



**“JK Lakshmi Cement Limited’s Annual Results 2014
Earnings Conference Call
May 23, 2014**



MANAGEMENT: **DR. SHAILENDRA CHOUKSEY – WHOLE-TIME DIRECTOR, JK
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MODERATOR: **MR. VAIBHAV AGARWAL – ANALYST, PHILLIPCAPITAL INDIA
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- Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Annual Earnings Call for JK Lakshmi Cement for Financial Year-ending March 2014 hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will be in the listen-only mode. 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. Participants may also note that recording or transcribing of this call without prior consent from 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. On behalf of PhillipCapital India Private Limited we welcome you to the Annual Earnings Call of JK Lakshmi Cement for the Financial Year-ending March 2014. On the call we have with us – Dr. Shailendra Chouksey – Whole Time Director and Mr. Sudhir Bidkar – CFO at JK Lakshmi Cement. At this point of time I hand over the floor to the management for their opening remarks, which will be followed by interactive Q&A. Over to you, sir.
- Sudhir Bidkar:** Good Morning, Afternoon, Ladies and Gentlemen, this is Sudhir Bidkar welcoming you for this Financial Year Conference Call. You would have all seen the numbers but for the sake of repetition I will just try to run through the broad numbers.
- During the quarter, we had notched up sales of about 17 lakh tonnes which marks a 19% growth over the 14.3 lakh tonnes what we recorded in the corresponding quarter of last year, and there has been 2% improvement in the realization, so in value terms at Rs.722 crores, our sales were 21% higher than Rs.598 crores which we recorded in the corresponding quarter of the last year. After providing for the expenditure, the operating profit before other income was Rs.136 crores as against Rs.118 crores, an increase of 15%, and after providing for interest and depreciation, the PBDT for the quarter was Rs.118 crores as against Rs.100 crores, a 17% improvement, and before exceptional income it was Rs.86 crores as against Rs.51 crores of the corresponding quarter of the last year. We had also provided Rs.18 crores as the exceptional item in the current which basically pertains to some old litigation matters for the earlier year, and after accounting for that exceptional item of Rs.18 crores, the PBT was Rs.68 crores for the quarter, a growth of 96% over Rs.35 crores what we recorded in the corresponding quarter of the last year, and after providing for tax of about Rs.15 crores the PAT for the quarter stood at Rs.53 crores as against Rs.33 crores, a growth of 59%.
- Overall for the year, our volumes were at 56.31, were 7% higher than 52.77 what we achieved in the last financial year. There have been a drop of 7% in the realization. So the increase in the volume has been nullified by the lower realization of almost the same number of 7%. So overall the sales for the year were flattish at around 2,300 levels over the net sales at 2,056 levels. The operating profit after other income at 346% because of lower realization was lower than Rs.484 crores what we recorded last year and after providing for interest of Rs.77 crores and depreciation of Rs.135 crores. PBT before exceptional item was Rs.134 crores as against Rs.252 crores and after providing for exceptional item of Rs.18 crores, PBT was Rs.115 crores and PAT at Rs.93 crores. Overall, the operating margins for the quarter were 17% as against 18% in the corresponding quarter of last year and for the year 13% as against 15% in the whole financial year.

As far as the project go – we have commissioned two projects during the current financial year – one was the kiln augmentation wherein the capacity of kiln-1 has been enhanced from 3000 tonnes per day to 4000 tonnes per day, thereby enhancing the clinker capacity to 46.2 lakh tonnes, and also the second Jhajjar Grinding Unit got commissioned which took our capacity from 53 lakh tonnes to 60 plus lakh tonnes with some debottlenecking of the capacity in Sirohi, our overall company’s grinding capacity has gone up to 66 lakh tonnes. We also commissioned Solar Power of 6 MW. And our ongoing project of Durg is going as per the progress; it is progressing well, we expect the Durg facility especially the clinkerization and the grinding unit at Durg of 17 lakh tonnes to be commissioned in October-December quarter. The Odisha there could be some delay because the environmental clearance has still not come in, so that may spill over to instead of April to about June or so and Surat would also be in June-July of 2015 as of now as we see.

Further, we would like to mention that during the quarter Udaipur Cement Works Limited has become the subsidiary of the company consequent upon the allotment of Rs.78 crores worth of shares, so our holding therein has gone up to 75.46%-odd as against 27% what we reported last year. They have started a grinding unit of about 6 lakh tonnes which is generating some revenue for them. Kiln order has been placed for them and hopefully in 2-years time that should also get commissioned. So our efficiency during the quarter and also for the year has improved dramatically. We today can boast of as “One of the Least Cost Producer of Cement.” Our efficiency parameters are comparable to the best in the industry. So that has helped us to offset some of the increase in the power and fuel cost that has happened during the year. So that was broadly the summary of the result. Now, we can throw the floor open for question-answers please.

Moderator: Thank you very much sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from Giriraj Daga of Nirmal Bang Equities. Please go ahead.

Giriraj Daga: Sir my question is related to like we have cement capacity of 66.5 lakh tonnes, so will we be constrained for the next 18-months for a growth numbers, like we will be operating at 100% or we can operate at 105% or so, and what is the outlook we are giving for next 2-years in terms of your volume outlook?

Dr. Shailendra Chouksey: Good Morning. This is Chouksey this side. I think that is the million dollar question and that is obviously linked to the type of demand that situation that will prevail. Right now things are not very rosy in the very immediate future, and that is because of the two reasons – number one, as far as the governmental spending is concerned, infra is concerned that is what is the piece which was missing and for last 2-3-years as we all know it. Now for that to resume and the cement consumption actually start happening in the ground, obviously it will take some time. The first quarter will probably go only in the government formation, taking out the files and then probably taking some decision and even if they are able to mobilize things at the earliest that will happen somewhere in the 3rd quarter. Another unfortunate factor is that since only vote-on-account budget was passed in the month of March, we do not expect any governmental spending at all till the time the new budget is presented, that is in the month of July. So these are the two factors. And third is that right now the predictions are not a very favorable for monsoon. So obviously, the farmer would be slightly conservative in spending money till such time he actually sees what is in store for him. So I think for immediate future are of course not

all that bright, but the fact remains that there is a very stable government, very progressive looking, and where the vision, I am very sure thereafter, if not earlier from 3rd quarter, things should start moving and there are enough stalled projects. I understand of the extent of about Rs.4 lakh crores which will not require that much of time in restarting possibly. So I think there are enough things which are going around. So I think we will be more clearer say in about a fortnight, and I do expect personally based on whatever info that we have that from 3rd quarter things shall start looking up, and even if therefore we record 8% or 9% growth the industry requires that in the second half and with say even a flattish growth in the first 6-months we can look at 4% to 5% growth in the year as a whole for the industry in general. We are so far being doing much better than the industry, and I see no reason why we will not do that also. So I think I will certainly be expecting a much better growth than what we recorded this year going forward.

- Giriraj Daga:** Sir, my point is that suppose there is a good demand in north, but you have limited capacity now, you are already opening at a good capacity utilization so will we be missing on the north demand, another plant in Durg within Chhattisgarh, ...I agree the company growth will be there but will that be happening in north or we will go to the central part of India?
- Dr. Shailendra Chouksey:** Right now I think for the year '14-'15 the growth will come basically from the existing facility which we have expanded. So if we have expanded Jharli that will give us some volume, we have expanded in JK Puram that will give us some volume. So first and foremost I am talking about the existing facilities. Durg will come up somewhere in the 3rd quarter, and it will take up at least a couple of months for it to ramp up the capacity. So I think any meaningful volume will come only in the 4th quarter. So in the overall percentage combination, it may not be a very great number but I definitely expect that the 4th quarter, our Durg project will give us a meaningful quantity.
- Giriraj Daga:** What is the CAPEX number for FY-'15 and '16 and how much we have spent on Durg till now?
- Sudhir Bidkar:** Just to further before I answer that question to supplement Mr. Chouksey was that, the current year we recorded a production of about 56 lakh tonnes, and going forward our capacity in grinding has gone up to 66 lakh tonnes, there is a huge available capacity to be captured, so the growth will come from there apart from the 4th quarter Durg facility which would also get operational by then. I am not clear as to what question was that because if we are at 56 lakh tonnes and our capacity is 66 lakh tonnes that gives ample of scope for improvement even though there is no question of missing any growth volumes as far as north goes.
- Giriraj Daga:** Sir the question was if suppose the next year first of all we are sticking at 66 lakh tonnes only, and we will take ramp up time also.
- Sudhir Bidkar:** That has already happened in March of '14, so whole year we will certainly be able to utilize that 10 lakhs tonnes additional capacity which is available. Secondly, as far as CAPEX goes in '13-'14 we spent about Rs.540 crores, and another Rs.500 to 550 crores will get spent in the coming financial year.
- Giriraj Daga:** And what is the number looking like in FY-'16, we will have....?
- Sudhir Bidkar:** I think would be about Rs.200 crores or so.
- Giriraj Daga:** How much is spent on Durg till now?
- Sudhir Bidkar:** Till now we have spent about Rs.1100 crores and drawn Rs.750 crores of loan there against.

- Moderator:** Thank you. Our next question is from Jagdishwar Toppo of Axis Capital. Please go ahead.
- Jagdishwar Toppo:** Can you explain to us sir on this JK Udaipur you started with saying that it has 6 lakh grinding capacity and also the clinker order has been put in place. So integrated what kind of capacity we are looking at it – will be surplus clinker – what is the thought process there, and what would be the CAPEX number there?
- Sudhir Bidkar:** This will have a total clinker capacity of about 1.4 million tonnes and ultimately the grinding would be about 1.6 million tonnes therein. And the CAPEX number is about Rs.550 crores to 600 crores, and that will be operational in 2-years time from now.
- Jagdishwar Toppo:** And all the clearances in place, and is that number reflecting in your FY-'15 CAPEX number you suggested at about Rs.550-odd-crores?
- Sudhir Bidkar:** Udaipur is a separate company, so obviously that Rs.550 crores will not capture the CAPEX of Udaipur, and most of the clearances are in place, whatever would be required before we actually commission the clinkerization would be taken.
- Moderator:** Thank you. Our next question is from Swagata Ghosh of Jefferies. Please go ahead.
- Anand:** Anand here. Sir, can you report the volume for the quarter both cement and clinker?
- Sudhir Bidkar:** Cement volume for the quarter was 17.02 lakh tonnes as compared to 14.3 lakh tonnes in the corresponding quarter of the last year, and it included about 3 lakh tonnes of clinker.
- Anand:** At the moment what is the arrangement with the UCW in terms of are we supplying the clinker to them or how?
- Sudhir Bidkar:** So since they only have a grinding unit we are selling clinker to them and buying cement from them for ultimately selling in JK Lakshmi brand.
- Anand:** In terms of your geographical market basically in the north at the moment do you anticipate any supply pressure getting created over the next 12-months?
- Dr. Shailendra Chouksey:** The supply pressures are already there; we already have a surplus capacity, but I think we are all now used to living in that environment, where there will be always excess supply over the demand.
- Moderator:** Thank you. Our next question is from Ashish Jain of Morgan Stanley. Please go ahead.
- Ashish Jain:** Sir, firstly again to just harp on volumes, if I got it right your cement volumes were 1.4 million tonnes and clinker was 0.3 million tonnes, and that makes up the 1.7 million tonnes of total volume?
- Sudhir Bidkar:** Yeah.
- Ashish Jain:** And sir last year March quarter your cement volumes were 1.43 million tonnes, so on a cement basis purely are we kind of flat to marginally down Y-o-Y?
- Sudhir Bidkar:** But that 1.43 million tonnes included clinker of about 1.6 lakh tonnes, so it was not like-to-like comparison. Last year when you are talking about 1.4 million tonnes, included clinker also, that was not pure cement.
- Ashish Jain:** Even if I adjust for that then the pure cement volume growth is around 5.5-6%?
- Sudhir Bidkar:** Including clinker it is 19%, you are right.
- Ashish Jain:** And sir this 5.6% number that you gave for full year that also includes roughly 0.6 million tonnes of clinker?
- Dr. Shailendra Chouksey:** Clinker that you are selling also gets converted into our cement, so the comparison is actually 1.4 million tonnes versus 1.7 million tonnes.

- Ashish Jain:** No sir, but 1.4 million tonnes will include the cement that you are also buying from Udaipur I guess?
- Dr. Shailendra Chouksey:** Yeah of course.
- Ashish Jain:** So basically sir what I am trying to ascertain is in this year actually you have sold 4.9 million tonnes of cement versus a current capacity of 6.6 million tonnes, which gives you quite a room to grow, is that the right?
- Dr. Shailendra Chouksey:** Bidkar has already explained that, now the only caveat is that the 6.6 million tonnes has come only in the back end of the year, so what you are saying is right that against a capacity of 5.3 million tonnes we have done 4.9 million tonnes, that is we may have ground outside, that is a different thing, so that will always happen that we will have some capacities here if the logistics savings or for any other reason if we take our clinker grind outside that is a different cup of story. You always have that excess grinding capacity with idea that we can always whatever is convened due depending which market is better, we being settled on the border have that advantage that if the west is better we grind more at JK Puram, if north is better we grind at Udaipur or any other place where we have the option. But your contention is right that going forward, so we did have room to capture on the demand growth any spurt which comes.
- Ashish Jain:** And my second question is in Udaipur; this 5.6 CAPEX that you said, can you just break it down between '15 and '16?
- Sudhir Bidkar:** It would be about 200-odd-crores in the current year and thereafter the balance next year.
- Ashish Jain:** And then just lastly on your consol balance sheet so that largely consolidates Udaipur now I believe?
- Sudhir Bidkar:** Yeah, you are right.
- Moderator:** Thank you. Our next question is from Achint Bhagat of Ambit Capital. Please go ahead.
- Achint Bhagat:** Sir, just one question on the industry as such; so what do you think the demand been in north India in April and in May because we believe that the utilization level was fairly high from Jan to March so what do you think the utilization level is now and how the pricing been in the last 2-months?
- Dr. Shailendra Chouksey:** In April the prices are slightly lower than March, but not that bad; in May the prices have come up under pressure, the volumes are also less.
- Achint Bhagat:** So the excess demand that was there in Jan to March, because back then the sand mining ban had lifted and all the pent up demand had come up at once do you think that that was a one-off or do you think it is sustainable for at least in North India for the next 3-4-months?
- Dr. Shailendra Chouksey:** No, I think they will not be really comparable, January March was a period where there was practically no infra, but it is only the government buying before their budget gets exhausted, they miss the deadline of 31st March, and bit of a pre-election is pending. Now whatever the demand driver would basically be arriving of the new policies that is still to be unfolded. As I have already explained in one of the earlier questions that in the immediate future of the first quarter and may be even the second quarter things would be sort of a flattish, if the monsoons pickup and things are good, then the rural buying would pick up somewhere in September or so.
- Achint Bhagat:** But sir last year also the monsoons were good, so did you see any rural buying say from December onwards?

- Dr. Shailendra Chouksey:** Demand was better than the second and fourth was still better.
- Achint Bhagat:** So if it happens for 2-years in a row then it creates additional rural income, right. And sir the capacity constraints that were facing north India, so those have completed abated now, so Binani's plant is up and running?
- Dr. Shailendra Chouksey:** Binani is running though not at full steam as they still have issues with the government, with their network having been slightly dismantled. To our best of judgment they are probably operative only at 50-60% capacity.
- Achint Bhagat:** On the upcoming capacities, so we understand that Shree would be adding about 4-5 million tonnes of grinding in North, and obviously your Udaipur will be coming up, so do you think that additional at least 10 million tonnes will be added in the next 2-3-years, so do you think still pricing can sustain?
- Dr. Shailendra Chouksey:** The pricing can sustain provided there is an upward movement on the demand, say even if there is an 8-9% demand year-on-year and with a market size of about 90 million tonnes, I think every year you are requiring 7-8 million tonnes extra. Whatever new capacity would come would get absorbed. And now only in the north the 2-3 capacities which are coming are one is of course Shree, which you mentioned which I do not think is 4-5 million tonnes, it is about 3 million tonnes. Then there is a capacity of JK Nimbahera which is coming there, new kiln is expected, it is already lighted, then their grinding unit will start about by end of this month we believe in Jharli, these are the two and then our own capacities. But combined will probably have about 6-7 million tonnes and that is the type of growth that we are seeing and not too many capacities now coming here after in the north, what we will get is 2 or 3 million tonnes. So I think going forward the extra demand will only taper with the gap between the demand and the supply. As long as the growth momentum is there, the mood can swing.
- Achint Bhagat:** What was the average pet coke cost for you in the quarter compared to what it was last year?
- Dr. Shailendra Chouksey:** 6,800.
- Achint Bhagat:** Compared to last year it would be close to 7300?
- Dr. Shailendra Chouksey:** Last year it was about 6200 I believe.
- Moderator:** Thank you. Our next question is from Mihir Zaveri of Religare Capital Markets. Please go ahead.
- Mihir Zaveri:** And sir pet coke number what was it in Q3 if you can just give us the number?
- Sudhir Bidkar:** Q3 was around the same level-6,800.
- Mihir Zaveri:** We have seen some softening which has happened with Binani coming up now. So have we seen of late the drop in terms of pricing and what will be vis-à-vis the Q4 currently?
- Dr. Shailendra Chouksey:** I had mentioned that recently there has been softening, so price have come down by about Rs.15-20 a bag, but I think that is too early actually to conclude and extrapolate on the whole quarter, April was good, May over a period of time we have seen some softening, now June we do not know, now the mood is positive, so let us see...it is very difficult really to put a number, but definitely the things are not just for the sake of repetition, this first quarter may not be as good as the fourth quarter for the industry, but going forward things are looking bright.
- Mihir Zaveri:** Sir, if we talk about our region which will be the big ticket projects which you think are coming up and running, we have been talking about DFC anything which we are seeing further

progress in that front? And any other new projects probably in Gujarat, Rajasthan in the northern belt which we are seeing if you can highlight some of them please?

Dr. Shailendra Chouksey: The dedicated freight corridor is something which can kick start very fast; it is almost 80-85%... yeah, I was telling you that you are talking about the pricing there has been a bit of softening in the price because of the demand situation that I just spoke about, but it is difficult to really conclude something, except to say that the first quarter pricing may not be as bright as the 4th quarter but going forward things are looking positive. And then when we talked about what is the big ticket item I was talking about the dedicated freight corridor which we believe can start in not too distant a future it can start happening now, funding is not an issue, it is the Japanese money which I believe the procurement has been done about 80-85%. So I think it is more of an organization issue, and that should not take much time I suppose. So that is something which to my mind is very easily one big ticket item, then I think the metro at the three places – that is Delhi, Ahmedabad and Jaipur – they are already there at a certain stage... Delhi Metro in any case going on fine but Jaipur can be intensified and Ahmedabad can start immediately. So I think again there is an organizational issue and there is no other constraint. So I think these things can be something which can happen in very near future.

Mihir Zaveri: So in terms of number sir, what kind of ballpark, just rough cut incremental demand in terms of volumes you are expecting probably from these projects all put together basically if you can provide some inputs in there?

Dr. Shailendra Chouksey: In the first year of operation I think these three can combine about 2-3 million tonnes or something that I think that they can provide, and then there are about 4 lakh crores stalled projects, I do not have that number how much of them are in the north, but assuming for a very simplicity sake that there are about 25-30% of the projects are there in north plus Gujarat, I think that can also contribute another 2-2.5 million tonnes. So there are possibilities of this 3-4 million tonnes coming additional over and above last year.

Moderator: Thank you. The next question is from Ashish Jain of Morgan Stanley. Please go ahead.

Ashish Jain: Sir, earlier in the call you said that we have done of 0.6 million tonnes of capacity expansion through debottlenecking. One, I wanted to know do we have any other opportunity to expand the capacity through debottlenecking. And secondly just for understanding sake what kind of processes or CAPEX do we incur in such kind of things?

Sudhir Bidkar: It comes out of the normal CAPEX which we keep on refining and so there is not much of a substantial CAPEX to do that bottlenecking. And yes, scope is always there, we can always keep on improving, but those scope would be marginal going forward only.

Moderator: Thank you. The next question is from Jaspreet Singh Arora of Anand Rathi Financials. Please go ahead.

Jaspreet Singh Arora: Just two questions; one was one-off expense that you mentioned that of Rs.18 crores, if you could elaborate more on this what kind of cess was this, and is there any pending amount on account of this?

Sudhir Bidkar: No, this was one-off cess of some duty, etc., and there is no additional liability there against.

Jaspreet Singh Arora: So this was some kind of sales tax liability, because it says that it is under litigation, so that is why I am trying to understand.

Sudhir Bidkar: It is not sales tax, it is some duties and cess, etc.

Jaspreet Singh Arora: So we have fully provided for?

- Sudhir Bidkar:** Yeah, fully provided, there is no additional unprovided liability there against.
- Jaspreet Singh Arora:** And sir, if you could just help us understand how was the last financial year in terms of volume growth in the key states that we operate? I am sure we do not have that data but to whatever your sense is based on the ground, channel checks, what is the kind of growth that you saw in the key states that we operate?
- Dr. Shailendra Chouksey:** The best growth that we got was possibly in Gujarat, and we could also get growth in north; Rajasthan was not that bright, but north and Gujarat were two areas where we got the growth, and north when I am saying it was more with reference to Haryana and UP that we got with.
- Jaspreet Singh Arora:** So we grew at about 8% if I am not wrong in last financial year, is it correct?
- Dr. Shailendra Chouksey:** Yeah.
- Jaspreet Singh Arora:** So you are saying the maximum growth came in from Haryana and the Gujarat state and not so contributing states were Rajasthan?
- Dr. Shailendra Chouksey:** Rajasthan, Delhi, and Punjab are not so contributing, but Haryana, UP and Gujarat they were the main contributors.
- Jaspreet Singh Arora:** With this new plant in Durg getting operational in third quarter we would largely be covering most parts of the eastern states, is it correct?
- Dr. Shailendra Chouksey:** To start with we will be concentrating in Chhattisgarh and Odisha and small quantity in West Bengal.
- Jaspreet Singh Arora:** You mentioned about the potential in north and this big scale projects. Anything specific that is coming up, that envisage in the eastern belt similarly besides DFC?
- Dr. Shailendra Chouksey:** There volume will not be not much, our strategy presently would be to largely be selling in the trade segments.
- Jaspreet Singh Arora:** We have already started ceding these markets from a current capacity in some fashion so as to make the dealers and the channels over there?
- Dr. Shailendra Chouksey:** We have created with network though we have not yet done the cede marketing. That we will start in September.
- Jaspreet Singh Arora:** On this October-December quarter, this is fairly looking practical now in terms of our advancement in terms of the commissioning, this is what you envisage, really happening or there could be a potential delay to the March quarter?
- Dr. Shailendra Chouksey:** As things appear now, we do not see any issue, it should come.
- Moderator:** Thank you. The next question is from Kamlesh Jain of Prabhudas Lilladher. Please go ahead.
- Kamlesh Jain:** How much was the CAPEX during the year which we had done?
- Dr. Shailendra Chouksey:** Around Rs.550 crores.
- Kamlesh Jain:** Just wanted to know... if I see your cash flow, roughly around Rs.250 crores was your cash profit, and like even if I see the changes in working capital, like there we had project negative working capital. So Rs.550 crores out of Rs.250 crores, then roughly Rs.300 crores would be your net addition to the debt, but if I see your debt, then it is hardly Rs.260 crores addition to the debt. Like is there any payments which are due to...?
- Sudhir Bidkar:** Some repayments would have also happened – existing debt.
- Kamlesh Jain:** But, in current liabilities, do we have some payments due to the capital?
- Sudhir Bidkar:** Yeah, current liabilities do include those loans due within 12 months.
- Kamlesh Jain:** No, I am asking like to the equipment supplier, how much is the amount?

- Sudhir Bidkar:** About Rs.80-90 crores, part of the other current liabilities as capital creditors.
- Kamlesh Jain:** So it is part of Rs.550 crores?
- Sudhir Bidkar:** Yeah.
- Kamlesh Jain:** Would you please provide how much has been the addition to the gross block and CWIP which is inclusive of your advances?
- Sudhir Bidkar:** Rs.225 crores is the addition to the gross block and about a similar amount in the capital work-in progress.
- Kamlesh Jain:** How much is the CWIP as on date including advances?
- Sudhir Bidkar:** About Rs.908 crores.
- Kamlesh Jain:** And addition to the gross block was Rs.130 crores?
- Sudhir Bidkar:** Yeah, you are right.
- Kamlesh Jain:** Just an update on your like CAPEX or expansion like on the Durg project what is the update on that Cuttack grinding unit? Like till now what we believe that we have not got the EC.
- Dr. Shailendra Chouksey:** We have got now environment clearance come, only thing which is remaining is going to be getting the clearance from the wild life board, which is comparatively lesser of the evil vis-à-vis the environment in there. Earlier there was no committee thereto take a call, but I think all those are being constituted, we expect things should shorten out shortly.
- Kamlesh Jain:** I believe that there are four projects which are currently under execution – one is Surat Grinding Unit, then Durg Unit, then you have Cuttack Unit, then in JK Puram as well like we have some projects which would be around Rs.100 crores for the debottlenecking. So would you please provide the project wise total CAPEX and the amount spent till date on these four-five projects?
- Sudhir Bidkar:** First and foremost there is no such Rs.100 crores project in the pipeline, #1. As far as Surat Grinding Unit is concerned that is a CAPEX of about Rs.150-175 crores, out of which about Rs.50 crores has been spent on the acquisition of land, that is getting delayed because of the delay in environmental clearance. Some environmental committee which was a state committee which was not formed till now has now been formed. So hopefully we should get the environmental clearance and we can start the construction. So there has been a delay, no doubt because of the non-formation of the environmental clearance committee. Once if we get in about June-July, 12 months thereafter we should be seeing that plant get commissioned. So additional capacity would be about Rs.100-120 odd crores there, #1. #2, Odisha Grinding Unit – yes, again, there was a delay of environmental clearance, as I mentioned in my opening remarks, now earlier we were thinking in terms of it starting by April, so April is ruled out now, with June already approaching and the environmental clearance not in hand, so again it will get spilled over to about June-July as far as Odisha goes, there the spent has not been much apart from Rs.10 odd crores on the land which we acquired, so balance about Rs.100-125 crores is the remaining which needs to be spent. As far as Durg is concerned, that is going to cost about Rs.1600 crores, other than the Grinding Unit of Odisha, so out of Rs.1600 crores, Rs.1100 crores has been spent, so balance will get spent in the current year.
- Kamlesh Jain:** And lastly, we have the waste heat recovery which is not significant?
- Sudhir Bidkar:** Waste heat recovery is already operational, there is no additional waste heat recovery in the pipeline, and maybe probably you are talking of that expansion at JK Puram of Rs.100 crores of

kiln-I which has now been commissioned in March itself. So there is no additional CAPEX is required.

- Kamlesh Jain:** If I see your grinding capacity which has been expanded by 6.57 lakhs tonne to 6.43 lakhs tonne and if I see the capacity at the hand of FY13, it was roughly around 5.8 million tonne.
- Sudhir Bidkar:** 5.8 million tonne was not there, it was 5.3 million tonne at the end of '13, so from '13 it has gone up to 6.6 only on account of two things – one, additional grinding unit of Jhajjar coming in which has taken from 5.3 million tonne to 6 million tonne, and a bottlenecking of 6 odd lakh tonnes in Sirohi, just taken us from 6 to 6.6.
- Moderator:** Thank you. The next question is from Aman Batra of Goldman Sachs. Please go ahead.
- Aman Batra:** On this grinding capacity if you can bifurcate the current grinding capacity between what you have at Sirohi and what is there in Haryana and Gujarat?
- Sudhir Bidkar:** Sirohi earlier it was 42 lakh tonnes, it has gone up to 48 lakh tonnes in Gujarat, we have a Kalol facility is about 5.5 lakh tonnes to 6 lakh tonnes, and then about currently 13 lakh tonnes in Haryana.
- Aman Batra:** And on the Durg plant, what is the power capacity, if you are looking at the cost of production ex-plant how would that compare with the Sirohi plant that you currently have?
- Sudhir Bidkar:** Presently, we are not planning any captive power plant in Durg, because that is a power surplus state. So all our CAPEX is for the cement asset only, that is number one. Number two, as far as cost of production at Durg is concerned, it should be about Rs.100-150 lower than the present Sirohi cost of production because of the proximity of coal there in that state, that is number one, and two, there would be some saving in the overhead cost and fixed cost also, since the top management need not be replicated therein. So there would be some saving about Rs.100 odd per tonne in variable, and Rs.50-75 odd per tonne in the fixed cost as well.
- Moderator:** Thank you. The next question is from Jinesh Gandhi of Motilal Oswal Securities. Please go ahead.
- Jinesh Gandhi:** First thing, can you indicate what was the gross debt at the end of the year?
- Sudhir Bidkar:** Gross debt was about Rs.1600 crores and about Rs.350 crores of cash.
- Jinesh Gandhi:** Secondly, with respect to our stake in UCW increase to 75%, what was the investment made to increase stake to Rs.78 crores is actual cash out?
- Sudhir Bidkar:** It is not a conversion of loans, it is conversion of advance into securities. So basically we are required to put in Rs.150 crores which is that Rs.78 crores is part of that only.
- Jinesh Gandhi:** So there would not be any cash outflow because of this?
- Sudhir Bidkar:** There is a cash outflow, additional is not there, whatever is required, holding increases on account of that investment of Rs.150 crores which we are suppose to do in that project for revival.
- Jinesh Gandhi:** Do we envisage further increase in stake in UCW or 75% is where we are comfortable with?
- Sudhir Bidkar:** We cannot increase beyond 75% as per the listing guidelines.
- Jinesh Gandhi:** And lastly, in terms of UCW, even after the project commissions after next two years, do we plan to continue the current arrangement of selling production of UCW through JK Lakshmi, a standalone entity or that might change?

- Sudhir Bidkar:** We may, because we do not want to have another brand therein, we do not like to have a separate marketing network there for. So obviously, synergically better if we do it the same way.
- Jinesh Gandhi:** Is UCW very different from our standalone cost structure, do we expect any higher efficiencies there?
- Sudhir Bidkar:** The cost structure would be broadly similar except for the fact that there would be some freight cost saving on account of some top line.
- Jinesh Gandhi:** Variable cost would be largely similar?
- Sudhir Bidkar:** But they do have some freight advantage of Rs.50 odd there, some sales tax incentives would also be there. So EBITDA per tonne is expected to be slightly better.
- Jinesh Gandhi:** What is the sales tax incentives – this is what 7-year incentive or?
- Sudhir Bidkar:** As per the present scheme of the state government for a period of 7 years in the state.
- Jinesh Gandhi:** And this is exemption or deferral?
- Sudhir Bidkar:** This is exemption.
- Jinesh Gandhi:** In terms of the expected CAPEX for UCW you mentioned Rs.600 crores, how much of this would be funded through debt?
- Sudhir Bidkar:** Rs.400 crores would be debt and Rs.150 crores we are putting in, and Rs.50 crores would be the internal accrual and some CCDs or equity shares which they have already issued to the erstwhile lenders.
- Jinesh Gandhi:** Balance Rs.150 crores which you indicated will be put up by JK Lakshmi, has already been invested. So there would not be any further incremental cash flow to UCW?
- Sudhir Bidkar:** Out of Rs.150 crores we have already done Rs.122-123 crores is the exact figure as of March, so there would be the balance topping up of Rs.27 odd crores is the current or next year.
- Moderator:** Thank you. The next question is from Abhishek Ghosh of IDFC. Please go ahead.
- Abhishek Ghosh:** Just wanted to get a breakup of our sales in terms of institutional sale and retail sale?
- Sudhir Bidkar:** Broadly 50-50.
- Abhishek Ghosh:** Have the freight cost per tonne has come off sequentially? And if it has, is it because of some efficiency gain or lower lead distances, just wanted to get some sense on that?
- Sudhir Bidkar:** Also, the current quarter the clinker sale has been higher, some lead distance improvement is also there, that is ongoing exercise, plus some logistics cost saving is also there.
- Abhishek Ghosh:** Sir, going forward we could expect this trend to continue in terms of some more efficiencies in lower logistics cost?
- Sudhir Bidkar:** That will depend on the market where we cater to in the coming quarters that will ultimately be driven by that.
- Abhishek Ghosh:** Could we have the average lead distance for JK Lakshmi for the current year?
- Sudhir Bidkar:** About Rs.530-550 is the average lead distance, come down by about 10 odd kilometers.
- Abhishek Ghosh:** On a year-on-year basis?
- Sudhir Bidkar:** Yeah.
- Moderator:** Thank you. The next question is from Vineet Hetamsaria of Bharti AXA Life Insurance. Please go ahead.

- Vineet Hetamsaria:** Can you just give me the breakup between how much is our own sales and how much was the trading sales?
- Sudhir Bidkar:** I do not have the figure right now, we can come back to you separately.
- Vineet Hetamsaria:** Because as I understand there are two units from where we are actually having a trading – one is the UP and the second is Udaipur, is that right?
- Sudhir Bidkar:** That was only marginal, though the 6 lakh capacity is there, one, it got operational only in August-September and then there were some issues, initial teething problem, UP was also not much though the capacity is overall 3 lakh tonnes, so the offtake has been lower therein. So not more than 2-3 lakhs.
- Vineet Hetamsaria:** But 3 lakhs clinker which we have sold, has completely gone to Udaipur or?
- Sudhir Bidkar:** No, it is not completely to Udaipur, it is also to the other grinding unit, and also some went in the market.
- Moderator:** Thank you. The next question is from Girish Choudhary of Spark Capital. Please go ahead
- Girish Choudhary:** This is regarding your Chhattisgarh incident which happened sometime back. Just wanted to know by how much our CAPEX has increased because of that and how much is supported by insurance claim and have we received the claim or not?
- Sudhir Bidkar:** As far as CAPEX goes it will not increase, because we have decapitalized whatever loss was there and that will again come back to the insurance claim. So if you see the balance sheet in detail there is a last item of the 'current assets' which has gone up from Rs.2 crores to Rs.68 crores, that pertains to Rs.66 crores of the insurance claim which is pending, Rs.20 crores we have already received. So CAPEX would go up by only about Rs.8-9 crores, we may not be out of pocket for that, but basically because of the escalation in the equipment which we are going to reorder. Though the CAPEX would go, but it will get reimbursed as far as insurance claim is concerned and which we expect to get settled fully in the current financial year.
- Girish Choudhary:** What are the kind of incentives we have at our Durg unit?
- Sudhir Bidkar:** For Durg we do not have any incentive from the state government.
- Moderator:** Thank you. The next follow up question is from Ashish Jain of Morgan Stanley. Please go ahead.
- Ashish Jain:** You said that UCWL unit has sales tax benefit. Have we already started using that for the sales that is making to you today or you will only start once the full capacity is commissioned?
- Sudhir Bidkar:** I think it is better to start when the full capacity is in place, there is no point in having those two years with the lower capacity getting left.
- Ashish Jain:** So whenever you are up with one unit after that is when you plan to start?
- Sudhir Bidkar:** Yeah.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to Mr. Vaibhav Agarwal for closing comments.
- Vaibhav Agarwal:** Thank you. On behalf of PhillipCapital I would like to 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.
- Dr. Shailendra Chouksey:** Thank you, Vaibhav.
- Vaibhav Agarwal:** Thank you sir.

Moderator: Thank you. 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.