JK LAKSHMI
CEMENT Ltd.

JKLC:SECTL:SE:17
7th February 2017

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 6th February 2017 at 4.00 p.m.

In continuation of our letter dated 6th February 2017 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 Cement Limited Q3 FY17 Conference Call"

February 06, 2017

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

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

Moderator: Good day, Ladies and Gentlemen, and Welcome to the Q3 FY17 Conference Call of JK Lakshmi Cement Limited 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. Please note that this conference is being recorded. 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, Margaret. Good Evening, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q3 FY'17 Call of JK Lakshmi Cement. JK Lakshmi Cement has been presented by Mr. Sudhir Bidkar – CFO and Dr. Shailendra Chouksey – Wholetime Director who is likely to join the call in a few moments.

Management: Thank you, Mr. Vaibhav and good afternoon, ladies and gentlemen for this Q3 con-call on the results of JK Lakshmi. It is my pleasure to welcome you on this con-call. You would have broadly seen the results which have appeared in the press and in the website of the company as well as the BSE.

But a quick recap of those results before I throw the floor open for question-and-answers. This quarter was a challenging one because of the decision taken by the government for the demonetization. So while the first half of the quarter was business as usual but it did impact the operations in the second half of the quarter. All said and given, the quarter ended with showing a production growth of about 6%, sales growth of 4% overall for the company, the turnover for the company show at Rs.751 crores, was 3% higher than the corresponding quarter of last year. The operating profit after other income was Rs.98 crores as against Rs.87 crores, growth of 12% and after providing for interest and depreciation the PBT was Rs. (+5) crores before tax as against a loss of about Rs.6 crores in the corresponding quarter of last year. PAT after taking into account the adjustment for taxes was about Rs.7.6 crores as against marginal loss in the corresponding quarter of last year.

So overall the operating margins were about 12% as against 10% in the corresponding quarter of last year. Although sequentially there was a drop if one were to see in the previous quarter, there was 14% margin, that has come down to about 12% but as I mentioned as compared to the corresponding quarter of last year, there was an increase of 2% in the operating margins.

The prices of the Pet Coke have firmed up but if one were to compare it with the corresponding quarter of last year it was at about 8% lower and as compared to the immediate preceding quarter it was about 11% higher.

This quarter also saw the commissioning of the grinding unit at Surat and with that our capacity has gone up to 10 million from 8.65 million which was reported as of March and going forward by March we will also have the additional capacity of cement coming at Durg where we have done some balance to increase the capacity from 1.8 to 2.7 and Udaipur would also be operational by March end fully both for the Clinkerization of 1.2 as well as 1.6 of cement. So that broadly in nutshell is the quarterly performance of the company.

I will now throw open the floor for question-and-answer.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Rajesh Ravi from Centrum Broking. Please go ahead.

Rajesh Ravi: Two-three questions; First of all, on this Pet Coke ruling which has come by supreme court today, what is your understanding of same? On the quarterly performance, what was the average fuel cost for the Q3 Vs Q2?

Management: We are studying that order, so impact will be assessed as far as Pet Coke is concerned, we will come back to you separately. As regards your second question on second quarter versus the third quarter, yes, sequentially as I mentioned in my opening remarks the margins were down from about 14% overall operating margin to 12%, Pet Coke prices average blended fuel to us which was about Rs.5,100 has gone up to Rs.5,600, so almost 10% and 11% increase is there.

Rajesh Ravi: Blending ratios currently at your North and East operations and to what level you can take it to over next two years?

Management: Blending ratio is going to be fraction of the demand/supply. Generally if the demand is good, the blending ratio improves. It is difficult to put a number to it but actually we can tell you that it was about 46% in this quarter and 50% is PBC, 50% is OBC [ph] overall for the nine months' period.

Rajesh Ravi: Because on the existing capacities, would it peak out in terms of our clinker capacities over next two years?

Management: Blending percentage will go up going forward.

Rajesh Ravi: Cement and Clinker volume breakup for the current quarter?

Management: Out of total sales of 18.28, 1.89 was the Clinker sale.

Rajesh Ravi: Any expansion plans other than whatever was earlier discussed in last con-call?

Management: Nothing much, except that we are already implementing a project of Waste Heat Recovery at Durg of about 7 MW. What we are further adding, earlier we were toying with the idea of shifting our 18 MW surplus power from Sirohi to Durg but we have decided to put up a new facility altogether thermal power plant of about 20 MW at Durg instead of moving this. What we can do is the surplus capacity would much rather better be used in Udaipur. We had seen that rather than moving it to Durg and letting the UCWL take from the grid. Overall for the company as a whole including the subsidiary it makes a better sense for us to put up a Greenfield power plant rather than moving this plant to Durg.

Rajesh Ravi: So now you would not be putting the Waste Heat Recovery?

Management: Waste heat in any case be there at both the locations, Durg as well as UCWL. In our earlier con-call, we had mentioned that we are toying the idea of moving the surplus 18 MW thermal plant from Sirohi to Durg. The decision now final what we are doing is that we are putting up altogether Greenfield at Durg and use this surplus power of Sirohi for willing out to UCWL, State of Rajasthan.

Rajesh Ravi: How about the capacity for this and timelines?

Management: Timelines as far as Greenfield is concerned, it is 18 months' timeline we are talking of targeting by October '18 which should be onstream and as far as the willing [ph] is as and when Udaipur starts which is expected in this quarter, Sirohi can will out.

Rajesh Ravi: No, for this cost in terms of CAPEX for 20 MW?

Management: It is about Rs.125 crores to Rs.130 crores.

Rajesh Ravi: For relocating you are targeting around Rs.90-odd crores?

Management: Yes.

Rajesh Ravi: Any further capacity expenses as you earlier talked of?

Management: No, we would like to stabilize at the existing level before embarking on fresh expansions.

Moderator: Thank you. The next question is from the line of Anshuman Atri from Haitong. Please go ahead.

Anshuman Atri: My question is regarding the EBITDA in the Durg plant.

Management: We do not share individual plant wise EBITDA but it is EBITDA positive as far as Durg is concerned in the current quarter.

Anshuman Atri: Your earlier target of bringing it on par with Rajasthan facility once your captive power plant and Waste Heat Recovery is commissioned. Can we expect that guidance to remain as of now?

Management: Yes, as soon as they have full 100% captive in Durg which is as I mentioned in response to my answer to the answer question is that by October we are targeting the captive power plant to be onstream October '18. As far as cost is concerned that should be at par with Sirohi. But

EBITDA will depend on the realization in those two regions. Over there we do not have any control, but cost wise where we have control we should be matching that.

Anshuman Atri: Second question is regarding demand. Have you seen demand to recover post-demonetization to old levels or there are still some more to come through and what is the expectation for demand in the next year for the region of operations?

Management: If you were to look at the previous quarter, the period prior to the demonetization showed much buoyant growth compared to the second half. So there was an immediate impact which was more sharp felt in the month of December. November, because almost half the month was gone, there was some advance booking, etc., Now, we are finding gradually creeping up of the demand though not very significant but yes, there has been a bit of positive in terms of demand traction though unfortunately the prices that is not that large to really impact the prices as yet, the prices continue to be worrisome especially in the east and the Gujarat markets. The eastern market continues to remain low. One or two attempts that we made for a price increase could not be sustained and Gujarat has continuously been seeing a price fall and thereby posing a bit challenge to the current quarter.

Anshuman Atri: Last part was the expectation of demand growth in the next year?

Management: #1, the effect of the demonetization should get totally wiped out because the demonetization is taking place, the liquidity is slightly improving which will improve with every passing month. Secondly, there is a lot of efforts being made collectively by the government, by the industry. We ourselves are taking a lot of steps to promote the cashless transaction even at the retailers level and I think that should help by the second quarter of the next fiscal that will be completely bad. Secondly, some of the positive steps that government has outlined in the budget should also start getting fructifying. So I think by the second quarter of the next fiscal, things should look up much better than what they are currently.

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

Ritesh Shah: Sir, can you please provide us between North and East volumes for this quarter and corresponding quarter last year?

Management: Out of this 18.28 lakhs tons numbers of sales, 4.71 lakhs was from the eastern facility and balance from northern facility. Correspondingly, last year we had say 17.61 lakhs number, out of which 3.28 lakhs number from east and balance again from Sirohi.

Ritesh Shah: Can you please quantify what exactly is our Clinker and the grinding capacity at Durg?

Management: Clinker is 1.5 and grinding is 1.8, and this grinding has been enhanced to 2.7 by March '17.

Ritesh Shah: Sir, when we say 1.8, are we referring to OPA capacity or else factoring 50%?

Management: Cement grinding facility.

Ritesh Shah: But on blended basis, how much would it be assuming 100% PSC then?

Management: The capacity will remain the same.

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

Abhishek Shah: Sir, could you give me the Cement current and YOY prices for most of our target markets?

Management: If I were to compare the YOY, the prices will be more or less very similar to what prevailed in the corresponding quarter except for Gujarat where the prices have fallen very steeply. So currently for instance in Gujarat, the prices will be about 210-220 in that range depending on which market we are talking, whether it is Surat or North Gujarat. Correspondingly the YoY price I do not have readily before me, but I would assume that they would be anywhere at that time around Rs.260 or Rs.270. But I will check up and reconfirm to you.

Abhishek Shah: A similar understanding for north? North would be flat you would expect around Rs.260-ish?

Management: Yes. I think, I will answer this question in due course about the price, so that I don't give a very wrong data, I will just get those figures, but in the meanwhile you can have other questions.

Abhishek Shah: By any of our competitors, any new CAPEX coming up in our area?

Management: Not any significant, I think the coming year we will see only JK Udaipur, that is our subsidiary unit coming up and some increase in the capacity of JK Cement at their existing plant. Barring that, I do not see any major change here in the north. If I were to see Gujarat, there the capacity that one is expecting is that ABG has already started one cement mill. Of course, it is very difficult because they are under a very dire financial state right now. But if the market improves, they will start making some positive operations, they may go in for second mill because they have excess clinkerization. Their clinkerization is good enough for 5 million. Presently, they have started only 2 million cement.

Abhishek Shah: Where I am coming from is, say, specifically in North, we are currently at, say, industry would be at 75% utilization levels I am guessing. So, maybe with very limited CAPEX coming up in the next 3-4-years, do you expect pricing to improve say at least substantially over the next few years or at least the next few quarters?

Management: Yes, certainly, the North looks to be an area where gradually the capacity utilization would be much higher compared to the other regions and therefore logically speaking, the prices should ramp up here considerably.

Abhishek Shah: Sir, do you see that coming up in the next say 2-3-quarters?

Management: It is very difficult to answer that question precisely as to when it will happen. But I certainly would expect the prices in the third quarter to be much better than what they were in this third quarter this year.

Abhishek Shah: Where I am coming from is, in say the few years, do you see the whole industry level EBITDA going up by Rs.300-400 per ton, that is where I was actually coming to because the incremental ROCEs are very low if someone were to put any CAPEX plans right now, am I correct in that thinking?

Management: No, your thinking is absolutely right, at the current level of pricing, that is why you are seeing slower growth in the capacity addition, in fact, some of companies who had announced further expansions now they have not yet started their activities. So even the companies who have recently got the mining license, etc., I am not too sure whether they will be able to really put that investment within this much of time. So, yes, this is a very dicey situation, but one never know, the prices can turn positive and scale up in a very short time, the cement prices in last one decade has become very used to volatility. So, it swings both sides on very yo-yo sort of situation.

Moderator: Thank you. The next question is from the line of Ankit Fitkariwala from Jefferies. Please go ahead.

Ankit Fitkariwala: My first question is regarding the weakness that we are seeing in the western markets, mainly Gujarat. So what is leading to that if you can throw some light there and when do you see improvement coming there in terms of both demand and pricing?

Management: When the prices begin to fall for whatever reasons, the logic of demand does not really hold true, for instance, the month of December and now January, the demand in Gujarat was close to 18 lakh tons or over 18 lakh tons, while the average of the year was around 16.5 lakh tons. So we have already seen traction in the demand and even now the way demand is going in January in Gujarat, I think, they will touch 19 lakh tons demand while the prices are one of the lowest in last probably a decade or so. That is the situation. So, I think these are all the kneejerk reactions to the new capacity that I added. During last one year, the capacities of the existing players which have (Inaudible) 24:12 our handle which has consolidated a new line now. We have put up a grinding unit in Surat of 1.3 mt. Now ABG has also started their operations. So, I think that is the typical market reaction to a new capacity addition. So I think it should settle down sooner than later, but again it is very difficult to predict as to when it will really happen. So I think in first time the rationality of the demand and prices do not hold true.

Ankit Fitkariwala: Sir, in terms of what we are hearing from other players as well, the demonetization impact is probably maximum in the North, right. So if you can just throw some light based on your calculation this quarter, the industry Q3 and if you can give some sense on Q4, what was the industry demand growth and what did we do in that market?

Management: The industry demand growth in North was definitely negative and negative to our calculation, though we do not have our data collection now, but whatever we get sense on the market based on what is the arrival, I think there was a drop in demand in the third quarter in the North and Gujarat combined, it was close to 7%. In any case, definitely it was minus compared to. The East has witnessed slight growth of about 2%, but by and large, the markets remained subdued, and the biggest killer was of course the demonetization. My own theory is that the retail segment in the North if I were to exclude the retail the infra and the organized buying, in any case in the last one quarter or two quarters, the realty sector buying has gone down. So more and more dependence on the retail segment and retail segment is heavily cash. If I see the same thing in West and South, there the realty sector is much higher and also the infra has been higher. Therefore, the demonetization impact was not that severe as compared to what it was in the North. Even otherwise in the market, the impact of demonetization was less severe in South and West compared to what it was in the North and East.

Ankit Fitkariwala: Got a bit confused on this power capacity at Durg. So, now we are planning 20 MWs of new thermal plant at Durg. If you can give the CAPEX number for that? Secondly, the overall CAPEX with the captive Waste Heat Recovery that we are planning there?

Management: Waste heat recovery of 7 MW is there at Durg which is under implementation, is about Rs.90 crores, and 20 MW of thermal plant Greenfield at Durg will be about Rs.120 crores.

Ankit Fitkariwala: We are planning waste heat at UC…?

Management: Yes, about 4-5 MW depending on…

Ankit Fitkariwala: That CAPEX will also come in FY18?

Management: It is under advanced stage of completion, so it should be operational by June only. So major CAPEX would have happened already by March 2017.

Management: When somebody raised the question of absolute prices in the last quarter and the corresponding prices in the last year, while in this particular quarter, we have seen a decline of nearly Rs.60 a bag for eastern market, while in the Gujarat market, we have seen a decline of about Rs.20, while in the northern market, prices have been higher by about Rs.10 a bag.

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

Ritesh Shah: Sir, our clinker capacity is significantly high as compared to the grinding capacity, it is 1.5 and 1.8. So, we will have surplus clinker over there I am assuming so. So, are we looking to contract any grinding unit in East, specifically Cuttack is not going ahead for the time being?

Management: As I mentioned in my opening remarks, we are going to increase the Durg grinding capacity itself from 1.8 to 2.7. That should balance out the clinkerization and grinding.

Ritesh Shah: So nothing on the contracting side for the time being?

Management: We are on the lookout, as and when it fructifies, we will let you know.

Ritesh Shah: Sir, second, can you please just give a broad color on the CAPEX numbers including WHR 20 MW CPP conveyor belt and debottlenecking just to review our numbers?

Management: Basically, the CAPEX in Durg which will be required for balancing would not be substantial, would be about Rs.30, 40 crores only. As regards the thermal power plant, as I mentioned in response to earlier question, is about Rs.130 crores and Rs.90 crores for the Waste Heat Recovery.

Ritesh Shah: Sir, for conveyor belt, is there any pending CAPEX?

Management: Conveyor belt, I think, out of 5.5 Kms, 5 Kms have already happened, that gap was therefore 0.5 kilometer. So, CAPEX would not be much other than the normal Rs.15, 20 crores.

Ritesh Shah: Sir, by when the conveyor belt commissioning is expected?

Management: There were some issues in the land acquisition for that 0.5 kilometer, that is nearly sorted out, so maybe in another 4-5 months it should be operational, latest-to-latest, by October, we feel that should be there.

Ritesh Shah: Sir, incremental CAPEX at UCW?

Management: UCW would be about Rs.90 crores, earlier we had planned of about Rs.700 crores, now it is going to end up close to about Rs.790 crores or Rs.800 crores.

Ritesh Shah: Around Rs.90 crores p.a., correct?

Management: Not, per annum. This is for the project completion. We had talked of a project cost of Rs.700 crores, now it is likely to be Rs.790 crores. It is additional Rs.90 crores, out of which Rs.50 crores will be loan and Rs.40 crores will be additional contribution by JK Lakshmi, (Inaudible) 32:38 Rs.150 crores already put in by JK Lakshmi out of Rs.700 crores as per the original scheme.

Ritesh Shah: Sir, UCW plant does not have a WHR or CPP, is that correct?

Management: It is going to have 4, 5 MW of Waste Heat Recovery. As I mentioned in my opening remarks, the surplus of 18 MW which is there in Sirohi, our JK Lakshmi plant will be used for meeting the balance requirement for Udaipur. That is why we are not moving that plant from, which was earlier planned from Sirohi to Durg, and Durg is going ahead with its own thermal plant.

Ritesh Shah: Sir, the cement volumes that we push out through UCW, will it be carrying the JK Lakshmi Pro+ brand, or will it be a separate branded product?

Management: We will let you know as and when it launches production somewhere in March, April.

Moderator: Thank you. The next question is from the line of Sanjeev Singh from Emkay Global. Please go ahead.

Sanjeev Singh: Just wanted to understand from where we have seen cost savings in this quarter? So, if I see then we have seen significant cost savings in raw material cost as well as in other operating cost. So can you give me the reason for that?

Management: Raw material cost is because some trading has been lower, but #2, as far as other expenses are concerned, the Pet Coke prices have been lower as compared to last year by almost 8% last year, in the corresponding quarter, it was Rs.6,100, this year it has gone up to about Rs.5,600, and other normal operational cost reduction has helped us apart from improvement in the efficiencies. Maintenance CAPEX has also been lower slightly in this quarter so which has resulted in the lower expenses.

Sanjeev Singh: So should we assume that other expense per ton will be in the range of around Rs.500, Rs.600 per ton going forward or is it sustainable?

Management: No, it will be slightly higher in the coming quarter, it would not be at this level.

Sanjeev Singh: Can you also give me RMC revenue for the quarter?

Management: Yes, it is around Rs.30 crores as compared to Rs.39 crores in the corresponding quarter of last year.

Moderator: Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: So, in terms of Gujarat market that constitutes almost 35% of volume for our northern operations, just wanted to understand what is the strategy in terms of diverting some of the volumes from that market to other market, or we will continue to stick with that market given the market share, etc., If you can just broadly highlight given the prices that you are seeing is not very remunerative.

Management: Yes, we always make a trade-off net of the freight, where it makes sense more to sell more, but also in the same pace, I am saying we would also like to stick around at least some percentage wise, if my realizations are better, I do not want to 100% move out of that market, it is better to be there at least though we may reduce the share, but to recapture, takes time, because the realization drop is temporary and it will get sooner than later back to those levels. Then if we have 100% moved out and it becomes difficult to get your share back. In spite of that, some portion will get moved elsewhere, but we will retain, try to at least have some share continue to be there in Sirohi. Regarding Gujarat market, cannot move altogether out, just because realizations are much better as well. But having said that, some diversion would definitely happen.

Rakesh Vyas: So, at what utilization Surat is operating sir?

Management: Surat has started only in this quarter, so this quarter has been first quarter of its operations, so the capacity utilization was lower there, but it is gradually going to pick up depending on the demand.

Rakesh Vyas: Clinker production?

Management: Clinker production was about 15 lakh tons. Yes.

Rakesh Vyas: East still will be operating at what utilization?

Management: East is operating almost at full capacity utilization; it was about (+90%) in this quarter.

Rakesh Vyas: Sir, what was the clinker production if you can just give that number?

Management: Clinker production was basically 3.23 lakh tons as far as this quarter is concerned in Durg and about 11.78 lakh tons in Sirohi, it was about 98% capacity utilization as far as Sirohi is concerned and about 87% for the Durg.

Rakesh Vyas: What was it second quarter sir?

Management: Second quarter was about 90% for Sirohi in the corresponding quarter and 93% in the immediate preceding quarter. Similarly, as far as Durg is concerned, it was about 88% in the corresponding quarter and immediate preceding it was 54%.

Rakesh Vyas: Sir, what is the traded volume this quarter? You said volumes were lower this quarter in terms of trading.

Management: Trading, I will come back to you on that.

Rakesh Vyas: Can you just highlight what is the gross and net debt currently?

Management: It is about Rs.2,000 crores of gross debt and about Rs.1,500 crores of net debt.

Rakesh Vyas: What is the debt now at UCWL?

Management: UCWL is Rs.525 crores.

Rakesh Vyas: This will be the peak debt?

Management: That is peak, but working capital may go up.

Moderator: Thank you. The next question is from the line of Akshit Gandhi from Kotak Mutual Fund. Please go ahead.

Akshit Gandhi: What was the capital expenditure in last nine months?

Management: About Rs.100 crores only.

Akshit Gandhi: Last quarter we had indicated we will do CAPEX of Rs.200 crores this year. So should we expect around Rs.100 crores to be spent in this quarter?

Management: If not entire Rs.100 crores, at least Rs.70, 80 crores would definitely be there.

Akshit Gandhi: One thing we had indicated that we have repayment of roughly Rs.200 crores per annum. So as you indicated that working capital may go up, so then this Rs.2,000 crores gross debt will we be repaying, let us say, Rs.100 crores or Rs.200 crores or will we be rolling over the debt?

Management: We are going to repay about Rs.100 crores. Rs.200 crores is as per the repayment. Working capital has nothing to do with the repayment of debt. So out of the total Rs.2,000 crores, about Rs.400 crores is the working capital and Rs.1,600 crores is the gross debt long term I mean. So, that is Rs.1,600 crores, while Rs.400 crores remain may marginally go up depending on the level of operations at which we operate in the coming quarters. But as far as long-term debt is concerned, out of Rs.1,600 crores, Rs.200 crores gets repaid every year.

Akshit Gandhi: So, by March end, we expect this number to be around Rs.1,400 crores?

Management: But it will increase to the extent of the new CAPEX loan for the new CAPEX for the Waste Heat Recovery as well as the new thermal plant. Whatever we draw by March, to that extent, Rs.1,400 crores will undergo change.

Akshit Gandhi: Also, currently what is the rate of interest on blended basis for this overall Rs.2,000 crores?

Management: Separately, it is around 9.5%, we do not have any foreign currency loan, it is entirely rupee loan, so Rs.1,600 cores, it is about 9.5%, and then for the working capital, we are mostly doing it through CPs, buyers' credit and LCs, etc., So there it is coming to about 6.5% as far as working capital is concerned. What we have done also in the month of January we have raised another Rs.300 crores in first week of January basically through NCDs, which we have contracted at cost less than 9% repayable at the end of three, four, five primarily to refinance or prepay some of the existing loans which are having cost of about 9.7% or so. So, it will have 1% interest advantage when we use this Rs.300 crores to prepay which we have already done in bits. So this entire Rs.300 crores will get utilized in this quarter. It will have an impact of reducing interest by about 1% on that Rs.300 crores out of Rs.1,600 crores.

Akshit Gandhi: We had indicated that our trade, non-trade mix is roughly 80% in the East and in North, it is around 50%. So, how would that have changed over September to let us say last quarter December?

Management: Quarter-by-quarter, it does not change substantially, some few decimals percentage points maybe only.

Akshit Gandhi: Is it fair to say that currently whatever the volumes are happening in Gujarat or let us say the North and the East markets where we are there, it is happening more on the non-trade side, so the realizations could be under more of pressure versus the last quarter?

Management: Yes, because this quarter, the volumes especially in the retail segment took a hit because of the demonetization, non-trade is not impacted so much as retail or the trade as we call it by the demonetization, so, yes, what you are saying is right.

Moderator: Thank you. The next question is from the line of Hiren Dasani from Goldman Sachs Asset Management. Please go ahead.

Hiren Dasani: Just on your earlier comments about Gujarat demand growth, I think somebody mentioned that it is about 1.8-1.9 mt per month. At that level what do you think would be the capacity utilizations for the players in that region?

Management: Mr. Chouksey has left the call, so as far as Gujarat is concerned, there has been a drop in the… as he mentioned in the offtake as well as the demand because of that. So, capacity utilization, average was about 69% for us. That is blended for North as well as Gujarat taken together, it may be slightly lower for Gujarat.

Hiren Dasani: No, my question was, let us say for the newer players like ABG and the…?

Management: Initially, the capacity utilization takes time to ramp up, so it maybe even lower.

Hiren Dasani: In other words, do you think that the pricing in Gujarat market will remain subdued even if let us say the demand were to continue growing at 8-10% or…?

Management: Realization has a direct impact whenever there is a pick up in the demand. So, it is not that the prices do not move up, they do move up, but the ability for the firms to jack up the capacity always remains. So while if 10% growth in demand if happens North, in fact the elasticity for the realization is much more in North as compared to in Gujarat, where because as you rightly put in, the ability to jack up the capacity utilization is. So elasticity is less in Gujarat as compared to elasticity of the prices to the demand in North.

Hiren Dasani: Other than ABG and Sanghi, are there any other capacity increases which are in pipeline…?

Management: Not much.

Hiren Dasani: On the CAPEX side, Rs.200 crores this year which you mentioned is on the standalone side, right?

Management: Yes, only on standalone, whenever we give numbers, unless specifically mentioned, it is all pertaining to the company only.

Moderator: Thank you. The next question is from the line of Milind Raginwar from SBICAP Securities. Please go ahead.

Milind Raginwar: Sir, for our East facility, we said that we will be going on with currently the Durg expansion only. So, what would be then the status at Odisha?

Management: Odisha we are going slow, because of this additional capacity which we are putting in, we have not just given up Odisha, we are going slow on that facility. So as and when it commences, either it will marginally increase the clinkerization here which we have the capability of increasing the clinkerization. Without adding any separate kiln by some balancing, we can increase it from 1.5 mt to if not more at least 1.822 mt and take care of that additional requirement of clinkerization for the Odisha as and when it comes. But the positive thing there in is that whatever hindrances was there which were hampering our work, have all been removed. Depending on the demand, we can maneuver the pace of the implementation of the grinding unit at Odisha.

Milind Raginwar: Just to confirm our 2.7 capacity at Durg would be operational…?

Management: By March 2017.

Milind Raginwar: Sir, back to a few line items in the results, our other expenditure has fallen this quarter?

Sudhir Bidkar: Yes, somebody had asked me earlier, before the con call there has been a gradual decrease in the expenditure sequentially from first, second and third quarter. What happens? When we start the year, we do some budget exercise that this is likely to be on a budget for the whole year for various operational expenses, be it maintenance expenditure, other OPEX or the marketing budget. So, we keep a provision all in these initial few quarters and going forward, as we see actually if they are lower, then we adjust that in coming quarters. So that is one of the reasons apart from the lower maintenance OPEX which has happened in this quarter.

Milind Raginwar: If we continue with the trend, the March quarter would see another decline in the…?

Management: No, it may not, depending on the actual OPEX that happens in that quarter, it maybe the average of the three quarters, I would not say it will further in the same way get reduced from the third quarter, but let us put it, whatever is the average for the first three quarters should be there for March.

Milind Raginwar: Because sir if I am looking at financial year '16, the trend was exactly reverse; the first half was lower other expenditure and second half there was another expenditure spike. This time what we have done is the first half there was an increase; and second half, we are seeing other expenditure going down. That was the reason I said whether the fourth quarter would see a decline.

Management: I do not see the magic decline there in.

Milind Raginwar: Lastly, power expenditure has been 6% on per ton basis has gone up. So, is it purely because of Pet Coke or…?

Management: Yes, primarily Pet Coke.

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

Devvrat Mohta: I wanted to know what is the total CAPEX that has been spent on the UCWL for this year and what is remaining?

Management: Remaining total CAPEX is going to be there, as I mentioned in response to earlier question is about Rs.790 crores. So, we would have already done close to about Rs.670-675 crores.

Devvrat Mohta: So remaining Rs.120-odd crores will be done between now and March?

Management: Yes.

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

Ashish Jain: Sir, just wanted to ask what is the CAPEX for fiscal '18?

Management: CAPEX for fiscal '18 would be about Rs.70, 80 crores in the normal, plus about Rs.150 crores should be there for this new thermal plant, so, maybe close to about Rs.175-200 crores would including the normal CAPEX.

Ashish Jain: Previously, I think you indicated that prices in East on YoY basis are down around Rs.60 per bag and still we indicated that East is now EBITDA-positive for us. So what are the key line items where we have seen significant cost reduction, because last year this time you were making EBITDA losses in East? How much more can come in your view, let us say, two years down the line as and when all the power plant and etc., is commissioned in East?

Management: We are off by almost Rs.200 as far as power is concerned without there being any own captive power. So that is a big opportunity which should be there once by October '18 as I mentioned when our thermal power plant comes in because the cost differential is huge. While we are having to source from the grid at Rs.7.30, my expected cost from this thermal would be Rs.5.30 including interest depreciation, and from Waste Heat Recovery, it will be even lower; about Rs.2-2.5, because operational cost is not there at all barring Rs.0.50, only interest depreciation is there. So, if one were to talk the impact on EBITDA would be huge going forward once these both plants come in. Otherwise efficiency wise, some improvement always happens because of this quarter having good capacity utilization as compared to North, Eastern, capacity utilization was much higher, while North was about 65%, 69% in between, East was (+90%), so, that has also helped us to improve the efficiency parameter in Eastern plant.

Ashish Jain: From the conveyor belt, what kind of cost reduction can we see whenever it gets done?

Management: We should see about Rs.35-40 per ton because right now it has to be moved by road only. So that should help us.

Ashish Jain: So, beyond power and conveyor belt, is there anything else that we are targeting more from strategic point of view? I know operational efficiencies can give coming through but something which is very obvious to you like a conveyor belt or the power thing?

Management: Strategically, one thing which is still left is the railway siding. That is going to be another cost saver, but as of now, since the entire 2.7 million grinding is coming at this place only, railway siding was not initially required as was earlier when we had split location plants earlier, as per the original plan, we had only 9 lakh ton capacity here and two grinding units of 9 lakh ton as well. But for various reasons, finally, we have decided going with 27 lakh tons here at Durg itself. So, railway siding, going forward, as and when we go for expansion here at Durg would be obviously required and that should strategically reduce some cost especially the logistic cost going forward.

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

Abhishek Jaiswal: Sir, what is the current Pet Coke cost in this particular quarter?

Management: The blended cost was about Rs.5,600 as compared to Rs.6,100 in the corresponding quarter last year and Rs.5,100 in the immediate preceding quarter.

Abhishek Jaiswal: Where do you procure Pet Coke sir – it is domestic purpose or you just import it?

Management: We are doing both from domestic as well as import also.

Abhishek Jaiswal: Do you have any reserves of Pet Coke which you will fuel plant for the next quarter in Q4?

Management: Normal stock is there, there is not that we are carrying huge stocks of lower price inventory, we are not having that as such.

Abhishek Jaiswal: So, sir, can we expect any surge in the power and fuel costs next quarter?

Management: Obviously, it should happen.

Abhishek Jaiswal: Because that is high right now, so if you can need to buy from this particular point where fuel is much more higher as compared to previous quarters?

Management: Yes, you are right, the prices are likely to be higher in this quarter.

M**oderator**: Thank you. The last question is from the line of Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.

Abhishek Ghosh: Once our Surat kind of ramps up, would we kind of whatever we were supplying from our Northern units to Gujarat markets, will now be doing it from Surat unit and that is why lead change from the current level, is there a possibility?

Management: That is the very purpose of putting the split location grinding unit that to reduce the lead, but unfortunately Gujarat volumes have shown a decline, there has been degrowth, it is a temporary phenomena, we are not sure on that, but going forward, yes, this will result in the lead being lower.

Abhishek Ghosh: There have been some media articles today stating there is a ban on Pet Coke usage in Delhi. Have you heard anything on those lines?

Management: Yes, there has been some ruling, we are studying it, I have not fully seen that order. So I am not in a position to respond without seeing it.

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

Vaibhav Agarwal: Yes, 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. You may now conclude the call. Thank you very much, sir.

Management: Thank you, everyone. Thank you very much to 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.