JK LAKSHMI CEMENT Ltd.

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7th November 2020

1 **BSE Limited** Department of Corporate Services Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 **Security Code No. 500380** **Through: BSE Listing Center**	2 **National Stock Exchange of India Ltd.** "Exchange Plaza" Bandra-Kurla Complex Bandra (East) Mumbai – 400 051 **Symbol: JKLAKSHMI, Series : EQ** **Through: NEAPS**

Dear Sir/ Madam,

Re: Conference Call organized by PhillipCapital (India) Pvt. Ltd. on 6th November 2020 at 4:00 P.M.

In continuation of our letters 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 our best co-operation at all times.

Yours faithfully,
For JK Lakshmi Cement Limited

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

Encl: a.a.

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"JK Lakshmi Cement Limited Q2 FY-21 Earnings Conference Call"

November 06, 2020

MANAGEMENT: **DR. SHAILENDRA CHOUKSEY – WHOLE TIME DIRECTOR.**
MR. SUDHIR BIDKAR – CFO.

MODERATORS: **MR. VAIBHAV AGARWAL, PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY21 Conference Call of JK Lakshmi Cement hosted by PhillipCapital (India) Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference 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 Mr. Agarwal.

Vaibhav Agarwal: Good evening, everyone. Thank you, Margaret. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q2 FY21 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.

I would like to mention on behalf of JK Lakshmi Cement and its management that certain statements that made or discussed on the conference call may be forward looking statements related to future developments and the current performance. These statements are subject to number of risks, uncertainties and other important factors which may cause the actual developments and results to differ materially from the statements made. JK Lakshmi Cement and the manager of the company as in no obligation to update or alter the forward-looking statements whether as a result of new information or future events or otherwise. I will now hand over the floor to the management of JK Lakshmi Cement. For their opening remarks, which will be followed by interactive Q&A. Thank you and over to you sir.

Management: And thank you Mr. Vaibhav and thank you all the participants who have taken time out to join our conference call, the results have already been circulated and Mr. Vaibhav analysis too has been circulated. Along with me I have Mr. Bidkar our CFO, Mr. Baga our Vice President and Financial Plan and Mr. Rajesh Sharma with me here and we look forward to your questions and thank you once again for participating. So, the floor can be now open for question and answer please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shravan Shah from Dolat Capital Market. Please go ahead.

Shravan Shah: Sir before I ask the question, it's a humble request. If we share the volume data along with the results, then it would be great help to all the analyst community.

Management: The volume for this quarter, you had called me up and we had given it to you on that call, it was in this quarter we had a total sales of 23.85 lakhs tonnes.

Shravan Shah: Yes, that I got sir, I am just requesting that next quarter onwards if we can release the same volume number along with the results then it will be great. My first question is in terms of.

Management: Are other companies releasing that in the same session as you're suggesting?

Shravan Shah: Yes.

Management: I have not seen any of the company.

Shravan Shah: You can go ahead and check with the BSE or other companies.

Management: It's okay, you go ahead with your question please.

Shravan Shah: Sir, on the business channel. Mr. Chouksey sir has given a guidance of 11 million volume for this year. So, just wanted to understand if I just rough calculate that, that means that in the second half we would be expecting around 40% kind of a volume growth. So, can you just clarify on that?

Management: The question was, the company has asked for that compared to your 9.8 million last year what is the volume you are expecting, are you expecting any growth. I said yes, I would certainly expect a growth and one can expect something like 10.5 of course 11 million, and so on. So that's a very broad guidance and it will be an improvement that our attempt is always to improve over the previous years. That's not a definitive number.

Shravan Shah: No, I am not saying definite but, so we are expecting a significant improvement. So, we are expecting close to 10.5 million, kind of that's what we are targeting for this year?

Management: Yes, that is what we would definitely attempt that if we were at 9.8, we will certainly like to grow at 6%, 7% over last year.

Shravan Shah: Okay, that's great. And secondly, sir in terms of the just to add a touch base on the new expansion that we are doing at 2.5 million tonne at our subsidy Udaipur if you can broadly throw some light in terms of the how much CAPEX would be needed for that, how much would be from internal accruals, how much from the debt and in this year how much CAPEX are we planning to add, do and the next year?

Management: See this project is approximately going to cost us about 1400 crores which will be implemented over a three years period and our expected date of commissioning is expected to be October, December 2023. So, that broadly is and we will do through this financing will be through a blend of equity and debt 30% around 30% would be equity and balance will be debt, part will be through internal accruals, part will be by way of equity infusion from the parent company. We have not yet formed up the means of financing in that project and that will be as I mentioned CAPEX will be spread over three years. So initial in this financial year, there would be half **– 6:53**, not more than 40, 50 crores, that to on a higher side and major CAPEX will be thereafter in the over the next two, two and a half years financial years, they are already in the UCW is already in the process of completing their balancing scheme in which they are marginally expanding their capacity from in clinker from 1.2 million tonnes to 1.5 and the cement capacity from 1.6 to 2.2 that hopefully should get implemented by March. So, the real work on the expansion project will happen thereafter only.

Shravan Shah: Okay, so let's assume if fund some part from standalone to that any idea in terms of the broadly normal our thought is, we would be reducing our debt by 200 crore every year. So that will on standalone will continue?

Management: Yes, that will continue. In JK Lakshmi we don't have to contract any additional debt to fund this project, the debt will be contracted in the subsidiary only about 950 to 1000 crores they're about and so, on a consolidated basis also we will see after the project is implemented will not have a leverage of more than 1:1.

Shravan Shah: Okay. And sir have you seen any price increase post the quarter end this October and November in the states where we operate?

Management: Some of the markets there have been some minor increases has taken place. We are quite hopeful that because now the prices of the fuel and the logistics because of the diesel price increases impacting everyone that there would be some increases. Some of the market we have taken, some of the other markers we are still trying.

Moderator: The next question is from the line of Rahul Jain from Systematix. Please go ahead.

Rahul Jain: Can we have a similar volume number for last year, you said 2.38 was this quarter right?

Management: Yes. Last year corresponding quarter was 20.6 lakh tonnes of, we speak in lakhs not in billion. So, 20.6 lakh tonnes was the total volume in the corresponding quarter last year, which included clinker sale of 1.32 and cement sale was 19.28.

Rahul Jain: You said 20.6 lakh, right?

Management: Yes, 20.6 lakh tonnes inclusive of clinker of 1.32 lakh and cement of 19.28 lakh tonnes.

Rahul Jain: Okay, sir and also on petcoke how much of do we have petcoke which should be of low cost and what kind of inflation have they seen and what are we going to on that front?

Management: That inflation linked coal of the petcoke would be used maybe from January onwards current quarter we are based getting the inventory of the earliest petcoke purchase.

Rahul Jain: And what would be the roughly fuel mix typically we are 100% petcoke?

Management: No, we are not 100% petcoke we are basically on a consolidated basis we are about 68% petcoke is not because we have more of petcoke about 82% and in Durg which has got good proximity to the coal availability is higher better there. So, there is almost 46%, 47% petcoke and coal. So, overall, for the company as a whole we have about 68% to 70% petcoke and balance coal and some other alternative fuels.

Moderator: Thank you. The next question is from the line of Keshav Lahoti from Angel Broking. Please go ahead.

Keshav Lahoti: Just a follow up question on petcoke, some of your competitors are planning to use international coal as the petcoke prices are going up. So, do you also have such plan and in future will we see that petcoke overall consumption would reduce in percentage form?

Management: That depends on the pricing of the coal available in international market and the calorific value based on that, if that makes sense so we will obviously try to use that also. So are not bound by only to petcoke or only coal ultimately it has to be cost driven if it makes sense, we'll use that also. We have that capability at the kiln level to use on both the fuel.

Management: And to answer your second question, yes, we are also using some international coal. But as Mr. Bidkar said continuity will obviously depend every time on the economy as we have a good switching ability from one fuel to another.

Keshav Lahoti: Okay, understood. Can you throw a bit color about how the cement prices has been in Q2 in terms of Northern part and Eastern part of India and how you see the prices to go going forward?

Management: Well Q2 everywhere we have seen a bit of a decline if we compare the prices with the previous quarter, as the previous quarter had some hangover carry forward of the prices of the fourth quarter of previous year which were quite good prices. So, the Q1 more or less those prices continued, but in Q2 we have seen a decline which is a seasonal phenomenon which happens every year and every year, we see some improvement in the prices going in the third quarter when after the paddy season is over, when the festival season starts. So, we are expecting a similar trend in terms of prices between North, West and East. North have seen a better price section while so far West has not seen any price improvement, they continue to remain at Q2 level. And similar is the situation in the East where there was a minor improvement in the month of October, but thereafter a barring Odisha where there was a very steep decline. In other market if the prices remain more or less at the same level.

Keshav Lahoti: Okay, understood. One last question from my side, as you have recorded a good volume growth. So, can you please throw a bit color about demand, can you divide a demand in terms of infrastructure, rural, urban how is that going and how should we expect?

Management: Well the demand has been good as we mentioned even in the last quarter concall from this rural market. So, the company like us who have been laying a lot of emphasis on the rural market for quite some time now. And this was a time when some good dividend came out of those earlier attempts. And in Q2 also the same trend continued with the major demand coming from this rural market. The infra is just about beginning to pick up but my own sense is that once the labor comes back which now will happen only after Diwali in fact. Thereafter the infra should also pickup. That is our sense and so the markets which use local labor there some movement in the infra also has taken up. But the real impact would be known only in third quarter.

Keshav Lahoti: Okay. Can you just divide the cement sales number in terms of clinker and cement in the total volume number which you gave for this quarter?

Management: Mr. Bidkar just now answered and replied to the previous query, that out of 23.85 the clinker sale was 1.82.

Moderator: Thank you. The next question is from the line of Madhav Marda from Fidelity Investments. Please go ahead.

Madhav Marda: My question was the CAPEX that we are planning to do, if you could give more detail in terms of would there be any WSRs capacity or captive power plant, et cetera, if you could just give some detail on the CAPEX client and how much is the clinker and the cement that we are planning for this capacity?

Management: Yes, this would include this 1400 crore project would have a clinker capacity of 1.5 million tonnes and cement capacity of 2.5 million. The grinding would be at split location which is yet to be finalized and it will have a waste heat recovery project to come on the kiln. So, other than this we are not having any captive power, we do have already some waste heat recovery project on the existing and plus some solar power of about six megawatts is already there. So, it will have the waste heat recovery and the clinker and cement capacity as I mentioned

Madhav Marda: Got it sir. For the next two, two and a half years till the new capacity comes, do we have enough scope to grow our volumes at maybe 6%, 7% once at the usual cement growth rate or will we have some capacity constraint before that?

Management: We don't see any capacity constraint because of the balancing project of the UCWL increase in the clinker is happening by March. Thus, we can always increase the blending if the demand, with the same clinker with higher blending we can increase the cement production. We are also selling some clinker that we can do away with at times we resort to selling some clinker that also can be done away with and do an entire conversion and then sell it.

Madhav Marda: Okay. And sir one of the questions was that some of the companies in the industry are all stepping up their spending on green power and alternate fuels. Is there any plan like that and how much of our total power requirement country has been met by WHRS and solar power and going forward is there a plan to increase that mix?

Management: Basically, we as far as Udaipur is concerned, we are already 44%, 40% comes from waste heat recovery and another 2%, 3% comes from the solar. In case of Durg also, it is (+40%) waste head recovery is there and also the solar power is there. Only in Sirohi we, out of the three kilns we have waste heat recovery on two of these kilns. Now, we are in the process of putting the waste heat recovery and that on the third kiln also. So that will also take our capacity of the total from the renewable sources or the waste heat as we call it and the solar to 40 around, 40 in Sirohi also. Of the three plants will be (+40) and this waste heat recovery at Sirohi is getting implemented by September of 2021. We already working on that, there have been some delay because of this COVID otherwise it could have come in the second quarter also. But going forward yes (+40%), 40% to 45% of our energy would be drawn from the green power at all the three locations.

Madhav Marda: Okay. And lastly, just wanted to clarify on the pricing side so East India pricing has been a bit weak compared to the other regions, so do we see the prices recovering in January onwards or do you think there could be some more pressure on the prices?

Management: Prices continue to remain low in East as compared to the North, the East is actually a very big market. And we operate in a comparatively very smaller radius. So, we have largely confined to Chhattisgarh and Odisha. And with our 20% supply is going to the rest of the adjoining states like Vidarbha region of Maharashtra, or the East MP. So, the prices when we say are the lower, then I'm not counting the higher priced markets of Bengal or Bihar, et cetera. Because our presence is only in these two, three mainly, there the prices have not kept pace with the price increase that we have witnessed in the North.

Madhav Marda: Okay. And why does the Chhattisgarh, Odisha there's just a lot of competition right now or volumes are so strong that people are chasing volume over price right now?

Management: Yes, there are host of reasons, but the bottom line is that the prices are low.

Moderator: Thank you. Next question is from the line Swagato Ghosh from Franklin Templeton. Please go ahead.

Swagato Ghosh: Sir, what is the current net debt at UCW level?

Management: I'll give both for the company as well as this consolidated, in JK Lakshmi as of September we have total debt of 1400 crore, and 700 is the cash surplus cash. So, 1400 minus 700, 700 is the net debt as well as JK Lakshmi is concerned. And we have to add 500 crores of debt for UCWL, they don't have much barring 20, 25 crores of some surplus are there. So, 500 is the gross debt for UCWL and 25 is their cash balance. So, 475 is their net debt UCWL.

Swagato Ghosh: Okay. And sir what is the EBITDA that we expect to generate at UCW this year?

Management: In this year, in the first six months they have already generated an EBITDA of about 68 crores, and they should cross 150, 160 they should be able to do because generally second half is a better one in spite of being COVID impacted first half, they had been able to have an EBIDTA of about 68 crores. So, I see that crossing 150 during the year.

Swagato Ghosh: Okay so sir if this 150 crore number, even if it improves significantly, still the current net debt that we have, and we are talking of levering up at the subsidiary level. So, how does that math work, because we are already like at 3x net debt to EBITDA and for this CAPEX we are thinking of taking the leverage at the subsidiary level?

Management: Yes. So naturally, because you can't do working of this leverage ratio during the implementation period, because in the first few years, when they will not be commensurate EBITDA the debt will keep on mounting, it's only when the EBITDA comes gets generated from the new project, then again it will be back to normal, I don't see that to be more than 3x or 3.5 to be on the extreme. In the intervening period, during the implementation period what you're saying is right, because that will start mounting on the balance sheet without there being commensurate EBITDA, we should see that ratio only once they commensurate cash flow or the EBITDA starts generated from the project. So, that will happen once that starts happening, it will be back to this 3.5x levels.

Swagato Ghosh: Right. But I'm just trying to understand the push and pull of like levering up at the parent and then incusing versus levering up at the subsidiary?

Management: No, then unnecessarily investment because then you see what will happen this project if we take loan in the parent company and then what security will be able to get because the asset is being created in the subsidiary. So, the security has to be on the raising of the funds has to be at the level at which actually CAPEX is happening. When one should more concern on a consolidated level, ultimately, we are going to synchronize the operation as we have been already doing, operational productions, rationalization and cement sourcing, etc., all will happen together with JKLC and UCWL. It may not be right to only see isolation only for UCWL though the project is being implemented as you know only in Udaipur, yes, it's a balance sheet in the intervening period will show that higher leverage. But as an analyst, intelligent analyst like you understand it's one thing cash flow comes in or the EBITDA starts generated, getting generated from the project that will be in line.

Swagato Ghosh: That's fair, the cost of this funding, do you expect that to be like what you would expect at the parent level?

Management: We'll try to our endeavor would be to be that level, though presently it is slightly on the higher side as far as UCWL is concerned, but that will be at our endeavor would be to keep it at the pricing at the same level as that the parent company.

Swagato Ghosh: Okay. And sir one last thing is, in the TV interview yesterday you also gave some guidance about that merger. So, just wanted to confirm that, what is the timeline for the merger UCWL?

Management: In the intro we said that there are certain concessions which are there with the subsidiary unit so we would not like to do it immediately. Question was up to when, so we expect that at least minimum two years, it will take, minimum two years' time for anything to happen in that front. But till the time we get incentive we would not like to jeopardize that.

Swagato Ghosh: Sorry, till the time we get the incentives?

Management: They are besides the incentives which is Dr. Chouksey is talking off, there is another issue which will have an important play before we take a call on the merger is the fact that there is a differential tracks ways for the two companies, while UCWL has switched over to the new regime of 25% tax and JK Lakshmi because of its earlier mat continues to be on the old regime of 30%. Now, in the event of that merger happening, even whatever profitability UCWL is having start getting this MAT gets attracted. So, till the time which that we expect our exhaustion of the entire MAT credit in another three to four years, it's only then we can take a call, we switch over also to the new regime of 25% and when both are at 25% that will be the most fortunate time from taxation point of view to go for the merger apart from the incentives which Dr. Chouksey has just talked off, stated.

Swagato Ghosh: Right. And sir one other point, generally companies speak about while talking about merger one another hurdle is the limestone lease transfer from one entity to other and hence rise of transfer that consolidation is only that rights of transfer of limestone comes only when you have a demerger in a merger it's only the same company. So, I don't see that happening. It is already a subsidiary, so I don't see that to be an issue basically.

Moderator: Thank you. The next question is from the line of Amit Murarka of Motilal Oswal. Please go ahead.

Amit Murarka: Sir taking the earlier further so why, in the earlier calls, you had mentioned that there is potential for expansion at all locations. So just to understand like, what are the considerations in deciding to expand that UCW and not in the parent company JK Lakshmi?

Management: We have land as well as limestone are available at both the places, the idea was to keep it at a place which is has more proximity towards the Northern side. So that was the reason plus because of some logistic constraint here in JK Lakshmi also that was another factor which gone into it, so we decided to go ahead with the UCWL.

Amit Murarka: And at this location land is already available, but you will have to take the environmental approvals and then the project will kick start after that.

Management: We are already working on it. We are already almost through with that, so that will parallelly happen.

Amit Murarka: Okay, sure. And lastly what was the share of trade wins in this quarter for you?

Management: It was more or less remained at the same level as last year

Amit Murarka: Which would be what, 60% roughly?

Management: Around 55%, 56%.

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

Sumangal Nevatia: Most of the questions are answered just one thing, on this can you share what are the debt repayment obligations that UCWL and in that background can we assume that the entire equity contribution of 400 odd crore for this expansion will be from the parent, is that a fair assessment?

Management: Yes, they can also deploy some portion of the equity required as part of the promoter's contribution from their internal accruals. And most of that you're right will come from JK Lakshmi only the parent, as regards with debt obligation, we have just replaced the entire 525 crores of the debt which initially they had taken for the project funding, that has now been entirely replaced by the loan from the bank. So that initially and that has been kept, we have kept that slightly on a ballooning basis the repayment thereof. So, initial burden on UCWL for the next two, three years will not be much as far as the debt is concerned not more than 30 to 40 crores each year.

Sumangal Nevatia: Understood. And sir when you talked about the merger, it is fine to assume that eventually our endeavor is to merger two companies in the medium term, maybe two, three years down the line?

Management: It is difficult to define a timeline to that, but yes, eventually it will happen. Doesn't make sense to do two listed entities in the same group. Eventually it will happen, time as I mentioned various considerations like the incentives state, incentive availabilities, impact of that, of those continuity in the event of merger, tax, differentiation rate and all that, all this will have to be factored before we finally take a call for the eventual merger.

Sumangal Nevatia: Understand sir, is it possible to share the volume number of UCWL?

Management: UCWL I don't have quarterly but six monthly I can share broadly they were for the six months period, they had notched up total volume, we as I mentioned have done.

Sumangal Nevatia: Mine and….

Management: We did 9.5 lakh tonnes in six months' time.

Sumangal Nevatia: Okay, this include the total. And the volume which you said for standalone 2.385 it is net of all the intercompany right, it is not the gross volume?

Management: No, let me put it in perspective like in six months, you can note down, six months we are talking as far as JK Lakshmi is concerned total of 42.9 volume right, including what we did in the first quarter and this includes 38.06 of cement and clinker of 4.84 now, UCWL as I mentioned has done a volume of 9.5. So, totality it becomes 52.4, that 52.4 is not the total what has actually been sold it does include some inter unit sales. So, one was to net of the entire rate so on a consolidated basis, it is 46.1 totality volumes, 40.16 is cement and 5.95 is the clinker so inter unit is about 6.29. That has to be excluded when you just add the two number arithmetically 42.9 plus 9.5 of UCWL in six months, does include total of 50 and goes include in the sale of 6.29. So, net of that is 646.11. Got it?

Sumangal Nevatia: 6.29 is the entire company.

Management: Yes, in six months period.

Moderator: Thank you. The next question is from the line of Abhinav Bhandari from Nippon India. Please go ahead.

Abhinav Bhandari: Just one clarification, to facilitate this expansion, I guess in the last AGM there were a couple of resolutions which have been taken in terms of bank guarantee support and actual investment commitment to the subsidiary. So just wanted to refresh how much is the limit in each of this?

Management: It's not the bank guarantee, corporate guarantee.

Abhinav Bhandari: Yes.

Management: So, adequate limit is there, 3000 was the earlier limit in the last AGM we had extended it to 3500. Now, the entire 3500 may not be required upfront in the first year. So, we'll take a call before the next AGM, whether there's a need for any enhancement there to or not, but as of now, the existing approved limits by the shareholders are adequate as far as this year is concerned. And now, last year when we had the AGM in August, that time we had not announced this project. Now, once that has common in public domain, we'll take a call ultimately, whether those limits are going to be sufficient or there will be need for some enhancement, they too. So, at appropriate time will go back to the shareholders and seek their approval.

Abhinav Bhandari: Okay, no as an I was asking from JK Lakshmi to UCWL today, how much is the limit on the corporate guarantee, so is that 3500 is what you're saying?

Management: No, 3500 is not the limit for the corporate guarantee. 35000 is the total borrowing powers, which the company has, these borrowing powers includes its own loan, as well as the guarantees given to the subsidy. Out of that 3500 our actual borrowing as I mentioned, as far as JK Lakshmi is concerned is 1400 crores.

Abhinav Bhandari: I got it, actually, the question was to UCWL how much approval you have raise?

Management: Yes, I don't have a, separate approval for UCWL from the shareholder, I have to write on the board so as of now we have taken a total approval of 550 crores. 550 crores for term loan and 50 crores for the working capital. 600 is my corporate guarantee approved limit from the board. Within that power of 3500 shareholders which have given that I can do, I can increase this without going back to them so long as my total own boring plus new corporate guarantee doesn't exceed 2500. Board has to give that approval, so board has given up to now 600 crores, 550 term loan and 50 working capital.

Moderator: Thank you. The next question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.

Kamlesh Bagmar: Sir a small housekeeping question. Sorry, if I missed this, what is the cement production for the September quarter?

Management: Cement production for September quarter was 19.85 lakh tonnes.

Moderator: Thank you. We will move to the next question in the meanwhile which is from the line of Kamlesh Bagmar from Prabhudas Lilladher. Please go ahead.

Kamlesh Bagmar: Sir one question on the part of this eastern market, sir are we planning to put up a grinding unit in the Eastern at the Bihar market?

Management: No, we already have a grinding unit running in Odisha, so as of now we are not planning as a grinding unit.

Kamlesh Bagmar: Okay. And lastly sir like given the prices which are there in the North and Eastern market. Are we let say confident to maintain the current profitability for the second half or like rainy season, dilution from those margin level?

Management: See until and unless anything major takes place as I mentioned that petcoke price impact is likely to come in the fourth quarter, and by that time we are hopeful that the regional, where the trend is maintained of the price increases then that increase as the petcoke price should be taken care of. So, therefore, I don't expect any major change in the current level of profitability or margins.

Moderator: Thank you. The next question is from the line of Navin Sahadeo from Edelweiss. Please go ahead.

Navin Sahadeo: Sir my couple of questions. So, first question on the volumes to a previous question you said that our consolidated volumes excluding, or net of the intercompany sales is about 46.1 lakh for the first half?

Management: Yes.

Navin Sahadeo: Which, includes about 5.96 lakh tonnes of clinker sales right. And the balance been about 40.16 is the cement?

Management: Yes.

Navin Sahadeo: Yes, 40.16 is the cement sales. So, my question sir, was this clinker sale, which is there, is it for a third-party contract grinding units or is it a pure third-party clinker sale?

Management: It is not third party, it is when we say inter unit it is between JK Lakshmi and UCWL only, then only we not net of suppose.

Navin Sahadeo: No, this net off consolidated clinker sales.

Management: Yes, consolidated I'm saying 5.95 includes inter unit sale of 1.6. This is a sale of clinker made by UCWL, to JK Lakshmi for getting cement for grinding at our grinding units and maybe Gujarat.

Navin Sahadeo: Okay, so it's 5.96 basis, basically the clinker that is above from UCWL?

Management: 5.95 is the total clinker sales to outside parties.

Navin Sahadeo: To the outside parties, right?

Management: Yes,

Navin Sahadeo: Yes, so that's what I was asking. So, 5.95 is pure clinker sale to outside parties.

Management: Right.

Navin Sahadeo: And it is not for contract grinding to other third parties on a tariff basis or something like that, right?

Management: I'll correct you Navin, the outside sale as we give the figures earlier, so the outside party is 0.83 plus 1.32. So that makes it 3.15.

Navin Sahadeo: Fair, I'll take it offline. I just have another.

Management: This 5.95 is for six months period.

Navin Sahadeo: Yes, exactly so I will probably take it offline. Sir my question then was in margins in terms of percentage at UCWL in the past few quarters have been better over, of that of the standalone entity. So, I am just trying to understand, because this was also related to the fact that why we, because since you said reverse, we have ample reverse at both the companies. So why have we then chosen UCWL over JKLC standalone for expansion and in margin anything to do have a role here.

Management: Margin would not be much of a role because, and you rightly said UCWL margin off late has been better than JKLC standalone, JKLC standalone includes both North as well and you know because of the subdued pricing in this the profitability has been marginally lower than what we have in the North operation. So, consolidated on a basis you may find that LC together with the Sirohi looking to be marginally lower than UCWL which is only in North.

Navin Sahadeo: Okay, that's fine.

Management: Also, we have a certain incentive in UCWL, so it is bound to be better than JVLC.

Navin Sahadeo: Sir, the reason for choosing UCWL over JK Lakshmi for expansion?

Management: Basically, as you mentioned the proximity to the North, logistic constraint in Sirohi and third more important is the lower fixed cost which they have as per as the UCWL is concerned as compared to JKLC.

Navin Sahadeo: Okay. And incentives will it also because there are two expansions, one is the brownfield expansion or debottlenecking which you said is coming by March, the annual report say September 02. So, will that be eligible for incentives?

Management: No, that is not eligible for an incentive.

Navin Sahadeo: In Greenfield we will be making our attempt for getting the incentive.

Management: Okay. And in annual report you are right as I talked of September, we are not sure as to how that impact the COVID and how long it will take for the workers to get come back and all that. Our internal target is to complete it by March that's why.

Navin Sahadeo: And it looks realistic as we speak that by March if can come?

Management: Yes, hopefully as I keep my figure cross but hopefully should be able to close it by March.

Moderator: Thank you. The next question is from the line of Binod Modi from Reliance Securities. Please go ahead.

Binod Modi: Sir can you guide me how much total RMC revenue as well as total loan cement revenue for the quarter vis-à-vis corresponding period last year?

Management: Our total RMC revenue as well as we have some POP and all that is about 70 crores in this quarter and in the corresponding quarter also it was around the same.

Binod Modi: Okay, so total loan cement revenue including RMC is 70 crores?

Management: If you were to call POP, RMC are called non-cement.

Management: Our other non-cement is not only RMC we also have plaster of Paris, Putty, etc., here.

Management: Yes, taken there is a **(Inaudible) 47:22** from the things and investment.

Moderator: Thank you. The next question is from the line of Pritesh Sheth from Edelweiss Wealth Management. Please go ahead.

Pritesh Sheth: I wanted to know how much of the clinker production for this quarter?

Management: Clinker production for this quarter is 16.19 lakh tonnes.

Pritesh Sheth: Okay. And your 14% volume growth of cement it's very impressive for this quarter in beats the industry by margin. So, can you elaborate, was it a broad-based volume growth across your regions or did some region contribute a higher volume growth?

Management: No, both the places we could get the increase. Those are the sales growth here.

Pritesh Sheth: Okay, both East and North and as well as Gujarat market?

Management: Yes, almost everywhere.

Pritesh Sheth: Okay. And how are you seeing that volume growth momentum continuing in October up till now, are we seeing a similar double-digit growth or?

Management: Yes, we are witnessing that growth. They don't become very comparable when you take the growth, last year Diwali was in October. And here it is November so last year October would have been hit; this year November would have been hit so taking just one month alone may not really answer what you are trying to look at.

Pritesh Sheth: Okay, got it. And lastly, on your freight cost, it does seem flattish kind of number on a quarter-on-quarter, or there is marginal savings as well. So, has the diesel price hike incorporated in our number or is it yet to come, so any color on that?

Management: Yes, while we could decrease once the cost of some places and taking into account the increase in the diesel it is more or less evened out the some gain, in this quarter right now, we are on the same path, but I will not be surprised if there is some increase in the logistic cost going forward.

Pritesh Sheth: Okay. And that increase would be probably by our lead distance?

Management: Higher lead distance is mainly because the overall economy moving the availability of trucks is becoming. So, the logistic cost is not just a factor of the cost of movement going up or the diesel cost only going up, it's also a factor of what is the demand and supply for the trucks. But now we are seeing a traction in the demand of trucks from various segments and therefore, it's quite likely there's already a bit of a clamor for some cost, freight hikes though we have not yet given anything but I would not be surprised if we are compelled to do something.

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

Pratik Kumar: My first question is regarding your project post, during this expansion projector, how do you see your net debt position moving over three years. So, what is the peak mandate you expect during this phase of expansion?

Management: Basically, as I mentioned, initially our leveraging will not go beyond 1:1 on a consolidated basis. On a consolidated basis over the next three years while we'll be contracting debt of about 1000 crores 900 to 1,000 crores almost equivalent to 700 to 800 crores of debt will get repaid in the normal course the existing debt, so I don't see that to be much upon increase in the net debt figure on a consolidated basis.

Pratik Kumar: Sir, I was telling that, consolidated net debt, which is 1200 crore right now, would that remain similar or in the similar range?

Management: I'm saying 1200 if you were to contract additional debt of say 52,000 crores will go up to 2200 and about 800 crores, of debt will get repaid over this period and net debt would be around the same day. So, maybe 200 crores of additional cash will also be there. So, around broadly the same 1200 to 1300 I'll see the net debt and on a consolidated basis….

Pratik Kumar: Right. And sir what would be our, you mentioned about trade mix is around 55% what would the blended cement mix this quarter for the company?

Management: It is around 61%, 62% and 63% overall.

Pratik Kumar: And just on your premium segment we have launched recently another product in premium segment, and we have been quite active in IPL in terms of sponsorship, et cetera. So, how is our ad spends, on year-on-year basis now versus a lot of other companies have trimmed a significantly in terms of ad spend are we also roughly lower versus last year or we are doing more ad spend as of now?

Management: No, we have already trimmed down on those costs. So, our visibility is in IPL, but other activities considerable trimming down are taking place.

Pratik Kumar: Okay, and now with these products new launch, how premium mix would be, premium segment and trade sales?

Management: Well, that is continuously going on our premium product is continuously increasing. So, we expect that on the consolidated basis. We will be about 14%, 15% of our overall sales will be in the premium segment and if I were to look only at the trade sale, then it is around 21%.

Pratik Kumar: Right and we aspire to go too much higher level from here?

Management: That is always the attempt, but to an extent we are doing about 20%, 21% of the trade and this is pretty highest in the normal market.

Moderator: Thank you. Due to time constraints, we'll take last two questions. The next question is from the line of Amit Murarka from Motilal Oswal. Please go ahead.

Amit Murarka: So, I just wanted to understand because the non-trade pricing I remember in the last call you highlighting that, the non-trade prices have corrected a lot. So, is the gap between trade, non-trade now lower from let's say about Rs.80, Rs.90 which had reached in the past quarter?

Management: Yes, some bridging has taken place in fact when I said that there has been some increases in the prices it was mainly in the non-trade segment and therefore some correction that gap has reduced by I would say about Rs.60 in the North. Where it was the maximum about Rs.80, Rs.85 a bag it has, that gap has widened too.

Amit Murarka: So, even in fair I understand there has been a Rs.15 hike so does it mean that there has been almost a Rs.40, Rs.50 hike in non-trade?

Management: As I mentioned in the non-trade we have seen price increase of about Rs.30 and in the trade in some of the market, we have seen about the net debt the company's have got is about Rs.10 to Rs.15 and in one or two markets only. In Gujarat, we have not been able to get any price increase so far. And East is also particularly flat barring a Rs.5 increase that we got in Chhattisgarh, but Odisha there was a steep decline.

Amit Murarka: Sure. But in East I believe there have been some hikes that have happened in the last 10, 15 days?

Management: No, as I mentioned to you, we are operating in very limited markets and there whatever increases we got in Chhattisgarh, in Odisha it was on negative withdraw of minus Rs.30 a bag.

Amit Murarka: Okay, and lastly on the conveyor belt is there any further update, last time you mentioned that there was pending some approval?

Management: Yes, there has not been much change in these position because of this COVID scenario and hopefully post COVID we will try to work that out.

Amit Murarka: What is the targeted cost reduction from the conveyor belt?

Management: Rs.15 to Rs.20.

Moderator: Thank you. The next question is from the line Sumangal Nevatia from Kotak Security. Please go ahead.

Sumangal Nevatia: Just wanted to know if you have shared the annual CAPEX numbers for this year and next year virtually?

Management: Sorry, come again.

Sumangal Nevatia: Sir the annual CAPEX number for FY21 and 22?

Management: For FY21 we have about that remaining part of that waste heat recovery is getting implemented. So, we expect we would do about 150 crores there in and thereafter it will be only normal CAPEX as far as a JK Lakshmi is concerned, 30 to 40 crores.

Sumangal Nevatia: Okay. And sir lastly, is it possible to just reminder us what is nature of intercompany transfer and once the debottlenecking at UCW concludes the diesel company transaction surf?

Management: These intercompany transfers we mentioned of about 6.29 lakh tonnes in these six months period includes cement of 4.69 and 1.6 of clinker. Basically, this is a production, rationalization and sourcing of cement rationalization. If UCWL were to sell cement in Gujarat, instead of they moving the entire cement from their plant to Gujarat, it makes better sense to move only the clinker and then they get it converted at our grinding units in Gujarat. Similarly, we were to sell somewhere more to the North than moving clinker from UCWL to Jharli makes better sense than doing it from Sirohi to Jharli. So, this sort of rationalization helps us to reduce the logistic cost and ultimately achieve higher realization in terms of net sales realization net of freight. So, that is the idea, nothing else.

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

Vaibhav Agarwal: Than you. On behalf of PhillipCapital, I would like to thank the management of JK Lakshmi Cement for the call and also many thanks for the participants joining the call. Thank you very much sir, Margaret will now conclude the call.

Management: Thank you, Mr. Vaibhav.

Management: Thank you, Vaibhav and thank you all.

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