JK LAKSHMI
CEMENT Ltd.

JKLC:SECTL:SE:16
28th October 2016

1. **BSE Limited**
Department of Corporate Services
25th Floor, P.J. Towers
Dalal Street
MUMBAI – 400 001

Security Code: 500380

2. **National Stock Exchange of India Limited**
"Exchange Plaza"
Bandra – Kurla Complex
Bandra (E)
MUMBAI – 400 051

Symbol : JKLAKSHMI, Series : EQ

Dear Sir / Madam,

Re: Conference call organized by PhillipCapital (India) Pvt. Ltd. on 27th October 2016 at 2.00 PM

In continuation of our letter dated 27th October 2016 on the subject, attached herewith is the transcript/ minutes of the aforesaid conference call. This is for your information and necessary action.

Thanking you,

Yours faithfully,
For JK Lakshmi Cement Limited

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

Encl: a.a.

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JK LAKSHMI CEMENT | JK LAKSHMIPLAST PLASTER OF PARIS | JK LAKSHMI READY MIX CONCRETE

"JK Lakshmi Cements Q2 FY17 Conference Call"

October 27, 2016

MANAGEMENT:	**MR. SUDHIR BIDKAR – CFO, JK LAKSHMI CEMENT LIMITED** **MR. SHAILENDRA CHOUKSEY – WHOLE TIME DIRECTOR, JK LAKSHMI CEMENT**
MODERATORS:	**MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Good day, ladies and gentlemen and welcome to the JK Lakshmi Cements Q2 FY17 conference call hosted by PhillipCapital (India) Private Limited. As a reminder, for the duration of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vaibhav Agarwal of PhillipCapital (India) Private Limited. Thank you and over to you sir.

Vaibhav Agarwal: Thank you, Margaret. On behalf of PhillipCapital, we welcome you to the Q2 FY17 conference call of JK Lakshmi Cements. On the call, we have with us Mr. Sudhir Bidkar, the CFO of the company and at this point of time I hand over the floor to Mr. Bidkar for opening remarks followed by the Q&A. Thank you and over to you sir.

Management: Thank you, Mr. Vaibhav and good afternoon, ladies and gentlemen and welcome to this Q2 conference call for the JK Lakshmi Financial Results. Most of you would have read the results in the press which was there, announced yesterday, but broadly I will repeat some broad numbers.

We had sales in this quarter of 17.18 lakh tonnes, which is the question which most of the analysts have been asking me and which includes clinker sale of 3.02 lakh tonnes. This is overall for the company for the quarter. Our total turnover was 733 as against 723. So there is a marginal increase of 1%. Net of excise, it was 656, 2% increase over 646 which we had in the corresponding quarter of the last year and the profit before interest depreciation and tax including other income was 112 crores as against 80, an increase of 38 crores and after providing for interest and depreciation, our PBT was 23 crores as against the loss of about 10.59 which was there in the second quarter of the last financial year and there are no exceptional items this time. So the PBT overall was about 23 crores as against a loss of 15 crores in the corresponding quarter of last year.

So after providing for other comprehensive income and taking credit of the deferred tax asset, our PAT was for the quarter 24.99 as against the loss of about 9 crores in the corresponding quarter of last year. Overall, the operating margins were 14% for the quarter as against 11%. There is a 3% increase and broadly the EBITDA including the other income is about Rs. 700 per tonne as against Rs. 500 in the corresponding quarter of last year. So there was an increase of about 42% therein. This quarter, we have also completed our Surat grinding units, so with that our capacity for JK Lakshmi per se has gone up from 8.65 to 10 million tonnes and going forward by December, we will have the 1.6 million tonnes of Udaipur Cement also starting the operations and thereafter as we mentioned in our last call without waiting for Orissa grinding unit to happen, we are planning to increase the capacity at Durg only from 1.8 to 2.7 which will again happen by March 17. So by March 17, including Udaipur will be 12.5, 10.9 from JK Lakshmi and 1.6 from Udaipur and if one were want to add in the outsourcing grindings which we are doing, it will be close to 13 million by March. That is what our in nutshell short story from 10 million to 13 million in about 6 months' time.

With this, I throw the floor open for question and answers. So we will be happy to answer any questions which you have on these results. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Anshuman Atri from Haitong Securities. Please go ahead.

Anshuman Atri: My question is regarding demand in Chhattisgarh and North region separately, if you could give for the volumes for that in the operation?

Management: Demand continues to be subdued both in our existing region as well as in the Eastern region. Existing, there was a degrowth in fact for the quarter of about 6% and in Chhattisgarh, there was a marginal growth of about 2%, overall we had a negative growth and as far as volumes from the Eastern operations are concerned, out of 17.15 it was 3.51 of cement which includes 0.32 of clinker there.

Anshuman Atri: Sorry, 3.51 lakh tonnes of?

Management: Total sales from the Eastern region including 0.32 of clinker sales.

Anshuman Atri: Second question is in terms of your expectation of the government projects in both the regions, are you seeing any uptick in terms of demand and what is your expectation for the full year in terms of growth for these two regions?

Management: We are pinning our hopes that second half should give boost to the cement demand that is basically coming from the fact that lot of activities are happening from the road side especially, additional roads are being constructed. The four lanes have been extended to 6 lanes. Then, Delhi-Mumbai freight corridor activities have begun in a big way which falls exactly in the same market even so where we operate plus few states in these regions are going into election early next year. So that should set in some demand for cement. Then metros are coming in a big way where we are one of the preferred supplier in most of the towns and cities here especially in the Northern side and going forward with the good monsoon being there after a gap of two years, the rural demand is also expected to pick up. So together with that, the various initiatives that the government has announced in terms of higher allocation of funds, 46% higher allocation on infrastructure sector plus Prime Minister's program housing for all and the 100 smart cities, that should all kick in some cement demand going forward in the coming quarters. So that is what we are pinning our hopes and we expect it to be, if not double digit at least 7%-8% demand growth in both the regions going forward in the second half.

Anshuman Atri: Just one last question in terms of pricing, so are we seeing any pressure on pricing in the Eastern region because of newer players coming to the market?

Management: Yes, that is always there when new players come in, this demand supply mismatch initially, but then once they settle down, then obviously it is back to normal. So, this is a part of the routine which we experience whenever a new entrant enters a new market.

Anshuman Atri: So as of October, has it improved as compared to the last quarter in the Eastern region?

Management: Marginally.

Moderator: Thank you. The next question is from the line of Abhishek Shah from Valcore Capital. Please go ahead.

Abhishek Shah: If you can spend just two minutes giving us an overview of what sort of capacity can you see being added in each of, like if you can split it across state wise over the next 3 years, then how do you see things shaping up, utilization level shaping up over the next 3 years in the cement industry in the states that we operate?

Management: That basically as far as we are concerned, as I mentioned that we have these capacities lined up as far as JK Lakshmi is concerned where our capacity is going to grow up to 13 million by March. Going forward, we have the plans to do brown-fielding through expansion at all the 3 locations; Udaipur, Sirohi as well as the Durg plant. So over the next 3-5 years, we see ourselves increasing further our capacity from 13 million to close to 20 million. Now to answer your other question about what other capacities are likely to come up? Not very many are in the pipeline. There was a good report by Axis Capital on the cement industry released recently which talks of that the kiln ordering is over the next 2 years is one of the lowest in the decade that goes to show that not large number of players are talking of increasing the capacities in big way and with the boost in the demand coming with these initiatives of the government, this demand supply mismatch there is likely to narrow down going forward.

Abhishek Shah: So would you see prices growing up because of this dynamics, just from a broad perspective over the next few years?

Management: Yes, whenever there is an improvement pick up in the demand, so that gives us the ability to pass on some cost increases. Primarily, if you see that in the recent past there has been an upsurge in the pet coke prices that has increased by almost 60%-70% in the last 6 months. So that will give us the opportunity as and when it happens and they pick up in a big way to pass on that impact. But certainly yes, to answer your question, yes that gives us the ability to pass on some cost increase.

Abhishek Shah: So do you see a structural shift in the industry where most of players making 700-800 per ton of EBITDA say may be about the next 3 years get to a stage where we could cross 1000 because of this sort of dynamics and is it a structural change where obviously we have seen over the past 5-6 years the costs have gone up, so you could see being passed on to the consumer and plus adding new capacity is obviously more expensive than earlier. So then just for its viability also, it has to do at least 1000.

Management: Rs. 1500.

Abhishek Shah: So then do you see things shifting towards that side?

Management: Cement you know better than us is a cyclic industry. So, there are two years normal, two years short and two years surplus scenario. So over the cycle we have seen in the past, the cycle of 5-6 years, every time the average EBITDA for the industry players over the cycle of 5-6 years keep on moving up. So that does happen because while the cost increases happen in absolute terms, EBITDA has got to move to further players to survive and as you rightly mentioned with the increasing capital cost, the viability for new players to do it required EBITDA per ton to have at least ROCE covering the VAT always going up, but actually it is happening and to answer your question, yes it is happening that there is a structural change. Three years, we may see some higher EBITDA going forward, but when that Rs. 1000 EBITDA, it comes close and new players come in and existing add capacities, then it becomes normal and then surplus scenario. So this cycle will keep on happening and with every cycle, there is an increase in the average EBITDA per ton over the cycle, it does happen.

Moderator: Thank you. The next question is from the line of Murtuza Arsiwala from Kotak Securities. Please go ahead.

Murtuza Arsiwala: Would it be possible to give a breakup of cost or profitability between the East operations and the traditional operations in the North?

Management: We do not share plant wise number, but broadly we have given the volume number. As of now, we can say that we are breaking even at the operating cost at the plant and going forward with various initiatives which we are taking for improving the profitability of that, it should be in common line with the profitability of the area.

Murtuza Arsiwala: So, currently Chhattisgarh would be more breaking even at the EBITDA level**?**

Management: Yes.

Moderator: Thank you. The next question is from the line of Kamlesh Jain from Prabhudas Lilladher. Please go ahead.

Kamlesh Jain: What is the update on the power arrangement which you are looking at the Durg plant?

Management: As we spoke last time when we were trying to work out some arrangement, it is that unfortunately because of the government levies in Chhattisgarh is not happening and so what we have finally decided that while yes we are doing the 7 megawatt of waste heat recovery, our requirement still is going to be served only to the extent of 30% and with the local tariff going up, we have finally decided to put up our own captive of 18 megawatt additional, we have a surplus power capacity in Sirohi. So we may move that plant and have our own captive of the entire requirement of about 25 megawatt.

Kamlesh Jain: Then your Udaipur plant, so that would consider?

Management: The Udaipur plant has about 3 megawatt of own captive power and waste heat recovery, balance they will source from the exchange because in Chhattisgarh there are levies which dissuade people from doing the power purchase and exchange. So as far as Rajasthan is concerned, there are not very many levies. So effectively sourcing from the exchange will work out to be cheaper than this we are doing it from the grid.

Kamlesh Jain: Sir then this dismantling or relocating the plants from Sirohi to Durg that would also be costing 50% of the new plant?

Management: Around that.

Kamlesh Jain: So much like say this will be around?

Management: We will say 40%-45% of the costs if one were to set up a new plant there. If it is 150 crores for a new plant, it will end up in less than 90 crores.

Kamlesh Jain: You can wheel the excess power which you are generating at the Sirohi to the Udaipur plant and...

Management: They have seen our numbers, they have some CENVAT issues and all that. So ultimately it does not make sense. We have seen those numbers. We have done our internal calculation because if you are doing wheeling out to Udaipur that, then we do not get the entire CENVAT benefits. So the cost of generation goes up and Udaipur being a subsidiary, it has to be at arm's length pricing business, the transfer pricing norms have become applicable. So it will not be effective from Udaipur point of view. They will much rather because each entity has to look after its own profitability. We cannot subsidize it now one, number two if they are getting cheaper from the exchange, they would much rather take it from exchange rather than sourcing from the parent company. So having seen those numbers, we have finally taken that call.

Moderator: We will move to our next question which is from the line of Raj Gandhi from Sundaram Mutual Fund. Please go ahead.

Raj Gandhi: In Chhattisgarh sir, what cost initiatives are we looking at and if you could quantify how much cost saving can come?

Management: We are talking of three major cost initiatives which will help us to reduce our cost. First and foremost is we are putting up a waste heat recovery plant of 7 megawatt and that would give a saving of about 20-22 crores per annum and then we are moving as I mentioned in response to

Mr. Kamlesh's question earlier before you that we are going to put up our own captive plant of about 18 megawatt of thermal power. That would result in another saving of about 25-30 crores and going forward once we have the conveyor belt, we should be operational by the year end, another Rs. 30-40 per tonne saving would be there. So these are few initiatives which we have taken forward plus as I mentioned in my opening remarks with the capacity being increased at Durg itself, cement capacity from 1.8 million tonnes to 2.7, it should be operational by March at a marginal cost of 30 crores. Our capital cost is likely to come down from about $109 per tonne for Durg to about $90. So that will have the impact of 1) reducing the cost of production, 2) lowering my interest and depreciation burden going forward on Durg.

Raj Gandhi: And sir just simultaneously you mentioned about the GU expansion that you are undertaking, could you guide us on your clinker capacity and how is that moving?

Management: Clinker capacity presently, we have about 1.5 million tonnes at Durg. So that will be adequate to cover entire the 2.7 which was the original plan for the plant. So that will be adequate. Orissa is going slowly as this was having some political issues therein, some local issues therein. Without waiting for that plant, we have decided to increase the capacity at Durg itself. But as and when it comes in, we will marginally increase our clinker capacity at Durg from 1.5 to 2 million to take care of the additional clinker requirement for catering to the Orissa plant as well.

Raj Gandhi: How much will that cost sir?

Management: That is likely to cost about 150 crores Orissa itself per se.

Raj Gandhi: And this Durg expansion?

Management: That is only 30 crores. There is some debottlenecking happening, so we will end up the project at 1650 for 2.7 million for Durg. 150 would be additional as and when it comes for the Orissa.

Raj Gandhi: What is the clinker expansion further, which you mentioned?

Management: That should marginally, that would not take much cost.

Raj Gandhi: And at Rajasthan sir if you could just highlight what is your clinker capacity now?

Management: Rajasthan, we have about 4.8 and 1.2 will get added with Udaipur and that is what the capacities are, clinker capacity.

Raj Gandhi: Udaipur will add for you how much sir?

Management: 1.2. So will be close to 6 million tonnes, slightly above 6 in fact.

Raj Gandhi: And sir just given that our blending ratio normally is in the range of 1.3, so if I were to do the math 6 x 1.3, it gives me about 7.8 MT of grinding cement sales that you can do whereas our grinding is much higher, if I were to…

Management: All plants do not operate at 100%, number one. Number two, you can always increase the blending going forward when the demand takes up and there is a possibility of increasing the kilns going forward in all the three locations. That probability is there.

Raj Gandhi: And sir possible to highlight what is the clinker debottlenecking potential and cost for the same?

Management: It is too premature for me to say because once we have that utilization level coming to those, we will do our numbers and share with you.

Moderator: Thank you. The next question is from the line of Abhinav Bhandari from Reliance Mutual Fund. Please go ahead.

Abhinav Bhandari: Just wanted to understand apart from this 150 crores on Orissa and 30 crores on Durg expansion, any other CAPEX for this waste heat recovery and conveyor, what would be the kind of CAPEX that we are looking at. Also for Udaipur, how much we would have spent and what is pending to be done now in the second half?

Management: Waste heat recovery is going to cost us 90 crores. Orissa, we are going slow as I mentioned that is 150 crores project, but things are moving at a very slow pace. The cement increase capacity for 1.9 million at Durg will cost 30 crores and shifting of plant of 18 MW from Sirohi to Durg will cost 90 crores. So that is all the program which we have as far as JK Lakshmi is concerned. In Udaipur, we have done about close to 600 crores already done therein and the project cost therein is likely to go up to about 790 crores as against 750 what we had envisaged earlier or initially we were talking a figure of 700 crores. So that is primarily to take care of the additional requirement for this NOx and SOx plus also some delays which has happened in the basically initially for that height clearance from the airport authority. So the project which was earlier scheduled to go on stream by October is now likely to be commissioned by December 2016. So with this delay, there may be some increase in the three operators in IDC also. So overall we will end up with about 790 crores and it will be operated from January 2017.

Abhinav Bhandari: And in this additional 90 crores, does JK Lakshmi also have to bring in something or it would be debt which would be taken up entirely?

Management: 50, we are seeking additional debt; 40, we may have to produce.

Abhinav Bhandari: Sure and on this waste heat recovery and the power plant which you mentioned, 180 crores both of them, that could be expensed in FY17 only or it could spill over to 18 as well sir?

Management: It will spill over, certainly spill over to FY18. It would not be spent although in this year.

Abhinav Bhandari: Okay and Orissa of this 150 would something come this year or we are going into that?

Management: Depending on the pace of the construction therein, demand is also very subdued therein. So that would not be much of an amount to have a substantial impact on the cash.

Moderator: Thank you. The next question is from the line of Bala Krishnan from Reliance Investments. Please go ahead.

Bala Krishnan: I just wanted to know whether you have provided for this refund of sale tax exemption to the extent of 106 crores?

Management: Refund? We are hopeful, but we have not, we will stay in the credit of that as and when the refund actually happens, we have not provided it, number one. What has been mentioned in the note is not about the refund of sale tax. What has been mentioned is that in the unlikely event of that interest liability also crystallizing on that, that 116 crores we have not provided in the books because our contention is that the cause of action has happened after the Supreme Court decision. There was no demand earlier. So the question of interest on the earlier sale tax amount which was never demanded by the sales tax authorities is not there. So that is the reason as to why we have not provided for. As far as taking credit of any refund, refund will take the credit as and when we win the case and actually get the cash refund.

Bala Krishnan: So because of this, there is unlikely there will be any provision in the later years, your case in Supreme Court goes against the company?

Management: In case the case goes against the company, there could be an interest liability only and since the interest liability as I mentioned is we are saying not enabled because there was no demand and cause of action is the reason only from 2015 and after that within 6 months period, we have paid the entire 106 crores whatever was demanded with the principal amount. So if no principal is outstanding, there is no further interest liability there.

Bala Krishnan: That interest liability amount is about 116 crores, is it?

Management: For the past years, yes.

Moderator: Thank you. The next question is from the line of Ajit Motwani from Bharti AXA Life Insurance. Please go ahead.

Ajit Motwani: Sir on Udaipur of the 790 crores project cost, how much is debt and how much is equity final now?

Management: 525 is the debt and balance whatever 255 odd will be that.

Ajit Motwani: That is entirely our contribution, right? JKLC's?

Management: Not JKLC, has not contributed debt. Debt has been taken from the market. Usually, contribution out of that 265 is about going to be, earlier it was 150 crores, now it is going to be 190 crores.

Ajit Motwani: Our contribution you are saying?

Management: Yes.

Ajit Motwani: And what is our stake in the company?

Management: We have 75% hold. We means, JK Lakshmi together with 1 or 2 group companies, one in fact only. JK Lakshmi is 72.5 or something, 2.5 with other some group company.

Ajit Motwani: JK Lakshmi 72.5 you are saying?

Management: Yes.

Ajit Motwani: And just wanted to also ask there were couple of other CAPEXES, one was conveyor belt and then railway siding, right?

Management: Yes.

Ajit Motwani: So how much is the cost for conveyor belt and railway siding?

Management: Two things. One, conveyor belt and that is going to cost about close to 150 crores. We have already spent 130 crores. It is only a patch of about less than half a KM which is left. So additional requirement will be 20-25 crores therein, number one. Number two as far as railway siding is concerned, since Orissa has been deferred and instead the Durg capacity is being enhanced to 2.7. For the existing capacity at 2.7, we do not have any requirement immediately of railway siding. So we are again going slow on that. As and when we decide to expand and put another kiln therein, the expected location grinding unit then required for with the additional capacities of kiln, then would be the time appropriate to go in a big way for railway sidings.

Ajit Motwani: But broadly how much it will cost because you are saying if the Orissa unit comes, this will be pretty much necessary to set up, then what will be the cost for that unit?

Management: It is close to about 150, another 150-170 crores.

Ajit Motwani: So basically today we are looking at conveyor belt, waste heat and CPP as a primary?

Management: Exactly.

Ajit Motwani: Can you tell us the timing of completion of this program?

Management: I will tell you. One is conveyor belt, we expect by March 17 and then as far as waste heat recovery is concerned, September 17 and captive power by March 18.

Ajit Motwani: Okay, so now these 3 put together how much will be the cost saving on a per tonne basis for East plant?

Management: About Rs. 30 is coming from the conveyor belt and another close to about Rs. 80-90 would come from the power.

Ajit Motwani: Both put together, WHR and CPP?

Management: Yes.

Ajit Motwani: So basically about Rs. 110-120 will be the cost saving from these things?

Management: Yes.

Ajit Motwani: And you are saying once these are done, then the cost of the project would be about 1700, right?

Management: Existing 15 to 1700, you are right.

Ajit Motwani: Which includes WHR and CPP as well?

Management: No, CPP and WHR of 180 crores will be additional. We are talking of 1615 which include this 30 crores of expansion for increasing the capacity at Durg from 1.8 to 2.7 and also completion of the conveyor belt.

Ajit Motwani: So basically from 1615, will have to add another about 200 odd crores for WHR and CPP so that means roughly around 1850 would be the project cost ex of Durg?

Management: Yes.

Ajit Motwani: And what is our current debt in the books, gross debt?

Management: Well, that is about 1900 to 1950 and about 500 crores of cash therein. So net debt is about 1450.

Ajit Motwani: And what is our repayment liability?

Management: 200 crores every year over the next 3-4 years.

Moderator: Thank you. The next question is from the line of Sandeep Agarwal, he is an individual investor. Please go ahead.

Sandeep Agarwal: Sir, I just wanted to understand from you that when this Orissa grinding unit will be commissioned?

Management: As of now, we are not able to give any target debt because we are going slow on that and in lieu of the Orissa grinding unit, we have already decided as I mentioned earlier to increase our cement grinding capacity at Durg itself from 1.8 million tonnes to 2.7 million. So we are going slow on Orissa.

Sandeep Agarwal: And regarding this all CAPEX related to railway siding and waste heat recovery and transfer of CPP, how much cost saving you are expecting from this in EBITDA per tonne basis?

Management: Conveyer belt will give us a saving about Rs. 30 – Rs. 35 per tonne and the waste heat recovery will give a saving of about Rs. 70 and another Rs. 70 – Rs. 80 would come from the captive power.

Sandeep Agarwal: And regarding railway siding, is there any update?

Management: No, we are going again slow on the Orissa grinding unit, so we are going slow in this railway siding as well.

Sandeep Agarwal: In terms of high realization market of Bihar and Jharkhand, are you guys moving volume from Durg plant to this market also?

Management: Depending on the demand wherein, what we do always make assessment is expected realization if it is net to us, net of the freight which is better to us, we will cater to those markets. So our equation will always be governed by the cost versus the realization, cost of the freight reaching those materials therein. So if that makes sense, we cater to all the markets in the region.

Sandeep Agarwal: But right now you are transporting it through road only?

Management: Yes.

Moderator: Thank you. The next question is from the line of Ashish Kumar from Infinity Alternatives. Please go ahead.

Ashish Kumar: Wanted to check in terms of longer term plan, is there a thought process around given the fact that you had so many interrelated party transactions in transfer pricing and other issue, is there a thought process of consolidating Udaipur with the main company or?

Management: Yes, we would certainly evaluate that. That is certainly something which will ultimately make sense. It does not make sense to have 2 listed entities in the same business in the group, but in what form it will come, what structure would it come will depend on various other factors. One driving factor could be the continuation of the sale tax incentive which is presently available to

Udaipur for another 5 years. That will be a big driver and second would obviously be the transfer of mines from Udaipur to the parent company, but what is important to understand is mergers and this consolidation happens to take care of the synergical benefits, they come in a big way, but we already are reaping lot of resynergical benefits in terms of common procurement, common marketing because the arrangement going forward would be Udaipur will not have any separate brand, they will be making in the brand JK Lakshmi Cement. JK Lakshmi will be buying and marketing it ourselves. So the benefits and synergies are already going to be there. What yes, would happen is that instead of 11 million tonne company, it will be a 13 million tonne company which in fact is already factored with our stake wins 75% therein. So we will evaluate at a proper time and take a call. What you pointed out is yes, does make sense ultimately.

Moderator: Thank you. The next question is from the line of Ajit Motwani from Bharti AXA Life Insurance. Please go ahead.

Ajit Motwani: You were highlighting Rs. 70 of saving from waste heat alone right and then CPP 70-80 and another 30-40 from under conveyer belt, so all this put together is around 170-180?

Management: Anywhere between 150-200 should happen depending on the actual utilization of these capacities.

Moderator: Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

Pratik Kumar: Sir, can you highlight on the pet coke cost which we had for the current quarter, like-to-like Q1 and how do you expect it to move in terms of what we are seeing in general trends in the pet coke prices?

Management: Yes, pet coke prices have gone up as compared to what were there in the recent past, but as compared to yes, last year when we were comparing our results with the corresponding quarter of last year, certainly they have been lower, but it has been slightly higher as compared to what were there in the first quarter. Prices have already firmed up.

Pratik Kumar: What would be the cost now?

Management: Close to about $90.

Pratik Kumar: You said last quarter it was around Rs. 5000 per tonne for us.

Management: Rs. 5000 for us for the September quarter and the immediate preceding quarter, it was about 4900 and last year, it was about 6600 in fact. So this year, there is a reduction in the power cost to almost 23%.

Pratik Kumar: So let us assume this current pet coke prices sustain over let us say for next 6-8 months, so we should see our pet coke price also firming up to back 6300 levels which was there last year?

Management: Close to 6000, yes certainly.

Pratik Kumar: And sir you said volumes for East were around 351,000 including clinker of 3.02, what were the cement sales last year in East?

Management: I would correct you the clinker sale was 0.32, not 3.02. Total 3.02 was total clinker sale for the company as a whole including the Northern operations.

Pratik Kumar: Like-to-like, what were the volumes last year in East operations?

Management: East, it was 2.39 of sales and 0.15 of clinker including that.

Pratik Kumar: Sir so basically we have seen around 8%-9% decline in North region, I would say think that part of it would be attributable to heavy rains in Rajasthan which we saw this year.

Management: That has been the scenario overall in the industry in that region also.

Pratik Kumar: What part of it you expect to recover keeping everything else same and like next two quarters because now rains are not there, so we should get back to 15% kind of growth in next two quarters?

Management: We have now been joined by Mr. Chouksey, so I would request him to answer that question.

Management: I think one is fairly hopeful that we should be able to correct the situation as far as the total sales are concerned, but whether it will go back to a 15% growth or it will remain at about 8%-10% growth is more a matter of prediction. But yes, we are seeing slight firming of the demand in last 10-12 days. But that could also possibly be misled by the fact that there is pre-Diwali bit of a rush for people to because thereafter the logistics become bit of an issue for about 5-6 days. So maybe there is a bit of rush for that, but certainly it will be much better than what it was in the second quarter.

Pratik Kumar: Just a bookkeeping question, can you give the RMC sales for the quarter, volumes for the quarter?

Management: It was slightly over one lakh cubic meter of RMC.

Pratik Kumar: And the sales revenues would be?

Management: Sales revenue would be close to about 35 or so crores.

Moderator: Thank you. The next question is from the line of Rajesh Kumar Ravi from Centrum Broking. Please go ahead.

Rajesh Kumar Ravi: Two-three questions. First one, please give the landed pet coke prices for the Q2 and on the other income, what led to such sharp increase in your other income and you have already mentioned on the railway siding that you may be siding down on that?

Management: This year, this quarter we had a total landed fuel cost of 5,079 as compared to 6,600 in the corresponding quarter and 4,900 in the immediate preceding quarter, that is number one. Number two, regarding the other income that is more to do with the new Indian accounting standards which have become applicable from 1st April wherein we have to mark all our current investments at mark-to-market as you people have been doing.

Rajesh Kumar Ravi: So this could be the going run rate sir in the subsequent quarter?

Management: Depending on this, we are expecting about 7%-8% return, so may be that should happen. Some quarters because of the softening of interest rates is higher, but otherwise it will be in that range.

Rajesh Kumar Ravi: And sir on the waste heat recovery and CPP cost saving that you talked off, you initially mentioned that it would be 22-25 crores from each of them. So if I take around 50 crores that would be around on a total basis Rs. 50-60 per tonne of saving? Would that be a right reading as against 120 or 150 is what we are looking at?

Management: Yes, basically that saving would be in that order depending on the capacity utilization because when we are talking of waste heat recovery, we are able to do it full when you are operating at 100%. So depending on the capacity utilization, it will be varying from quarter to quarter.

Rajesh Kumar Ravi: So that would also be on total basis we are looking at around Rs. 50-60 per tonne savings?

Management: Much higher than that. Rs. 70, we have talked off and 90 from the captive power.

Rajesh Kumar Ravi: No, this is on total, full, company basis you are saying?

Management: Yes, full, obviously

Rajesh Kumar Ravi: But earlier you mentioned 20 crores per annum from the waste heat recovery sir, on a per annum basis. So this if I take on a 9 million tonne sales, would be Rs. 25 odd only?

Management: 19-20 crores from waste heat recovery as I mentioned, around 20 crores. Yes, around that.

Rajesh Kumar Ravi: Okay and lastly on this Orissa, CAPEX earlier was, you had guided at around 100 crores which is now at 150 crores, so what led to this increase in the CAPEX guidance?

Management: It is always about 150 crores.

Rajesh Kumar Ravi: Part of it is already expensed?

Management: Yes, about 40-45 crores has already been expensed.

Rajesh Kumar Ravi: Okay, so the remaining due is around 100 odd crores?

Management: Yes.

Rajesh Kumar Ravi: And lastly will be this FY17, what would be the total cash outflow towards all this CAPEX that you have enumerated?

Management: In FY17 you are talking?

Rajesh Kumar Ravi: Yes, current year.

Management: Current year would be close to 200 crores including what has been expensed so far, another 200 going forward.

Rajesh Kumar Ravi: Okay, so 200 odd crores each year you are looking at?

Management: Correct.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: Sir, first question is, in the earlier question you have said 200 crores of CAPEX. I am assuming it is excluding UCW, right?

Management: Yes, you are right. This is we are showing about JK Lakshmi only.

Ritesh Shah: Sir, the second question is you highlighted a few cost saving measures, so I just wanted to get the timelines, right? So I think WHR 7 MW we are looking at September '17, conveyor belt by March '17 and 18 MW captive power plant by March '18, is that correct?

Management: Absolutely, on dot you are right.

Ritesh Shah: And sir secondly, if you could please provide some color on the variable cost as to the Durg operations and how do we see this incrementally given you are working very hard on the cost saving side, so is it going to better the Northern operations, if you could put some numbers over there, that would be quite useful?

Management: Basically, we are saying the variable cost to be at least today as on date as we see, to be about Rs. 300 – Rs. 350 higher in Durg as compared to Northern operations. So we should be able to make good most of it going forward with this various initiatives which we are talking.

Ritesh Shah: Okay, that helps. Sir, secondly what is the trade and nontrade mix for East and North right now?

Management: East is close to 80% trade and only about 20% non-trade. In the case of North, it would be close to almost 50% trade and 50% non-trade.

Ritesh Shah: Okay and sir on the blended cement side, how much would be the mix for East versus North?

Management: East, we hardly have any OPC thereabout just 15%, rest is the blended cements.

Ritesh Shah: Okay, and sir in North?

Management: In North, this should be close to 54% is PPC and rest is OPC.

Ritesh Shah: Correct. Sir, last question, how do you see incremental capacity additions in East, so we understand Shree Cement is there, Emami is there. Sir, how do you see the market shaping up given there is a lot of capacity which is coming up.

Management: Not much is coming up, Emami is already there. I do not think they are expanding immediately. The only expansion which is now coming is Shree.

Ritesh Shah: Correct.

Management: And that also will take some time and they are concentrating mostly in Bihar. Our presence in Bihar is very marginal. We don’t see much overflow in the states where we operate.

Ritesh Shah: Sir, last question, are we participating in any limestone auctions, I am not sure whether we have, we do have plans for Durg expansion beyond 2.7 eventually. So do we have limestone enough to suffice another phase of expansion in Durg?

Management: Yes, we do have sufficient limestone reserves at all the three locations to take care of the brownfield expansion going forward, which will take our capacity from 13 to 20 in 3-5 years’ time. So as of now, but yes if the opportunity comes, we will certainly take a call on the participation in the auction.

Moderator: Thank you. The next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.

Gunjan Prithyani: I just needed a few clarification, you just now mentioned that the CAPEX will be 200 crores per annum this year and next year. But this does not tie up with the total almost 600 cores CAPEX for the projects that you have given, so is it something that I am missing out here?

Management: Basically, this 200 each is without considering the Udaipur Cement CAPEX.

Gunjan Prithyani: The 200 crores spending is there as well and secondly for the total brownfield expansion that you talk about from 13 to 20 million tonnes, what will be the kind of CAPEX that will be required for that and have you any broadly internally some plan as to buy, when you want to get to 20 million tonne capacity?

Management: As of now, I have not formed it up. But depending on this demand in different regions, we will take a call, we do go all the three locations simultaneously one after another depending as I mentioned on demand supply and that would happen at around since being brownfield expansion should happen around $80 - $85. Besides that, some escalation is already built in there.

Gunjan Prithyani: And this is versus $90 that you spoke about for the Durg, right?

Management: I think we have just commissioned Durg.

Gunjan Prithyani: And lastly on the pet coke, I mean you mentioned the landed cost for this quarter, but I am just trying to understand, are you still carrying some low cost inventory or which should still keep the cost increase on the fuel side more gradual or there should be a mark-to-market from next quarter onwards?

Management: From next quarter, yes certainly from January, it should be mark-to-market.

Gunjan Prithyani: So December quarter results should have the increase.

Management: I will not say 100% carrying at low cost, but some impact of the procurement which has happened in the recent past would also get factored in that.

Gunjan Prithyani: So full impact would only be seen in March quarter?

Management: Yes.

Gunjan Prithyani: And sir what was the reason for deferring the Orissa plant, grinding unit?

Management: They wanted some involvement of the local people in the employment going forward. There was some resistance at the local level. So that was the reason.

Moderator: Thank you. We will take one last question from the line of J. Radhakrishnan from IIFL. Please go ahead.

J. Radhakrishnan: Just trying to understand about the shifting of CPP from Rajasthan to Chhattisgarh, trying to understand the full thought process, do you think future we will not be requiring this capacity in Rajasthan?

Management: Future we may. As of now, we do not have any because when we expand we will be doing it through mostly split location grinding unit. The requirement of power will be only for the kiln, that can always be taken care of there and that was the thought process which has gone into it because as of now we do not want to save our CAPEX. We have evaluated also captive power, altogether a new one for the Durg, but why to waste money on this in any case was available.

J. Radhakrishnan: Because it is looking like the real savings is 60 crores or rather we can assume that in fact if we are putting a new one, it is like we are incurring only extra 60 crores. So you can say that effectively for a future plant in Rajasthan, we are having this plant at 60 crores. So I am asking from a trader point of view, whether may be after 3 years or 4 years whenever we are putting a plant, maybe whenever we are expanding our clinker capacity through Brownfielding or something like that, do you think at that time it will be more prudent to buy it from outside or there won't be such a requirement at that point of time?

Management: To answer your question fully, we are not moving the entire plant as such. We are going to use only the turbines therein, boiler will continue to remain at this location. So it will take care of, as and when we decide to expand at the existing location in Rajasthan, I had to just put in a turbine and do it.

J. Radhakrishnan: So it is not that really that…

Management: Per stock barrel I am not moving that plant there.

J. Radhakrishnan: Okay, so you can say that may be effectively…

Management: Half of that is going in.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that was the last question. I would now like to hand the floor 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 for the call and also many thanks for the participants for joining the call. You may now conclude the call. Thank you very much sir.

Management: Thank you Mr. Vaibhav.

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