million and cement capacity from 2.2 to 4.7 then that project will cost 1,650 and we are planning to contract and the fund to debt equity of 2 is to 1 contracting 1,100 crores of debt. So, basically we do not have any immediate plans to suddenly bring down the debt they already have about 500 crores of debtors based on the existing CAPEX which they have done in the recent past and gradually it will get paid off from their cash flow only, no immediate plan to as such pay-off of any debt because otherwise that will require induction of funds from JK Lakshmi only. We are, in any case, going to fund about 400 crores through the rights issue which will come in the next year. So, no immediate plan as such, but yes to the extent possible we tried to pay off from their cash flow only.

Simranjeet: Sir this 400 Cr of the rights issue is for the Udaipur or from the JK Lakshmi just want to understand?

Management: Udaipur we have part finance the expansion project. So, out of 1,650 1,100 crores comes by debt and 550 is the promoter contribution and out of that 150 comes from their internal accrual of UCWL and 400 crore would be to the right issue size of UCWL and JK Lakshmi being 72% holder of shares in UCWL we will have to fund a major portion of the rights issue balance 28 coming from the public.

Moderator: Thank you. We will move to the next question from the line of Parth Bhavsar from Investec India. Please go ahead.

Parth Bhavsar: Sir, I just had one question that you said that geo mix is improving and the focus is going ahead could be on the geo mix, so can you help me with this like in this quarter what was the geo mix in percentage terms if you can share?

Management: So, we have divided different geographies into GY and R we call it green, yellow and red. So, green proportion is going up month after month and our green proportion as of 30th of September was more than 55%.

Parth Bhavsar: So, green is basically blended cement?

Management: No, green is based on the margins. You talked about geo mix right.

Parth Bhavsar: In terms of west, north and east?

Management: So, what we have done is all markets are divided into GY and R green, yellow and red categories based on the margins which we get. So, we tried to sell maximum quantity in G areas where margins are more.

Parth Bhavsar: So, green is right now at 55 and what was the number last year?

Management: It was about 52%, 53% before.

Parth Bhavsar: And yellow and red if you could help?

Management: I think red days are I think dwindling with the fastest. So, red still is about 12% around.

Parth Bhavsar: What was this red last year?

Management: 15%.

Moderator: Thank you. We have the next question from the line of Uttam Kumar Srimal from Axis Securities Limited. Please go ahead.

Uttam Kumar Srimal: My question relates to gross debt and net debt position on standalone basis?

Management: Standalone our total debt on standalone basis is about close to 900 crore and net is about 225 crore.

Uttam Kumar Srimal: And sir we have included EBITDA turnover of around 600 for this quarter, so what kind of EBITDA turn we are looking in Quarter 3 and 4 since commodity prices were also softened?

Management: It is difficult to pinpoint the figure of EBITDA target is to ultimately up to Rs. 1,000 EBITDA but considering the increase in the fuel cost it may take some time for that to actually materialize, but endeavor would be to ultimately have a four digit EBITDA.

Uttam Kumar Srimal: And sir what has been our railroad mix this quarter?

Management: I think rail proportion is less and maybe we do not have the exact data we can give you little latter we are not carrying that, but I think majority is road only that way only west some of the markets we go through rail otherwise all road.

Moderator: Thank you. We have the next question from the line of Dharmesh Shah from Emkay Global. Please go ahead.

Dharmesh Shah: Sir, my first question is on the company strategy side from the next two to three years perspective and if you can just prioritize what are the numbers on priority number two priority?

Management: So, I will tell you some up level strategy I will give you and this is what in fact we are working on. One of course I think we are working with lot of focus and lot of intent on the top line and when I talk of top line then it includes improving volumes, it includes quality of volume which I told you geo mix how we can sell in the right area at the right price. Our focus is leveraging our brand because we do have some good products in our portfolio, how we can leverage and really kind of go to the customer with the right value and the right kind of product and services which we have. So, leveraging our brand which we have. We are also working on I think some of you asked the question of price positioning how we can really improve our price positioning so this is also a strategy there are some milestones which we have set for ourselves. We have started working on that, so that is another one and of course I think blended cement and trade mix wherever favorable that is what the top line strategies are and for each and every element we do have quantifiable numbers as to what we are targeting and how we are going to achieve that so those things are in place. When it comes to operations I think our focus is on renewable energy how we can really take our renewable energy from 35% to may be beyond 50% going forward for that also we have prepared some roadmap which is combination of solar power plant wherever possibility of improving efficiency and WHR then on fuel I think our strategy is to improve our AFAR which we are there at about 3.5% now. How we can really go to 10% at the first place and then to 15% and for that I think we have already started working on that. We are also working quite intensively on using digital and technology to drive performance. We have started a pilot project in our kiln as to how AIML can help us in kind of improving our kiln efficiency and also improving optimal fuel mix. We have also started kind of monitoring all our critical equipments through this IOT internet of things. So, lot of digitalization which is happening in the operation side. At logistic front, our focus is to really work on lead, how we are going to reduce our lead and if we really achieve our geo mix target then I think lead is resultant of this is in a way I would say the lag indicator, but the leading indicator of course is geo mix PT PK is the pure logistic section which we are working on how we can reduce PT PK with lot of analytics and also using technology. So, OTM we have implemented in all our plants, Oracle transport management so how we can improve turnaround time and hence if you can really work on reducing our PT PK and the logistic cost. So, that is other area we are working on. I think lot of things on customer interface so we are using digital to give them a differentiated experience like now our dealers can place their order over WhatsApp what we have recently launched. They have got their app they can place their order through mobile, they can look at their account statement and all those stuff. So, I think there also I think is going to help us to achieve our in a way top line and the positioning which we are seeking for. Our focus also is on ESG I think which combines host of things, some of things which I have already mentioned you, but yes I think ESG front I think is one of our focus area where we are going to work on reducing carbon footprint. We have taken a very ambitious target of being carbon neutral by 2047 and right now just to give you a sense we are at about 555 Kg per ton of cement as of today. Our focus is to reduce this and make among the best in the industry. So, that is another focus which we have. So, this is what I think broader I would say strategies which we have which includes just to summarize on top line, driving top line performance in terms of volume, premiumness and pricing on operations it is all about operational efficiency using different means like renewable AFAR and digital. On customer front using digital to really give them the right value and take the right value from them. On logistics I think using digital and lot of other methods like OTM and e-Bidding those things we are working on. So, this is in nutshell I think our strategy is.

Dharmesh Shah: Secondly our lead distance are broadly flat on quarter-on-quarter basis, but what does it explain the decline in the freight cost per ton?

Management: Freight cost per ton.

Dharmesh Shah: I am looking at console basis?

Management: 1,263 per ton.

Management: We are trying to increase the perforation of direct dispatches which is helping us apart from the PT PK and other things.

Moderator: Thank you. We will move to the next question from the line of Vishal Periwal from IDBI Capital. Please go ahead.

Vishal Periwal: More clarity if you can just provide on the band which you mentioned green, yellow and red, so what kind of I mean the sales qualify for a green any particular EBITDA margin or threshold that is there or it will vary every quarter?

Management: That varies because you know that situation is quite volatile. So, these GYR is dynamic so typically you cannot really put EBITDA because maybe during Quarter 1 EBITDA green would have been different than what green is today. So, this is based on the band of margins which we have from different markets and based on that this is dynamically decided that this is about GY and R is and typically those see we have a matrix of just to give you a little bit more on this. We have a matrix of one total delivered cost in that particular market and the margin. In a way most of the time I think this is in the direct relationship. If your logistics or your total deliver cost is low then typically you are going to have better margins unless you have a different market dynamics where prices are not operating that. So, we have a matrix of total delivered cost and margin and market share. So, based on that we kind of categorize our market in categories of GY and R.

Vishal Periwal: So, just a clarification so this GYR it is not a margin it is a combination of three some sort of weightage would have given?

Management: But invariably your KTC is low then I think typically those markets are going to be falling in that green category. If market dynamics is entirely different that is a different issue, but that is I think very rare.

Vishal Periwal: But then you did mention in this call this has been a better market, so can we broadly say green is something probably west region?

Management: Yes you are right. So, maybe I think green is west region why typically some of the markets of north and red is far off market yes you are right.

Vishal Periwal: And last thing can you give clarity like how is the pricing behaving for us in the market I think you did mentioned like from September onward there has been a price hike which is there and we would also there in October, can you give some color like region wise which has been better market for us in terms of pricing in this Quarter 3?

Management: September I think I told you that little bit inching of prices towards fag end of the month. October more or less has been flat. There has not been any increase because of the reasons demand was again low Dussehra, Deepavali both in the same month and also prolonged south west monsoon, but November onwards since I believe that demand is going to pick up and we do have some initial sense towards that. So, prices will definitely likely to go up I would say in coming months which is going to be better than October, but again I think market dynamics you know we just based on the demand situation we can reasonably say that yes prices will go up.

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

Amit Murarka: On the intent of kind of improving the price realization so I just wanted to understand like how are you going about it in terms of your distribution network are you also trying to revamp your distribution network to do the same or is it going to happen through the same network?

Management: Margin and prices not only the function of the right sales or the right **(Inaudible) 56:31**, but also the couple of channel which you have and somehow I think Vaibhav also has mentioned in lot of write us that this also really affect the margin to an extent. Yes I think we do have a strategy which we call channel strategy, what kind of channel we are going to set up like is it going to be balanced kind of architecture some big dealers, maybe more number exercise dealers and not too long tail right. Based on the competitive environment and competitive landscape we do have a strategy to setup a designed channel architecture in different markets. So, what kind of dealers we are going to have and of course I think that also is part of our strategy when we talk of improving our volume and premiumness in the market.

Amit Murarka: But generally, like when you go about doing some changes in the dealership network like typically how long can it take to revamp this distribution channel?

Management: I would not say this revamp I think I would say for this process of metamorphosis that takes time and you do this gradually in a designed way because you are in the market and I think revamping I would not really go for entire revamping right away probably I think what you can do is without it is just for example if you want to really grow a certain set of dealers let us say misguide or lower segment dealer then you have your strategy aligned to that rather than two ways are there kind of improving a set of dealers either you kind of improve their volume and improve their presence or you reduce the upper one, but I would say I think what we do we will improve all of them and probably the desired one we will be improving much more than the other one. So, this is the way we are going about it.

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

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital (India) Private Limited we will like to thank the management JK Lakshmi Cement for the call and also many thanks to the participant joining the call. Thank you very much sir. Mellissa, now you can conclude the call.

Moderator: Thank you members of the management and Mr. Agarwal. 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.