JKLC/SECTL/SE/20

Date: 22nd May 2020

BSE Limited
Department of Corporate Services
25th Floor, P.J. Towers
Dalal Street
MUMBAI-400001
Through BSE Listing
Security Code: 500380

National Stock Exchange of India Limited
"Exchange Plaza"
Bandra - Kurla Complex
Bandra (E)
MUMBAI – 400051
Through NEAPS
Symbol: JKLAKSHMI, Series : EQ

Dear Sir/ Madam,

Re: Conference Call organized by Phillip Capital on 21st May 2020 at 4.00 P.M.

In continuation of our letter on the above subject, attached herewith the transcript/minutes of the aforesaid conference call, this is for your information and record.

Thanking you and assuring you of our best attention at all times.

Yours faithfully,
For JK Lakshmi Cement Limited

(B.K. Daga)
Sr. Vice President &
Company Secretary

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"JK Lakshmi Cement Limited Q4 FY-20 Earnings Conference Call"

May 21, 2020

MANAGEMENT: DR. SHAILENDRA CHOUKSEY – WHOLE-TIME DIRECTOR, JK LAKSHMI CEMENT LIMITED
MR. SUDHIR BIDKAR – CHIEF FINANCIAL OFFICER, JK LAKSHMI CEMENT LIMITED

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

Moderator: Ladies and gentlemen good day and welcome to the JK Lakshmi Cement Q4 FY20 and FY20 Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. 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 Stanford. Good evening everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q4 FY20 and FY20 call of JK Lakshmi Cement. On the call we have with us Dr. Shailendra Chouksey – Whole-time Director, and Mr. Sudhir Bidkar – CFO of the Company. At this point of time, I will hand over the floor to the management of the 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 Vaibhav and good afternoon ladies and gentlemen. This is Sudhir Bidkar along with Dr. Chouksey welcoming you for Q4 con-call. You would have seen the results; I don't want to repeat any numbers there in. Only thing that yes the financial year '19-20 ended on a sour note because of this lockdown which lasted initially in the month of March for about 12 days and then continued much longer than what we had initially envisaged. Though we have started operations in a smaller way starting with in the month of April with commissioning starting of the restarting of the grinding unit and slowly gradually we are picking up. Without wasting any time I will throw the floor open for question answers please.

Moderator: Thank you very much. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Before asking any question just a clarification needed, raw material number for FY19 and '20 seems to be different if I go total the four quarters numbers and this has been adjusted in the employee cost and other expenses, so just wanted to understand is it a printing mistake or have we restated the numbers and if yes then in which quarter of FY19 and FY14 we have adjusted? So for FY19 we have three raw material numbers, as per annual reports one is till Quarter 3 results we have published and now it is third number, so just wanted to understand the clarification on that.

Management: You are talking about which year?

Shravan Shah: FY19 full year and for FY20 raw material consumed the number, if I total of the four quarter of FY19 and FY20 the number is different versus what reported yesterday in the press-release. So now and this number though it has not affected the EBITDA it has been adjusted against the employee cost and other expenses. So I am since we are saying for FY19 we have a three raw material consumed the numbers, one is for annual report, one is third quarter FY20 results and the third one yesterday we published. So there are three numbers, so just wanted a clarification.

Management: I don't have the details. I will have to take that off-line this question but there would be some grouping adjustment other than that there is no reason for us to believe that submission of four quarters should not end up with that, so that is only the grouping as may have been required pursuant to some grouping change that's all. Otherwise other than that there is no change. Still I will take that on separately.

Shravan Shah: One request as you top-up this by numbers and also we release the press release, a humble request if you can also publish the cement volume numbers with the press release then it would save your time also and it will be a very good from the investor's perspective, so that's a humble request. Now that I'm asking a question, firstly just wanted the decline whatever 15%-16% we have seen if you can help me in terms of the region wise North, East, West what has happened and now in terms of when we started the operations post whatever the shut down till April 20. So in last one month as 25-30 days odd how we are seeing, what kind of utilization levels we are seeing and broadly whatever—I know it is very difficult to give any kind of a guidance at this juncture—but still just trying to understand what kind of decline you would see for this quarter and for the full-year?

Management: Dr. Chouksey will like to respond?

Management: I will respond to you, as far as how the things are panning out and how we look at the coming future; regarding the region wise production of these figures I think…

Management: That we generally don't share.

Management: That is what I wanted to convey that we don't share those numbers.

Shravan Shah: No, broader I'm just saying the region where we are operating North, East, West what kind of religion as such have seen a decline if it is possible otherwise no issues. For now whatever the last one month whatever we are operating what kind of utilizations have we reached 40%-50%?

Management: Broadly there has not been any major shift in our dispatch pattern is concerned, region wise dispatches are concerned. So whether East or North or West we remain more or less the similar percentage what we have been discussing earlier except in the regular region we are trying to supply to the nearest possible areas and that is how we have been able to cut down on our logistic cost. But the region wise distribution has not changed materially. Regarding how we have been panning out, just 25 days operation is too small a period in such uncertain times at present to really form any opinion or in fact this can be grossly misleading reading of the future because the disease itself is now gradually spreading within villages with these migrant laborers going to the villages there is a very strong feeling that the one area which was where we saw the maximum traction in the demand in the last 25 days, this is quite possible that there that may get affected. But nevertheless clearly from the statistic point of view we are currently operating at about 65% of the capacity and we do hope that this will continue and the real pick up as on date visibility is that it will improve from third quarter onwards. That is what our current outlook is.

Management: You had asked about this reclassification of the raw material and all that; one change I was told which has happened is that the earlier the packing material cost part of the raw material that has now been removed as per the requirement and as advised by our auditors, instead of being clubbed with the raw material cost it is being shown as part of the other expenses. Still I would suggest that you send me a small mail after the con-call, I will give you full reconciliation and that I'm told is the only reason for this reclassification. We will explain the reason for that but broadly this is the only reason because of the shifting of the packing cost from the raw material cost to the other expenses.

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

Sanjay Gandhi: Can you just share the production number for this quarter as well as last year of this quarter?

Management: You want production not the sales, our cement production for this quarter was 20.15 lakh tons and the corresponding quarter of this year was 26.15.

Sanjay Gandhi: And this quarter I missed out the number?

Management: 20.15.

Sanjay Gandhi: And what is the sales number if you can kindly guide?

Management: Sales number for this quarter is 24.65 and 24.65 which includes clinker sale of 3.3 and in the corresponding quarter was 29.39, including clinker sale of 2.09.

Sanjay Gandhi: This is the standalone basis, right?

Management: Yes, we are talking on a standalone, all figures are standalone.

Sanjay Gandhi: What is the current utilization for the Udaipur Cement?

Management: Udaipur Cement is now operating in the current month around over 65%.

Sanjay Gandhi: What is the current pricing scenario post this COVID, so if you can guide what has been the changes or traction will happen from the exit quarter March '20 and yield as on date?

Management: We have retained more or less the same price everywhere, barring that there has been some price increases which we have been able to take in the East and some price in the North. We were not been able to take any price increase in Gujarat or Maharashtra because of the very-very low demand there.

Sanjay Gandhi: So which pockets you are planning to increase the price or you have already increase the price?

Management: No, hereafter we are not intending for any immediate price increase till the demand does not support the further price increase.

Sanjay Gandhi: So you mean to say the post COVID thing prices are similar that the March exit quarter, right?

Management: No, we have taken some increase as I was mentioning, about Rs. 10 we have been able to take the price increase in North and East and about Rs. 15 in the Central division.

Sanjay Gandhi: What is the current pet coke price, the prices have already dipped a lot. So do we have booked any kind of inventory we have already or the benefit which we can reap in the coming quarter if you can guide something on that issue?

Management: Sorry repeat your question please.

Sanjay Gandhi: I want to know like the pet coke prices have dipped a bit, so can you just guide us that what kind of inventory we have as of now or what kind of we have booked as of now so that we can use the benefit in the coming quarters?

Management: We are in the process because we are carrying such a huge inventory. Though the prices have softened but we've still not booked in a major way for future because we are still carrying our inventory.

Sanjay Gandhi: The average carrying cost would be 75% that's what inventory you are carrying sir?

Management: First quarter close to Rs. 7000 in the last quarter as compared to 8100 in the corresponding quarter last year, overall for the year as a whole it was 7300 as against 8300.

Moderator: The next question is from the line of Ashish Kumar from Infinity Alternatives.

Ashish Kumar: Wanted to understand because last time when you had mentioned we were talking about looking at evaluating an expansion plan, post-COVID situation what is the CAPEX plan for FY21 that we are looking at and when you will plan for the next expansion?

Management: We have temporarily kept that on hold with the new expansion which we were talking of which was to come in North. So we were to announce, had nothing happened means without COVID we would have announced it but now we have kept that on hold. At appropriate time we will come back with the announcement.

Ashish Kumar: In terms of the CAPEX plans for FY21, how much would that be?

Management: CAPEX is nothing major, only two things are happening, one small waste heat recovery project is getting implemented at Sirohi and so the CAPEX for that would be about 120 crores odd in the current year FY21 and some small balancing is happening in Udaipur which may cost about 50 crores there for Udaipur. Other than that there could some normal CAPEX of 15-20 crores, so overall I see CAPEX in JK Lakshmi of not more than 150 crores, max not more than 50 crores for UCWL.

Ashish Kumar: So total 200?

Management: Yeah.

Ashish Kumar: The second question was that we had given this particular loan to a Group Company, by when do you think we will be getting that repayment?

Management: We had given that two of Group Company 40 crores loan, actually what did happen is though it had not impacted us. We were having a treasury corpus of about 350 crores at the start of last year which has ballooned to about 450 crores, fortunately for us the investments in the various debt instruments was safe but looking at what has been happening in the market 2-3 players in the recent past had deferred there in fact the maturity of the FMPs and something has happened to one of the major mutual fund where fixed that scheme. So in between at that time there was this opportunity of giving an NCD to a Growth Company which we thought would be a safer bet than investing in a market which was in turmoil. So it's a loan for a year and could get rolled over for another.

Ashish Kumar: So you think it will get repaid on in FY22?

Management: Yeah, initially was for a period of 1 year. They may pay and they may ask for another one, so this is a deployment of surplus money, it's not a group investment as well, not a major long-term investment. It's only a deployment of our treasury corpus than to get into a turmoil market.

Ashish Kumar: One suggestion and one request would be that given where the stock prices if that money could have been deployed to do a buy-back like another group company or what you are doing there, it would help from a shareholder perspective.

Management: We have also done that one buyback in 2012 and we thought we have given good return as far as the dividend was concerned but yes certainly and this is a treasury corpus which we are keeping for our future growth. Now as I mentioned in response to your question or some previous question that we have deferred our expansion plan. Have the expansion been on time we would have required this money whatever is in the treasury corpus as part of the internal accrual that we require for the promoters contribution for the new project. It's only because that project has got deferred that's why. So I don't have money, we can't borrow to do a buyback and this money as the treasury corpus which is there is for funding my long-term growth. At that time when we had the surplus we did the buyback, so that 40 crores here and there will not make much dent in that.

Participant: It was given the fact that you have deferred you may want to think about it over the next couple of months and so your board will come to the right decision.

Management: Yeah.

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

Ritesh Shah: Just to understand how was the debt maturity profile, what sort of repayment do we have lined up? This is the first question.

Management: We have today a total loan portfolio on a standalone basis of about 1450 crores and about 250 crores over the next 2 years each will get repaid, 250 to 270. So we will be down by over 500 over the next 2 years.

Ritesh Shah: And at UCW?

Management: UCW we are today having a total loan of about 550 crores total and there the repayment is gradually. It is not happening in a big way because they had done some temporary funding through NCDs issued to a Group Company. That has now been replaced with a fresh loan which is now coming in their own balance sheet from the bank, so that carries 8 to 10 years repayment tenure with moratorium of about a year or so. So effectively there will not be any major reduction in the debt as far as UCW is concerned.

Ritesh Shah: In the earlier question you did indicate that we are postponing, we could have actually gone ahead with the North expansion which I believe is we are referring to 1.5 to 2 million tons at Sirohi.

Management: Sirohi we said in North, it could have happened in either Udaipur or in Sirohi. We have not slept head or pinned down either for Sirohi or for Udaipur.

Ritesh Shah: I just wanted to understand what would have been the quantum of CAPEX had we gone ahead for this expansion if not for COVID?

Management: It would have been anywhere between 1200 to 1400 crores.

Ritesh Shah: So incrementally if one had to deploy this, what are the variables that we are looking at before we actually kicked up the process of the next phase of expansion?

Management: It is basically demand supply and how the demand taper.

Management: Basically the demand supply and our own existing capacity utilization, so we have reached about 70% to 80% capacity utilization. Had this COVID not been there we would have continued with about 80% to 83% capacity utilization and that would have given us enough reasons to go in for expansion because by that time which would come in about 21 to 24 months we will be actually start losing our market share, so that is how we had planned our next capacity expansion.

Ritesh Shah: Chouksey Sir I have a couple of questions for you; we have seen very nice price growth on a year-on-year basis, can you give some color on the pricing differential between the Northern markets and the Eastern markets for the quarter and what are the trends right now if possible and secondly any major differential on the cost curve between North and East?

Management: In terms of price differential yes there is a substantial price difference between the prices here and in the East. The only advantage in East is that nearly 80% of our sale is in the trade segment there while in the North was about 55%. That's why then the weighted average price difference while the market price difference would be about Rs. 40-45 but because of our good trade price also have the low freight, there we are operating at a very low radius, the total market is well within 300 km that makes the actual price differential net to us at about Rs. 20 to Rs. 25 a bag. Otherwise the price differential is about Rs. 40 to 45 a bag.

Ritesh Shah: Last question specifically are labor issues and truck availability issues, so how are we catering basically looking at it from a distribution network? Do we have our own dedicated fleet from a transport side basically in northern India and East India or is it we completely rely on external guys, what is the degree of comfort that we have over here?

Management: We don't have the entire fleet as our own. We have a list, we have some dedicated transporters who have and their entire fleet has started disposal. But that takes care only of about 50% of our requirement, for the balance we use Railway for about 18% to 20% and the balance is all the market trucks, so there of course the challenge when we started the operation in April. I think we got a bit of a lead because of our high percentage of dedicated persons attached to us, so we could ramp up comparatively faster is only relatively and we could reach 60%-65% in very short time. But going forward by the migration goes unabated then this could be again a fresh challenge can lead to us, both in terms of operation, the contract labor which is engaged in the plant specially in the packing and loading etc. and also in the supply chain. It could be a challenge.

Moderator: The next question is from the line of Ritesh Sheth from Edelweiss.

Ritesh Sheth: I am trying to understand on the realization front, so for this quarter if we see your realization has declined by approx 2% quarter-on-quarter but what we are seeing and what our channel checks suggested was that there was a realization growth of around 2% to 2.5%. So why was that you realization declined, was it because of the mix in trade, non-trade or because of mix in premium just trying to understand?

Management: Declined over what, which quarter are you saying?

Ritesh Sheth: Third quarter and fourth quarter.

Management: Its marginal, I think it's almost very similar. What we thought was almost Rs. 7 or 8 difference but we have been able to make up in the freight where we could reduce the freight considerably and that give us a better net realization so to say, so I am not sure where will be that put us in disadvantage.

Ritesh Sheth: You are right on that, the Rs. 8 of decline in realization quarter-on-quarter from third quarter and fourth quarter, what the market value experience that there was marginal increase in prices rather than the decline what you have reported. So I was just trying to understand where this decline came from.

Management: It actually depends on your market mix. We have seen price decline in Gujarat and we have almost 37%-38% supplies there, so it depends on we are comparing with what.

Ritesh Sheth: Agree, may be supply to East market would have increased where we have a lower price.

Management: You are right that also….

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

Amit Murarka: I missed your comment on capacity utilization, so currently what will be the utilization at which you're operating?

Management: We mentioned in the question earlier that the plants are operating at about 70% capacity utilization and East is doing slightly better where it might be about 75% utilization.

Amit Murarka: So that would roughly imply near normal level if we have to look at our full year average basis.

Management: Not exactly because our full your capacity if I leave out the fourth quarter then we are operating at about 80% capacity utilization.

Amit Murarka: So its 10% lower broadly then.

Management: Yeah.

Amit Murarka: So the volumes have actually recovered very well in that case.

Management: Yeah but as I was mentioning whether that would really continue is a big challenge and I had put that caveat in the beginning that the initial requirement came from the dried supply-chain. The whole pipeline was dry, the retailers, the dealers, the material in transit and so on. So initially the push came from there and then of course the rural construction which was left half in between when this lockdown came, the rural was immediate to set up and there comparatively we are better placed in the rural market and that helped us.

Amit Murarka: Is there a fear or a concern that maybe June volumes could actually dip given that the pent-up demand will get over and plus the migrant labor issue is also looking at sort of a concern.

Management: The situation is actually very dynamic, it's very-very difficult to really to put a finger as to what will the number be in June. But right now we are working on the demise that June would be at very similar level as May because from July onwards in any case the monsoons will start impacting, so the volume will go down there and lot of people who would like to finish their construction despite all these odds before the monsoon sets in.

Amit Murarka: In terms of the operating cost like has there been any perceptible change in cost post the COVID or in this situation like road logistics freight has apparently gone up, so can you put more light on that?

Management: There has been some increase in the logistic cost but then we are trying to make it up by more amount or higher volume of direct dispatches to the sites rather than routing it through the truck and so on. So net we may not see really any major change in the cost other than of course the fixed cost which on per ton basis it will certainly go up.

Amit Murarka: And also like on the other variable line items like pet coke currently would be lower than the 4Q averages, right?

Management: You are right but we have some inventory, so real impact of new reduced price will come later on.

Amit Murarka: How much will be the reduction if you could quantify?

Management: Reduction as of now is about 10%.

Moderator: The next question is from the line of Satish Desai from NMB Securities.

Satish Desai: My question is towards the exceptional items which you had, the FY20, so 30 crores, what was it towards?

Management: This was done not in this quarter; it was coming since the first quarter. This was towards the impairment of carrying cost of one capital work in progress of the conveyor belt which is to be commissioned at our Durg Cement plant. So the actual carrying cost was higher that's why impairment was to be provided.

Satish Desai: Can you give the fuel mix for the quarter, I missed the numbers actually?

Management: Which mix?

Satish Desai: Fuel mix.

Management: Almost 20% of the fuel and 80% of the pet coke.

Satish Desai: So it is largely towards pet coke and you actually give out the per ton numbers, the pet coke?

Management: Yeah Mr. Bidkar earlier gave you the…

Management: This per ton total in this quarter was about Rs. 7000 as against 8100 and the corresponding quarter and for the year as a whole was about 7300 per ton as against 8300 in the last financial year.

Satish Desai: How do you see the demand recovery and specifically in rural? Like you mentioned earlier that you are like a good established player in the rural region, so how do you see the demand recovery going forward for FY21?

Management: I think I mentioned also that whatever demand we are witnessing now is mainly coming in the rural. The demand recovery in the rural has been good and there are couple of sectors which are supporting it and there are couple of sectors which will negate this. So how does this play out in rural is of course anybody's guess. The positive factors are that the migrant labors which have gone back to their villages they are likely to fuel the demand of the rural because when they are free they can take up the construction of their own houses, construction or repair of their own houses and they don't need to engage outside labor. They can do it themselves. That's a very common phenomenon, so that's can actually help the demand. The negative side is that a lot of people are going back to the villages the spread of the disease in the rural likely to happen more and it has been witnessed in many places in Rajasthan that villagers have started getting infected. So it's both positive and negative.

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

Swagato Ghosh: The clinker sale that you generally do every quarter is it to external companies or is it to our Udaipur unit that gets accounted in the standalone numbers?

Management: This is broadly external only except for some conversion job work which we are doing from other outsource grinding unit. We are not selling any clinker to Udaipur.

Swagato Ghosh: Why are we selling to external units, so maybe you can help me with the profitability number on these volumes and also from a competitive strategy perspective does it make sense?

Management: Yeah, it makes sense so far as it saves us the transportation cost. Then I am only transferring the clinker, I am not transferring the fly ash or the **(Inaudible)** 35.39 along with it. So I am not selling the cement. So if I have a grinding unit which is near to a market there I don't have a grinding unit it helps. So like I have done outsource grinding unit in UP and one I have in J&K. There I don't have a nearby captive grinding unit nearby. So that helps me in terms of logistic and accounts it also helps me to retain the market share there.

Swagato Ghosh: So the end cement product gets sold as JK Lakshmi brand only but just that it does not come in your P&L, the revenue, the cement revenue, is that understanding right?

Management: Sorry, come again, can you repeat that?

Swagato Ghosh: So when you sell clinker to this outsource grinding unit and they in turn sell the cement, the clinker revenue comes in my P&L but the cement revenue is in some other entity's P&L, is that right?

Management: No, we buy the cement from them. That is a trading; we buy the cement we sell. First we sell the clinker then we buy the cement from them and then sell in our own name. So that extra is trading of cement.

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

Prateek Kumar: My first question can you give UCW volumes for FY20?

Management: UCWL has done a total of about 19 lakh tons, total sales which included 14.69 of the cement and 4.42 of clinker.

Prateek Kumar: If we have to calculate the total consolidated volumes for the company, that will have like this 92 lakhs of standalone plus 19 lakhs of UCW, that's right or we have to subtract them inter-segment?

Management: You are right because for us also we are selling at arm's length. Even if we are selling some product to Udaipur or to outside earlier on, we are doing it at arm's length pricing and even if they are selling to us then all is at arm's length pricing, so as good as sale only.

Prateek Kumar: No but your individual company sales would have that so there is no inter-segment or inter-company we have to subtract for that?

Management: No it is completely valid.

Prateek Kumar: You highlighted a trade mix in East as 80%, North and Gujarat is 55%. How is the premium product mix in these two regions of the trade sale?

Management: I won't have the exact figure right now but then its roughly 20% of my trade sale in the North.

Prateek Kumar: And in East how would that be?

Management: East would be about 12% to 14% as a trade sale.

Prateek Kumar: And regarding the price hike you mentioned you took like Rs. 10-15 price hike, so this improvement in utilization in the month of May to 65-70, have all these volumes happened at higher prices?

Management: I think most of them yes, barring what we are selling in Gujarat there, there is no price increase.

Prateek Kumar: Even in month of May?

Management: Yeah in May also there is no price increase. The demand there is very-very subdued because of the very high increase of Corona cases.

Prateek Kumar: And how would be the profitability like for a year basis how would be the profitability per ton in North and East operations?

Management: It will be too uncertain and too far off really to discuss that in today's time.

Prateek Kumar: No, in FY20 how would the profitability?

Management: We would share with the region-wise profitability.

Prateek Kumar: Gross debt position for a consolidated operation, is it 2000 crores? 1450 plus 550 that's what you said, right?

Management: Yes, it is about 1980, close to 2000. You are right.

Prateek Kumar: So there is a very large number current maturities of long-term debt in that case for FY20?

Management: Yes it is about 283 crores, 280 odd. Yes that is what I mentioned about 250 to 270 crores will get paid off.

Prateek Kumar: In consolidated operations?

Management: In a consolidated basis almost 250 crores of debt is a replacement debt, so what is going to be paid out of the company's cash flow profitability is about 270 only.

Moderator: The next question is from the line of Saurabh Dubey from HDFC Securities.

Saurabh Dubey: I want to know the RMC revenue for Q4?

Management: It is about 43 crores.

Saurabh Dubey: And what would be the clinker utilization for Q4?

Management: Clinker utilization, you mean capacity utilization?

Saurabh Dubey: The production in Q4?

Management: Clinker capacity utilization you are asking no? It is about in the fourth quarter it was about 95%-96%.

Saurabh Dubey: What was the number clinker production?

Management: Clinker production for fourth quarter was of 16 lakhs.

Saurabh Dubey: So on a Q-on-Q basis the clinker production number were flattish, right?

Management: Yes flattish.

Saurabh Dubey: On the consol volume numbers that you said like the standalone volume for the full year was 92 lakhs odd and for the consol including UCW should we directly add 19 lakhs or there were inter-company sales which need to be logged off?

Management: Can you repeat your question please?

Saurabh Dubey: For cement and clinker sales JK Lakshmi standalone for the quarter is close to 92 lakhs, is that understanding right?

Management: That is for the year, not for the quarter.

Saurabh Dubey: For the year yes and for the UCW you have mentioned 19 lakhs, cement plus clinker?

Management: Right.

Saurabh Dubey: But if we want to see the consol revenue and divide to that a net realization what would be the volume we should take A + B or some..?

Management: Summation only.

Saurabh Dubey: No inter-segment, you may be selling to Udaipur and Udaipur would be selling same cement or clinker to you?

Management: Because we are doing the both at both the entities' as arm's length pricing.

Saurabh Dubey: But that doesn't create any double counting of numbers when we add up?

Management: No in consolidated basis when you do for this value part there are two things on the volume. Volume is total 110 but when you consolidate for value purposes, sales value then whatever is sold for consolidation basis that has to knocked off.

Saurabh Dubey: So that is what I am asking, you may have knocked off on the revenue front?

Management: Yes.

Saurabh Dubey: So accordingly on the volumes front what knocked off would be required?

Management: I am just come back to you on that. What is a corresponding knocking off required from the volume?

Saurabh Dubey: Mean while full year basis say, what is our clinker utilization in standalone entities?

Management: 95 I told you. I will just get to you around that the inter-segment sales which need to be knocked off. I will separately address to you that question.

Saurabh Dubey: One more question was on the clinker utilization on standalone entity, we have around 6.9 million tons in coal capacity clinker? Standalone JK Lakshmi clinker capacity is 6.9 million tons?

Management: Clinker capacity?

Saurabh Dubey: Yes.

Management: Our total clinker capacity for JK Lakshmi is 6.7.

Saurabh Dubey: And out of that we have already achieved in this financial year 6.5 million of production?

Management: That is what I said we have capacity utilization for the year is almost 95%.

Saurabh Dubey: Correct, so in terms of growth purpose we do need to have another clinker line going forward?

Management: Yes that was what the expansion we are planning but in terms of UCWL we do have the surplus clinker capacity therein and we are also doing debottlenecking. That will help us to further improve the production there.

Saurabh Dubey: How much is that will lead to from 1.3 million tons currently Udaipur?

Management: 1.2 is their existing capacity that will go up to 1.5.

Saurabh Dubey: And what time line do you ascribe for that?

Management: By the end of this financial year it should…..

Saurabh Dubey: Just one more question, initially you had mentioned that, you were talking about around 15 crores CAPEX for expansion in the North, Brownfield expansion in the North, so what capacity you was that related to 1500 crores?

Management: That was about 2.5 million tons capacity.

Saurabh Dubey: And at same location Sirohi or one 2.5 at Sirohi?

Management: We had not pinned down it was in North, either in Sirohi or in Udaipur.

Saurabh Dubey: But one unit of 2.5. It may not be a too small.

Management: One line of 1.5 Clinkerization and commensurate 2.5 grinding capacity.

Saurabh Dubey: And could that your year marking around 1500 crores?

Management: Yes 1200 to 1400 crores.

Saurabh Dubey: Because earlier you had guided that if there a Brownfield expansion, your CAPEX intensity will be around 500 to 600 crores per tons so from that perspective?

Management: Yes that is what I am saying for 2.5 would be about 1200.

Saurabh Dubey: So you have already mentioned on the debt profile and debt reduction plans for next 2 years.

Management: Yes.

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

Swagato Ghosh: Just a clarification on a question I asked earlier. This clinker volume that you said it was 3.3 lakhs for the quarter. So we sold this entire quantity to the outsourced grinding unit then we bought the corresponding cement back and sold it, right?

Management: The entire sale is not for trading. Some has actually gone as sales without there being any conversion. Only a portion of that got converted at our outsourced grinding unit. What I'm saying is not the entire 3.5 has gone to get converted at our outsourced grinding unit. Maybe only 20%-30% thereof could have got converted only. The other remaining clinker is then actual clinker sale to outsider where there is no conversion happening.

Swagato Ghosh: So then my question is then if that 70%-80% of this number is still like about 10% of your sales number, so it's generally very uncommon for a player your size doing such quantity of clinker sales to external parties continuously?

Management: If I may clarify this would be roughly 40% to 45% in our own conversion and about 55% will be as we discussed there would be the sales. So your question whether this is a common or not every company will have its own strategy, a way to sell. So if I have a choice then I have to convert cement and their long distance or if I sell a clinker in a lower distance then I get a price. It depends so we are constantly taking your view based on the related return that one gets either on clinker or cement.

Swagato Ghosh: So the profitability is comparable because you are taking this decision based on economics so can I assume that the profitability of the clinker, external clinker sale?

Management: It won't be comparable in that sense, there is a fine comparing, had it been in their market if I had an option obviously I would convert and sell but if I have to travel a long distance and bring down my overall realization then I might sell it is as clinker. It is not exactly the profitability that you are seeing here. It is rather lower profitability.

Swagato Ghosh: Thanks for the explanation but because we are doing this so that means we have additional clinker capacity actually. So going back to the earlier question asked, we are at 95% of clinker utilization but some of it is at least getting sold externally. So we do not need expand immediately, right?

Management: You can say that no it won't be a very substantially. We see in a year we sold about 7 lakhs tons of clinker. So if I was selling say 60% in the market, 50% I'm getting converted there is only 3.5 lakhs of clinker that I have converted. So overall then you are talking about 11 or 12 million tons of cement that you have, you are adding only about half of a million ton there.

Swagato Ghosh: Yeah but your 6.5 is your clinker capacity, so 6.7 and you are selling. On a base of 6.7 million tons you are selling 7 lakhs and out of that 50%-55% so that is a good 5%-6% number in itself, 1 year of growth so that is why I was asking from.

Management: So that's what I said that when we took the decision of starting the work prior to COVID this was what the idea was. Presently there is about 95% and if a new capacity will take 2 years to come, 1 year we will manage with going to 100% and then also utilize the clinker that we are today selling convert into cement. So this is how we would have managed in next 2 years' time.

Swagato Ghosh: From next quarter onwards like a suggestion which was given earlier, a similar suggestion. If we can just have some of the key numbers in the press-release itself including the consolidated volume numbers because probably it's better to look at the company on a consol basis including UCW, so that will be very helpful from next quarter onwards. Thank you.

Management: Yeah, in response to the earlier question for consolidation we are netting off then you need to net off on the inter-unit sale of about 10.51 lakhs tons. So that is what is getting cancelled off when you consolidate the accounts.

Moderator: Ladies and gentlemen due to time constraints we take the last question from the line of Sanjay Gandhi from Ratnabali Investments.

Sanjay Gandhi: What kind of margins do we make in selling the clinker?

Management: At the contribution level you get about Rs. 800-900 a ton.

Sanjay Gandhi: A guidance of what is maintenance CAPEX for a million tons plant on annual basis?

Management: Your voice is not clear; can you repeat your question?

Sanjay Gandhi: Just wanted to know what would be the maintenance CAPEX for a 1 million ton plant?

Management: We have a maintenance CAPEX for us scheduled for in the FY21 of about 20-25 crores.

Sanjay Gandhi: 20 to 25 crores for 1 million ton plant, right?

Management: Not for 1 million, for our total capacity.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over 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 the call and also many thanks to the participants for joining the call. Thank you very much sir, Stanford you may now conclude the call.

Moderator: Thank you. 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.