

“JK Lakshmi Cement Q1 FY15 Performance
Discussion Conference Call”

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**MODERATOR: MR. VAIBHAV AGARWAL – ANALYST, PHILLIPCAPITAL
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Moderator: Ladies and gentlemen good day and welcome to the JK Lakshmi Cement Q1 FY15 Performance Discussion 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 telephone. Please note that this conference is being recorded. Please note that recording or transcribing of the call without prior consent of the management is strictly prohibited. I now hand the conference over to Mr. Vaibhav Agarwal of PhillipCapital. Thank you and over to you sir.

Vaibhav Agarwal Thank you Melissa. On behalf of PhillipCapital we welcome you to the Q1 FY15 Performance Discussion call of JK Lakshmi Cement. On the call we have with us Dr. Shailendra Chouksey – Wholetime Director and Mr. Sudhir Bidkar – CFO of JK Lakshmi Cement. At this point of time I hand over the floor to the management of JK Lakshmi Cement for their opening remarks which will be followed by interactive Q&A. Over to you sir.

Shailendra Chouksey Good afternoon. I assume you would have all seen the numbers. I think we had a satisfactory performance in the first quarter both in terms of our volumes, both in our terms of our volumes, in terms of our realization. They were better than probably what we also expected. We are; however, to take an exceptional item when we have provided sales tax liability which might come on us and that which we have already apprised you friends earlier. So we are just taken, though we still maintain our stand that the company has a very strong reasoning and strong belief that this liability would not come but since the legal process is normally a long drawn out affair it would have been difficult for us to carry it on as a contingent liability and since in any case we have made the payments of about 45 crores, so we thought it appropriate to provide for it and that is what we were advised by our auditors as well. So that is nutshell for the previous quarter. The current quarter that is the second quarter of the financial year normally as you all know is a weak quarter in terms of volume, as a rains hit and most of the people have – so even if the rains gets delayed people have already planned that the construction activity would slow down and accordingly they plan their labor material requirement etc. So we have already seen the demand going down and which is not very surprising but we certainly expect the third quarter onwards demand to bounce back and in fact register a decent growth based on our calculation of the budgetary impacts, the funds which have been provided into the budget. This nutshell is our take on the past results and our outlook. But we would like to handle the initial questions and more that is when we explained. Thank you for joining us.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. We have the first question from the line of Yogesh Patil from Canara Robeco. Please go ahead.

Yogesh Patil Can you talk more about Durg plant? I think you mentioned in the press release, you are going to start in next quarter. Also again depreciation interest and again how do you see new market because this is a new market for us. So what is the utilization do you expect? I know it is very difficult to tell you but your guess is better than our guess.

- Shailendra Chouksey** Yeah, you are right. We are maintaining that we shall start the production in the next quarter that is quarter October to December and of course the initial one or two months would be the quantity which is expected from our recently commissioned project but gradually evolving will get ramped up and stabilized. As well as the new market is concerned we are fairly confident based on the team which is already there in place for the last six months. The network that we have already created, we are fairly confident that the absorption of the quantity for this plant would not pose any serious issue. Of course all the speed work which is required to be done is being done and will be done rigorously as we approach the due date but we maintain our confidence that the volumes will be absorbed in the market.
- Yogesh Patil** When do you expect the output will hit the market, may be in fourth quarter or first quarter of financial year?
- Shailendra Chouksey** Yeah, fourth quarter we definitely expect decent volume to be there for us for the market
- Yogesh Patil** And so the depreciation interest will start from second half?
- Shailendra Chouksey** Yeah, it would start from the time when we commission the project.
- Yogesh Patil** And sir regarding the quarterly results, your raw material cost on per ton basis jumped sharply irrespective of other costs. So is there any specific reason of is it a trend?
- Sudhir Bidkar** Actually if you want to analyze it you may not have the figure. Actually the clinker production has increased by 14% as against a drop of 12% for cement so that is the reason as to why the raw material cost has gone up.
- Moderator** The next question is from the line of Giriraj Daga from Nirmal Bang. Please go ahead.
- Giriraj Daga** Couple of questions sir. What is the separate volume like clinker and cement for the quarter?
- Sudhir Bidkar** It was 12.56 and 1.88.
- Giriraj Daga** And what is the gross debt and net debt at the end of first quarter?
- Sudhir Bidkar** It is about 1700 is in the gross debt and about 375 is the cash sitting in the balance sheet.
- Giriraj Daga** And how much CAPEX we did this quarter?
- Sudhir Bidkar** For quarter we did about 150-160 crores of CAPEX in this quarter and going forward in the remaining three quarter we did about 300 crores, about 450 crores is what we are talking of the CAPEX in this financial year.
- Giriraj Daga** So what is the pet coke prices for the first quarter and where are they currently standing?
- Shailendra Chouksey** This was around 6900 levels in this quarter.

Giriraj Daga Currently have we seen any decline in pet coke?

Sudhir Bidkar Yes, there have been some declining trend current quarter.

Giriraj Daga Where we are getting there in terms of getting the insurance money? Last quarter we had 66 crores pending.

Shailendra Chouksey That remains there and hopefully in this quarter we should get the money.

Moderator The next question is from the line of Rajeshkumar Ravi from Karvy Stock Broking. Please go ahead.

Rajeshkumar Ravi Sir would you please give us sales split, volume split in terms of own cement sold and purchase of third party cement that you sell, that you grind and sell it from your facility. Out of this 1256 how much is own production?

Shailendra Chouksey Only 1 lakh is the traded one.

Rajeshkumar Ravi And so similar figures for cement and clinker breakup for march -

Shailendra Chouksey Clinker is entirely our own production. We do not -

Rajeshkumar Ravi Correct sir. No, no, for March quarter these numbers would be?

Shailendra Chouksey Out of 13.96 was the total volume last time it was 1.4 traded cement.

Rajeshkumar Ravi And clinker was how much sir?

Shailendra Chouksey Clinker was 3.06.

Rajeshkumar Ravi And if possible could you give the same figure for last year June quarter please?

Sudhir Bidkar Last year we did 11.3 was the total. Out of which 0.7 was the traded cement and 0.9 was the clinker, total 12.2 was there.

Rajeshkumar Ravi So 11.3 was own cement sold?

Sudhir Bidkar Total volume for cement and 90,000 would be the clinker, so 12.20 was the total and out of 11.30, 0.7 was traded.

Rajeshkumar Ravi Okay understood sir. In terms of the new capacity, the breakup that you gave in this Durg expansion Cuttack is 0.9, right?

Sudhir Bidkar Out of 2.7, 1.7 is at the mother plant and 1 million would be at the Cuttack grinding unit.

- Rajeshkumar Ravi** And that Cuttack grinding will come in 1Q of FY16?
- Shailendra Chouksey** No, it may be further delayed because as on date also we have not got the environmental clearance so assuming it comes in next month or at least 12-months period after we get the environmental clearance that is saving time, unfortunately.
- Rajeshkumar Ravi** So at least 12 months from now is the minimum -
- Sudhir Bidkar** Hopefully we are targeting July-September quarter for the product to start from that grinding unit assuming that environmental clearance come in the current quarter. We are hopeful that it is at the fag-end and that approval should come into this quarter, once that has come then we are 12 months away from ____ **11.15** production.
- Rajeshkumar Ravi** And sir this traded cement will remain at similar level, 1 lakh to 1.4 lakh on sort of quarterly basis?
- Sudhir Bidkar** Yeah, around that.
- Rajeshkumar Ravi** And any timelines on the Udaipur work expansions, the ongoing expansion works?
- Sudhir Bidkar** Udaipur would be October-December 2015 it should be on. Pending is the all orders which are required for the main equipment including that kiln revitalization and the pyro process of that is there.
- Rajeshkumar Ravi** So the clinker capacity will go up by 0.9.
- Sudhir Bidkar** No, 1.2 is the clinker and 1.4 would be -
- Rajeshkumar Ravi** So currently we are doing split grinding of 0.6, right? So that will go to 1.4?
- Sudhir Bidkar** Yeah.
- Rajeshkumar Ravi** And 1.2 will be the clinker capacity.
- Shailendra Chouksey** Yeah.
- Moderator** The next question is from the line of Navin Jain from JM Financials. Please go ahead.
- Navin Jain** I had a couple of questions. One, in July month I think the cement prices seem to have started correcting specially towards the end of July in the northern market. So can you please throw some light on – you spoke about it in your opening remark but if you can throw some light in terms of where the pricing would be right now and also on the demand currently in north as well as west market?

- Shailendra Chouksey** As I said in the beginning the second quarter normally sees the price correction taking place right from the middle of June. So not in July, from second-third week of June itself the prices started getting correction and we have already seen a decline of about Rs. 10-15 a bag in most of the markets of the northern markets. In Rajasthan and Gujarat we have seen a decline of about Rs. 5-8 a bag.
- Navin Jain** And how about the demand environment compared to where we were in June? Has the demand come down significantly?
- Shailendra Chouksey** Yeah, it is very difficult to talk about it at this stage because a lot of times the **disruption** takes place because of the heavy rains. For instance Gujarat and Mumbai experienced – and you will know better. But the rains have been pretty heavy in last 10 days, so much so that almost 30-40% of our truck which move to Gujarat are presently stranded between Kheda and Surat and Valsad, etc. So all that take time the moment, even the rail peters out and that happen during this period. Then again the demand picks up. So it is very difficult to say how much percentage has gone one down because we are in the middle of the month but I would expect that the same trend has been witnessed earlier years, the decline of about 8% to 10% over the first quarter normally takes place and that should take place this year too.
- Navin Jain** So on the expansion side you have spoken about Cuttack and Udaipur. What is happening in our Surat state grinding project that we are planning?
- Shailendra Chouksey** You see there too the environment clearances all at the end at the last stage. So there too we are expecting that shortly it should be received, may be in this month or next month and thereafter one can calculate 11 to 12 months for commissioning other project.
- Navin Jain** So both at Cuttack as well as Surat have we completed the land acquisition process?
- Shailendra Chouksey** Yes, yes, long back.
- Navin Jain** Beyond FY15 and FY16 we will end up doing around Rs. 450 of CAPEX. So in FY16 what is the kind of number that we are looking at?
- Shailendra Chouksey** FY16 we are talking of a CAPEX of about close to Rs. 400-450 crores. Thereafter it will taper down to about Rs. 350 and then after that only normal CAPEX will be there.
- Navin Jain** Okay got it. This 350 crores will included your CAPEX for Udaipur as well as the maintenance CAPEX.
- Sudhir Bidkar** It will not include Udaipur because Udaipur is in a separate company so we do not factor that into our cash flows. So it will be only for our grinding units in Surat and Orissa plus the remnant of the Durg CAPEX.
- Navin Jain** Sure. So what can be the CAPEX spend in Udaipur in 2015-16?

- Sudhir Bidkar** They are talking of a total CAPEX of Rs. 600 crores including all settlements. So that have been done, so 500 is the total CAPEX so may be 250 in the current year, 250 next year.
- Navin Jain** And in terms of volume momentum, for this year given the fact that Durg will come almost fully in the last quarter, what is the kind of volume that one can expect for the entire year?
- Shailendra Chouksey** It should broadly be in line with the industry growth, slightly higher as has been our experience in the past. So we can slightly perform better than the industry broadly.
- Navin Jain** Sure, first quarter we almost saw 11% volume growth which was probably almost 300-400 basis points higher than the industry I guess. So that kind of momentum you expect will remain or can we maintain?
- Shailendra Chouksey** We hope to do that.
- Moderator** The next question is from the line of Anshu Gohil from Flowering Tree. Please go ahead.
- Anshu Gohil** The first question is regarding your Durg plant, so in absence of the split blending unit, your blending issue will be less. So will that material drag on the margins from that front for the next 12 months after the inception?
- Shailendra Chouksey** Can you please repeat your question?
- Anshu Gohil** Basically in east your split grinding unit is still awaiting environmental clearance, right?
- Shailendra Chouksey** Right.
- Anshu Gohil** So initially you would be making more clinker and your blending ratio is going to be lower, correct.
- Shailendra Chouksey** No actually in fact at Durg we will be having a slag cement, so the slag usage would be much higher in Durg where it will be there.
- Anshu Gohil** But your splint blending is not there so you will have access clinker for it, correct?
- Shailendra Chouksey** If our issue is not seen then what we have planned, what will happen is our clinker would be there for sale till such time till granule will come or we are able to for which we are trying to have an outsourced grinding unit just to aside the Cuttack but if not anything then we will be definitely in a position to dispose-off the clinker. So you are right, our cement volume may not peak out at the time the Cuttack unit comes we will have to probably do a mix of cement and some clinker.
- Anshu Gohil** And the next question is on JK Puram, if I understand correctly you have space to do one more or two more lines there at moderate CAPEX. So any plans on that?

- Shailendra Chouksey** Now it is too premature but once we stabilize at 10 mn plus then after pausing for a couple of year then we will start working on that.
- Anshu Gohil** Is my understanding correct that you have -
- Shailendra Chouksey** **(Overlapping) 19.46** in hand once they get going then yes we can always have a look at these options that you are talking about.
- Anshu Gohil** But JK Puram there is theoretically a possibility that you can do it, maybe you have to do it after 3 years.
- Shailendra Chouksey** Yes, certainly a possibility.
- Anshu Gohil** So you have enough mining reserves and everything to have some expansion in the same location as well.
- Shailendra Chouksey** Yeah, yeah.
- Anshu Gohil** And Udaipur, any clarity on how the structure is going to be merged etc. or still work in progress?
- Shailendra Chouksey** Right now we already had, it has already become a 75% subsidiary of the company, 88% is already now with the group. So we are working to take care of the remaining 12%.
- Moderator** The next question is from the line of Devendra Kale, an individual investor. Please go ahead.
- Devendra Kale** I have two questions for you. One is I understand the power consumption of the company per kg of clinker has come down. I would like to know more details and if the quality of the cement or clinker will get affected because of that? And second is if you can give me very briefly the revenue and volume breakup segment wise.
- Sudhir Bidkar** Now as far as power and fuel cost is concerned yes you are right it has come down. But it is never at the cost of compromising on the quality. It is basically to do with our efficiency improvement and also to do with our higher capacity utilization, plus we are continuously modernizing our plant that helps us to consistently improve on the efficiency parameter. We never compromise on the quality of the product. That is one. Two, regarding your other question which was regarding the breakup of the sales.
- Devendra Kale** Yes, revenue and volume.
- Shailendra Chouksey** See, it is given to you that clinker was about 1.88 and 12.56 was the cement volume out of the total of 14.44.
- Moderator** The next question is from the line of Mihir Zaveri from Religare Capital Markets. Please go ahead.

- Mihir Zaveri** Two questions, what will be your lead distance and how is it going to change once we have the eastern plant coming as well? And currently what would be your railroad mix if you can throw some light on that?
- Shailendra Chouksey** Currently our mix is about 48% to 49% rail and 51% to 52% is by road. We are slightly towards changing the ratio. As the freights have gone up the economic really has been shifting. So we are attempting to confine ourselves to about 46-47% by rail and rest by road.
- Mihir Zaveri** And sir what about our lead distance?
- Shailendra Chouksey** I will just give you the exact lead distance that we had in the first quarter in a moment. I am just getting the figures but we could reduce our lead by about 9 km in the first quarter. But I will just give you the exact number in a while.
- Mihir Zaveri** And sir just wanted to know how are you, so once you give the lead distance is there any plans that next year probably you will have lower lead distance or is there any strategy behind you seeing the lead distance going forward? If you can elaborate on that?
- Shailendra Chouksey** The attempt always is to reduce the lead distance but I think the criteria that we look at is where do we get the best combination of the net realization, whereas the net sales realization is better. So sometimes it happens that I may be going through a longer distance market but my net realization is better, so that is normally the criteria that we deploy besides of course the fundamental criteria of having a certain minimum presence in our market and is sticking to it. But whatever leeway that we keep of 5-10% moments of here and there that is determined on the best realization fit. Sometime it helps in reducing the lead, sometimes it does not.
- Mihir Zaveri** And sir the last question, what is your OPC BPC mix and is there any change in policy in Gujarat? Gujarat was consuming more OPC, right, so any particular reason for whether that is true or whether that has changed if you can throw some light on that?
- Shailendra Chouksey** No, see Gujarat continues to be a very high reference for OPC and as our percentage of Gujarat share in our overall mix increases the OPC percentage tends to be tilted towards OPC. But still we are maintaining about 52% to 54% PPC and balance is OPC.
- Mihir Zaveri** Sir any particular reason why Gujarat is still not accepting PPC or because of the real estate part?
- Shailendra Chouksey** Partly it is because the component of the sale to the builder is higher in Gujarat than in other states. Even the middle term towns like Mehsana or Baroda or Kheda would have much higher percentage of organized real estate players building the houses and the larger number of apartment type of thing rather than the individual house building. As a result the more dependence on this LTT builders and builders normally prefer OPC as they would prefer to be a safe bet. They still have this notion that OPC is better. Another factor which has to play, we have to bear in mind in Gujarat that they have had faced earthquakes 2-3 times and after every

earthquake the feeling gets firm in their mind that better to use OPC rather than BPC. That is why this higher percentage and I do not see any change taking place over the period of year, extending us to be that way. In terms of lead, our lead in the first quarter was 446 km which was about 7 km less than the previous year.

- Moderator** The next question is from the line of Mr. Devendra Kale. Please go ahead.
- Devendra Kale** Can you give me a revenue wise breakup of the three segments – clinker, cement, and RMC?
- Shailendra Chouksey** Clinker sale is only 51 crores and 42 crores is RMC, rest is all cement.
- Devendra Kale** And regarding my other question of power consumption can you give me little more details? You mentioned efficiency improvement, the fuel consumption that has come down and modernization of plants, but any particular initiatives that have helped you here or any fuel mix or something that has changed?
- Shailendra Chouksey** No, no there is no change in the mix that continues. It is simply the efficiency improvement in every sub-component of the consumption. So it has basically optimized in the equipments. And Mr. Bidkar earlier mentioned that also it has to do with your capacity utilization. So if the plants are being used to the optimum, there is obviously a better efficiency possible in that scenario.
- Devendra Kale** I have another question actually, with the recent budget that was announced a lot of infrastructure projects, so we could probably see the utilization being improved even more with more cement consumption taking place and this is like a forecast question but -
- Shailendra Chouksey** Your question is very valid in fact, that is what we had tried to calculate that what sort of an impact this is likely to have and there are segments which are more construction oriented like the national highway or a lot of stress on the urban development which has taken place and I think a more cement intense construction likely to take place there.
- Devendra Kale** So we can expect probably the clinker sales to come down and be diverted to cement more if that provides more realization in demand?
- Shailendra Chouksey** Normally where we are marketing we see that clinker relation in that market is not as good, if not better at least as good as cement for next realization. That is one criteria. Secondly out of this 1.88 lakhs nearly about a lakh of ton of clinker has gone to our outsourced units where we are converting cement and marketing it under JK Lakshmi brand. And we are doing that only in those markets where we have a freight advantage. So it is only about 88,000 tons or about 90,000 tons which is being sold in the market. So that is a very small percentage of newer object.
- Moderator** The next question is from the line of Achint Bhagat from Ambit Capital. Please go ahead.

- Achint Bhagat** Sir few questions from my side. Firstly in terms of the demand growth that you have seen in the first quarter, could you give kind of a broad breakup between retail and institutional? What drove the strong demand growth for you guys?
- Shailendra Chouksey** We did not see any change in the pattern of consumption or the segmentation breakup. There was no change. It continued in normally what we are supplying almost 55% to 60% housing in rest to the other segments.
- Achint Bhagat** But in terms of institutional demand have you seen any pickup post the first quarter because I remember in the last quarter of FY14 post the mining ban was lifted a lot of pent up institutional demand had come. Did you see this kind of demand sustaining in 1Q as well?
- Shailendra Chouksey** Yeah. The last quarter normally is good for the direct buying that is the infra segment or the industry or the government buying normally they are in the last quarter as these departments tend to complete their budgeted amounts. And this is the segment which normally gets affected in the first quarter. And normally the individual construction or the rural construction to take place and put good numbers in the first quarter before the monsoon.
- Achint Bhagat** And sir in terms of the monsoon this year there has been a slight delay and there have been talks of some kind of reduction in rural income. Do you continue to see strong rural demand growth or would there likely to be some moderation in FY15 to this land?
- Shailendra Chouksey** Usually rural demand is normally dependent on the crops. But in most of our markets we find that barring the North but in Gujarat and Rajasthan the expectations is that the rain would not be that deficient. So the first 15 days of July has been a good monsoon there but it is rather early in the day to comment.
- Achint Bhagat** Another thing was on power and fuel cost I think on a quarter on quarter basis if I see it on a unitary basis it is up by some 22%. I think it is close to Rs. 826 a ton as against Rs. 676 in the last quarter. What could possibly explains this sir?
- Sudhir Bidkar** Basically the clinker production has gone up. That is the reason as to why, apart from marginal increase in the fuel cost per se by about Rs. 200.
- Achint Bhagat** Okay. So that basically explains the raw material cost increases.
- Sudhir Bidkar** Yeah, you are right.
- Achint Bhagat** Okay. And sir in terms of your Chhattisgarh capacity that is coming up, what is the power source out there? Do you have CAPEX plant?
- Sudhir Bidkar** We would not be having any captive at Durg. It will be mostly from the grid or some private arrangement as we go forward.

- Achint Bhagat** And you do not plan to add any captive power there for the next -
- Sudhir Bidkar** See at best we may do some waste hit once those kilns stabilized but other than that because that is a power surplus state Chhattisgarh, rates are good enough to warrant in any fresh investment from our home side for captive power.
- Achint Bhagat** But it would still be fairly higher than your North India plant, the rates because your parts of North India is one of the -
- Sudhir Bidkar** North India is obviously very captive, so it will be higher, slightly higher than that, you are right. But that will be more than offset by the lower fuel cost because we will be there mostly sourcing coal through e-Auction and because of the proximity to the coal sourcing areas the effective power and fuel cost will work out to almost if not more at least Rs. 100 lower than what we are achieving at Sevai.
- Achint Bhagat** Last few questions from my end. In terms of the brand what kind of initiatives have you already taken out there and how much time would you take to establish a brand in the region, in East India since you are moving out to a new region, have you already incurred significant expenditure in terms of this?
- Shailendra Chouksey** Yeah as I mentioning earlier we have already started our phase work. First and foremost is that the brand is not totally unknown. Fortunately JK is a good brand in the mind of the East as we already have presents in tyre and paper. And Raymonds was amongst the first plant there which also carries the JK logo with them. So JK is known there and we have got a good response in terms of catering the channel network there. So we do not expect we will take much of time and as I said earlier in marketing our brand is at a decent positioning.
- Achint Bhagat** And sir just last question, after your overall capacity expansion barring Udaipur in north and east what will be your clinker and cement capacity peak?
- Sudhir Bidkar** Our clinker capacity will be 61 lakh tons and 100 lakhs would be the cement capacity.
- Achint Bhagat** 61 lakh tons this is including the Chhattisgarh.
- Sudhir Bidkar** No including the Durg one. 46 is what the clinkerisation is there at present. In Sirohi. 15 lakhs will get added to the Durg one, so that is 61. Now as regards the cement it is going to be 66 is already there presently, 7 lakh will come from Surat. So 73 and 27 will come from Durg. So that is done.
- Achint Bhagat** But sir are you positioned well to meet your overall clinker demand for your grinding capacity or you will have to seek out because 6.1 on 10 assuming a 1.3-1.35 conversion ratio do you think you will have to seek out for clinker or you will have to add another?

- Sudhir Bidkar** I do not think we will have seek out for clinker because some portion of the Durg one will be like this where the blending can be higher. So I do not see the necessity of sourcing clinker.
- Achint Bhagat** And sir just one last question regarding this. What would be your clinker in North India then?
- Sudhir Bidkar** North India would be 46.
- Moderator** The next question is from the line of Vishal Saraf from SBI Mutual Fund. Please go ahead.
- Vishal Saraf** Sir just wanted to continue on one of the previous questions. You were talking about OPC and PPC ratio in Gujarat, can you please tell me again, what is our overall OPC-PPC ratio and how is the ratio in Gujarat?
- Shailendra Chouksey** 53% is our PPC, 47-48% is OPC. Gujarat market almost it is 70-30, 70 is OPC and 30 is PPC.
- Vishal Saraf** And sir how is the pricing difference we see in the two for us?
- Shailendra Chouksey** In North the price difference is about Rs. 17-18 a bag. Punjab it could be Rs. 20 a bag. In Rajasthan it is about Rs. 10-12 a bag and in Gujarat the difference is very marginal just Rs. 2 a bag.
- Vishal Saraf** So there why is the difference so marginal? In case we are selling so much OPC ideally the price should be much higher, right?
- Shailendra Chouksey** Price should be much higher in Gujarat?
- Vishal Saraf** For OPC relatively I am saying/
- Shailendra Chouksey** So what happens is whatever is the maximum percentage product mix is sold that becomes the base price and the other product becomes the secondary product so that is the lower price. So here while in north we determine the PPC price and less OPC on top of that, in Gujarat it is reverse. Whatever is the pricing that we work out that becomes the OPC price. And then you try to minimize the loss by not keeping too much of a difference in PPC. So if we were to keep the Rs. 10-12 difference the OPC price will not go up but PPC price will go down.
- Vishal Saraf** And sir how has this ratio moved? Can you give some direction historically in the say last 2-3 years or YoY how this number would have changed, OPC-PPC mix?
- Shailendra Chouksey** In the last 3-4 years we are hovering around 60-40, come down towards 55 and now it is 53. So that depends on what percentage of our product goes in Gujarat and Maharashtra or what percentage of your produce goes in the direct segment, that is the builder, the infrastructure. So as direct infrastructure segment is growing even in the other markets though you get a price difference but the OPC preference goes up.
- Vishal Saraf** And infra, say overall, out of say total sales to infra would 90% of sales be OPC?

Sudhir Bidkar Yeah, easily.

Vishal Saraf So infra, none of the guys take PPC at all?

Shailendra Chouksey No.

Vishal Saraf And sir these smaller guys say in Gujarat who buy OPC, do they do blending onsite or they use the actual OPC itself? How does it work for them?

Shailendra Chouksey As the percentage of ready mix concrete is going up by the builders they add fly ash as their own.

Vishal Saraf So how feasible is it to do this kind of blending themselves and does not it impact their quality?

Shailendra Chouksey Yeah, it does impact the quality but they compromise there. They do not want to compromise on the price, they compromise on the quality. Their mix is not very homogenization. And homogenization does not take place to that extent.

Vishal Saraf But where do they get fly ash? I mean will they get fine grinded quality fly ash?

Shailendra Chouksey No, they get from the power house or from where we source.

Vishal Saraf No but then you will be doing grinding on that fly ash. They would not be able to do that grinding, right?

Shailendra Chouksey Yeah, we are mixing the fly ash at the time of clinker grinding. So if there are larger particles they do get ground to a final particle size.

Vishal Saraf For fly ash as well?

Shailendra Chouksey Yeah, for the fly ash as well.

Vishal Saraf And sir how has the trade-nontrade mix moved for us in last 2-3 years and how is it this quarter?

Shailendra Chouksey Nontrade has gone up.

Vishal Saraf What will be our current share of nontrade?

Shailendra Chouksey Our nontrade would be close to 46-48%.

Vishal Saraf For this quarter?

- Shailendra Chouksey** I do not have the number for this quarter but that makes hardly about a 0.5% percent or 1% difference.
- Vishal Saraf** Okay. So even last year the number would be same, 46% to 48%.
- Shailendra Chouksey** Last year it was slightly higher. We are about 49-50%.
- Vishal Saraf** And how this would have moved over the last 2-3 years?
- Shailendra Chouksey** More or less we have maintained. We are trying to concentrate on the rural market, which is more of IHB. That is why we have been able to either reduce the nontrade or at best maintain? We have not increased it.
- Moderator** The next question is from the line of Jinesh Gandhi from Motilal Oswal Securities. Please go ahead.
- Jinesh Gandhi** One question from my side. This quarter we have seen tax rate of about 18%, how do we look at on full year basis the effective tax rate including deferred tax?
- Sudhir Bidkar** It would be around the same level, may be about (+2-3%). So maximum it will be around 22-23%. It will continue to be on the MAT barring some non-tax-paying income will be around that.
- Jinesh Gandhi** Why we would be on MAT such?
- Sudhir Bidkar** Because of the consistent CAPEX which we are doing including the capitalization of the good will happen in the current year obviously there would not be any normal taxable income. It will be on the book profit that will be paying MAT. We **will not do a 44.15** CAPEX so you get the added depreciation.
- Jinesh Gandhi** Right, but from next year onwards we should now start normalizing our tax rate. Is that right?
- Sudhir Bidkar** No, it will be that tax benefit continues for at least for a CAPEX of our size where we are doing almost 2000 crores of investment this tax shelter remains for at least 2-3 years before we graduate to the normal tax. By which time we would have embark on fresh CAPEX.
- Jinesh Gandhi** And including deferred tax also it will be about 22-23%, not more than that.
- Sudhir Bidkar** The deferred tax may add another because that does not involve any cash flow. It is only **an entry 45.02**. So that one is slightly higher.
- Jinesh Gandhi** Okay. So that will be what, close to 25-27%?
- Sudhir Bidkar** Yeah, around 25%.

Moderator The next question is from the line of Mitesh Jain from Axis Capital. Please go ahead.

Mitesh Jain Sir I have two questions. #1 since we are going to commission our Durg clinker expansion shortly say within next 4 to 5 months, have we entered into any of the power purchase agreement with any of the power producers?

Sudhir Bidkar No, initially to start with it will be from the grid only. Going forward as we go along we may do that. So that is a surplus power estate, so the rates are okay there.

Mitesh Jain So that should not be a problem at all?

Shailendra Chouksey Yeah, that would not be a problem.

Mitesh Jain And #2 is would be really great if you can share the July dispatch growth for JK Lakshmi Cement.

Sudhir Bidkar I think we have to see the numbers but I think we have posted fairly a good growth over July last year. We maintained what growth we had in the first quarter.

Moderator The next question is from the line of Mangesh Bhadang from Quant Broking. Please go ahead.

Mangesh Bhadang First one is on the Durg as well the Cuttack plants, where will be get the slag for both these destinations?

Sudhir Bidkar You see as far as slag at Durg is concerned it will be from Bhilai. Orissa, primarily it will be fly ash based.

Mangesh Bhadang Cuttack also, Cuttack would be fly ash based.

Sudhir Bidkar Yeah.

Mangesh Bhadang And fly ash source is nearby in Cuttack?

Sudhir Bidkar Yeah, there are plenty of fly ash sources.

Mangesh Bhadang And secondly sir what would be the feeder plant for the Surat unit? Will it be Udaipur?

Sudhir Bidkar Clinker would be moving from Sirohi to Surat.

Mangesh Bhadang And so we will have excess clinker capacity at Udaipur, so where will that be used?

Sudhir Bidkar Udaipur will come only in October-December 2015. So their grinding will also be about 1.4. It is some surplus clinker, that will get used.

Mangesh Bhadang So Surat specifically aims for Sirohi?

- Sudhir Bidkar** Yeah.
- Mangesh Bhadang** And sir what is the captive consumption of cement in say RMC as well as the smart blocks that we have launched?
- Sudhir Bidkar** It is very minimal. It is 2-3% only, not much. Maximum 5%.
- Mangesh Bhadang** And in the power side how much would be the electricity from the WHR during this quarter?
- Sudhir Bidkar** We have been able to use it to the fullest. There has been some increase in the WHR production, so that is being utilized to the fullest to about 12 to 13 MW.
- Mangesh Bhadang** And sir finally post the restart of JP plant which was taken out by UltraTech, how do you see your production probably as well as the dispatches to Gujarat changing?
- Sudhir Bidkar** We do not see that dramatically changing as such but UltraTech being a reasonable player, matured player, so we do not see that to be an issue.
- Moderator** Thank you. Ladies and gentlemen we will now close the question queue. We will take the last question from the line of Giriraj Daga from Nirmal Bang. Please go ahead.
- Giriraj Daga** Just want some clarification. Last time we told that ECV have obtained at Cuttack but we are yet to get a wild life approval there. Is the case status or -
- Sudhir Bidkar** Yeah, it is same here. You are right. That is what is pending.
- Giriraj Daga** Okay. And the second thing is that lead distance you said is now 9 km rate is on year on year, right?
- Sudhir Bidkar** Yeah, it is not from the year. It is sequential quarter.
- Giriraj Daga** Because if I remember correctly last time I wrote 530 to 550 km was average lead distance. And this time you told 440.
- Shailendra Chouksey** The lead distance saving is compared to the previous quarter.
- Giriraj Daga** Previous quarter? So sequentially?
- Shailendra Chouksey** Yes.
- Moderator** Thank you. I would now like to hand the floor over to Mr. Vaibhav Agarwal for closing comments, please go ahead sir.

Vaibhav Agarwal Thank you Melissa. On behalf of PhillipCapital India Private Limited I thank the management of JK Lakshmi Cement for this call opportunity and also many thanks to the participants for joining for the call. You can now conclude the call. Thank you.

Shailendra Chouksey Thank you all the participants.

Moderator Thank you gentlemen. 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.