JK LAKSHMI CEMENT Ltd.

JKLC:SECTL:SE:19
27th May 2019

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 24th May 2019 at 4.00 p.m.

In continuation of our letter dated 24th May 2019 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)
Sr. Vice President &
Company Secretary

Encl: a.a.

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"JK Lakshmi Cement Q4 FY19 Conference Call"

May 24, 2019

MANAGEMENT: **DR. SHAILENDRA CHOUKSEY – WHOLE-TIME DIRECTOR**
MR. SUDHIR BIDKAR – CHIEF FINANCIAL OFFICER

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

Moderator: Good day, Ladies and Gentlemen and welcome to the Q4 FY19 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 '*' and 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: Thank you Margaret. Good evening everyone. On behalf of PhillipCapital (India) India Private Limited, we welcome you to the Q4 FY19 and FY19 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 will now hand over the floor to the management of the company for opening remarks followed by interactive Q&A. Thank you and over to you, sir.

Management: Good afternoon this is Chouksey and I welcome you all. You would have all see the numbers. Speaking about the quarter, we got a healthy jump in our volumes and on 12-month period also we could muster a production growth of 16% and 15% in the sales. As a result of our turnover, the net sales were about 1,172.46 crores in this quarter which was a 31% jump on the corresponding quarter and 12-month-period ending 31st March we saw a net sale at 3,882 crores as against 3,412 crores which was a 14% jump.

In terms of our PBIT numbers that of course we would have all seen was including the other income was about 147.84 crores as against 127.64 crores it was a 16% jump in the quarter. The **s**figure for the entire year was 471.26 crores as against 479.46 crores which was (-2%). This decrease was mainly on account of fall in the other income which fell down on the year from 68 to 56 crores so 12 crores fall in our other income. The rest of the figures are there and we can now start taking the questions that any of the participants may have.

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 HDFC Securities. Please go ahead.

Rajesh Ravi: Sir few book keeping questions first in terms of what was the RMC revenue in this quarter and in terms of if there was external clinker that was required to be sourced for such strong volume growth?

Management: The RMC for the quarter stood at 41 crores and for the full year it was 163 crores and what was your other question.

Rajesh Ravi: What was the clinker production, what was the clinker external requirement if there was in this quarter?

Management: In this quarter apart from using some of the inventories which was lying as of 31st December we also did purchase some clinker.

Management: We have produced about 17.42 lakhs of clinker in this quarter.

Management: 1,53,000 tons.

Rajesh Ravi: 1,53,000 is what you purchased externally.

Management: Yeah.

Rajesh Ravi: Was there any clinker sale also at some of your locations?

Management: Yeah, we sold some clinker in our Eastern operations it is 2.09.

Management: The total is about 2.09 lakh tons.

Rajesh Ravi: This was clinker sales?

Management: Yeah.

Rajesh Ravi: And you had to purchase 1.5 lakh okay and sir going forward FY20 what is the growth visibility that you are looking upon you have surplus grinding capacity, but obviously clinker you had already operating at peak at both the locations so what would be your growth strategy sir?

Management: Our growth strategy even in this year we see the entire 12 months the total clinker that we sold during the year was about 2.16 lakh tons and majority of which was sold in the last quarter. Total clinker that we sold in the year was about 9.56 lakhs tons. So, we hope that our clinker sales will be reduced to bare minimum during the quarter. We also intend to improve our branded sales so further growth we are expecting almost 10% should come out of these two sectors.

Rajesh Ravi: And your blending OPC, PPC mix would be at what level FY19 and what level you expect them at in 20?

Management: In this year the total blending cement that we did was about 65% combined from both the units and we will certainly would see a some improvement into this. We are hoping that we likely to do about 70%, but let us see where do we reach by during the year.

Rajesh Ravi: And any volume growth guidance you may want to work us with?

Management: Even if we stop this 9 lakh ton of clinker and the some improvement in the grinding ratio I think we should be looking at about 8% to 9% growth in our volumes, but it will also depend on how does the market plan out, is it because we have seen market is not the demand very conducive in the first two months of the year, so we have lost one-sixth of the year by not such a healthy growth.

Moderator: The next question is from the line of Anupam Goswami from Stewart & Mackertich. Please go ahead.

Anupam Goswami: Sir why do you see the pricing trend in FY20 and what was the price hike in your region in Q4 as well as in April and May?

Management: In Q4 we have not seen any noticeable price hike in fact in the North we have seen some price decline only in our major market that is in Gujarat we saw some decline. We have only seen a price improvement in the month of April, but the previous quarter there was hardly any price increase.

Anupam Goswami: How much price improvement in UP?

Management: Well it is still stabilizing so rather early in the day, but I think we have taken about Rs. 30 price increase in the Northern markets.

Anupam Goswami: And sir when do you see the price trend in FY20 will that be sustaining or will that be in the current level only?

Management: You see if anything in FY20 the demand supply equation should be better than what it was in 19 and 19 was better than what it was in 18. So, in these two period the overhang supply has reduced already by about 8% to 9% and going forward we expect that demand-supply overhang to reduce further by about 5% and that should bring it this week some pricing improvement. So, East we have not seen much of a price improvement especially in the state that we operate in Chhattisgarh. So, we are getting our hopes that Chhattisgarh too will see a price hike, but I think that should depend on the how does the demand from the government-led initiatives come in the year. Now that the BJP government in place I think the hopes are quite buoyant that all those projects the infra projects which were taken by this government in the previous year should continue and probably with a greater tempo as that should see a good demand growth but it is rather early in the day to really to form an opinion.

Anupam Goswami: How much volume numbers can you give thee volume number for cement as well as clinker production?

Management: Clinker production for the year earlier just now mentioned was about 64.5 lakh tons that is about 6.45 million tons.

Anupam Goswami: And sir in this quarter?

Management: This quarter was about 1.74 million tons.

Anupam Goswami: So, this is the clinker, right?

Management: Yeah, we are talking of clinker only.

Anupam Goswami: And cement sir?

Management: Cement in this quarter we produce about 2.62 million tons and year as a whole about 8.35 million tons.

Moderator: The next question is from the line of Jimesh Sanghvi from Principal Asset Management. Please go ahead.

Jimesh Sanghvi: Can you share the clinker production breakup in terms of region wise as well as North as well as East as well as the sales volume on a region wise basis?

Management: We do not give the region wise just share only the company whole number both for production and sales.

Jimesh Sanghvi: And any guidance in terms of clinker production growth that you can share for next year or probably it should be somewhere around the same levels?

Management: It should be by and large similar to what we produce last year except for some debottlenecking which may take place in our Easter operations that will be very minor.

Moderator: The next question is from the line of Sajan Didwania from Frontline Capital. Please go ahead.

Sajan Didwania: I was just looking into EBITDA margin I have seen this cost of goods sold in this quarter is very high somewhere around 28.9% against the same compared to around 22% to 24% in the previous quarter, what is the reason about that sir?

Management: Generally, this quarter we had purchased clinker from outside that resulted in that cost of goods sold increasing in this quarter.

Sajan Didwania: That is why sales revenue is also very high.

Management: Yeah.

Sajan Didwania: So, is it going to continue like this or some changes we will be seeing like producing our own clinker in the coming quarter?

Management: In fact, as Mr. Chouksey mentioned as in the beginning that we sold about 9 lakh odd clinker during the year that we may not do and that will help us to increase our own volumes. But yes, from the market and production and sales where rationalization we may do some purchase and sale both from our different grinding unit so also from our subsidiary, Udaipur.

Sajan Didwania: As because the margins on the clinker sales purchase will be much lesser that is why our margins EBITDA margins also could not improve much?

Management: On the purchase clinker if you were to leave aside that sales on the purchase clinker then there has been an improvement.

Sajan Didwania: Can I get that figure sir only revenue from cement raising this clinker?

Management: It is about 1.53 for the quarter and about 2 lakh tons of clinker purchase during the year.

Moderator: The next question is from the line of Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.

Dheeresh Pathak: Sir just taking the last question forward, so we sold 9 lakh clinker of our own and we brought 2 lakhs from outside so why is there an imbalance can you just walk me through the regional imbalance that you have in your clinker sources?

Management: Imbalance sorry in what sense?

Dheeresh Pathak: You are buying from third party 2 lakh and you are selling yourself 9 lakhs why do you have to buy from outside when you are selling yourself clinker surplus?

Management: It is to cater to different regions. So, if I may have some shortfall in clinker either due to logistics or due to our availability in the North while I may have a surplus in the East where I can sell it in the market. So, these two decisions are not depended on each other so they are absolutely independent.

Dheeresh Pathak: North clinker capacity is 6 million tons, right?

Management: Sorry.

Dheeresh Pathak: The North, Sirohi and Udaipur combined clinker capacity is 6 million tons so that is running at 100% utilization?

Management: Kiln operations at all the three places are running at nearly 100% capacity utilization.

Dheeresh Pathak: And you have more demand therefore you have to buy from outside for the North operation that 2 lakh that you bought from third party for the year is that your reputation?

Management: Yeah.

Dheeresh Pathak: Sir, can you just share like at what is the price on an average that you paid for this on a per ton basis that you paid for these 2 lakhs?

Management: We paid the market price we have not done anything whatever was the market price we paid.

Management: See it varies from month-to-month.

Dheeresh Pathak: On an average sir roughly what would be this right now or let us say right now what would be the clinker buying, selling price in the North?

Management: Right now, the clinker price has short up considerably because in April by March and most of the cement companies exhaust their surplus clinker and currently the price are quite high, they are at about a price of 2800 to Rs. 3000, but last year the month the quarter what I have started with a price of about 2200 to 2400 and would have been gone up to Rs. 3000 by last year of the quarter.

Dheeresh Pathak: This is per ton of clinker not cement equivalent?

Management: No per ton of clinkers.

Dheeresh Pathak: And your own production cost of clinker at your own factory would be how much lower than this?

Management: We produce clinker at about 1700 on an average if I consider the three units while the selling price or the purchase price will vary as I mentioned to you from time-to-time. So, if I were to see the last quarter started anywhere around 2200 ended at about Rs. 3,000.

Moderator: The next question is from the line of Chandra Govind from Ashmore. Please go ahead.

Chandra Govind: Sir what was the volume for the year cement volume sales?

Management: Our cement volume for the year was 8.4 million.

Management: Excluding clinker**.**

Chandra Govind: Will this includes Udaipur Cement Works also?

Management: This is only for Lakshmi.

Chandra Govind: What was the number for Udaipur Cement?

Management: Sorry I will correct that the total cement sales for the year was 8.70 million or 87.02 from Lakshmi. This does not include the clinker additional clinker sold was as we mentioned earlier in response to earlier question was 9.56. So, total sales including the clinker sales for the year was 96.58 lakh tons Udaipur is extra.

Chandra Govind: What was the number for Udaipur?

Management: Udaipur we sold about for the year was about 16.54 lakh tons.

Moderator: The next question is from the line of Mitesh Shah from OHM Portfolio. Please go ahead.

Mitesh Shah: So, what is our trade, non-trade mix currently for the full year FY19?

Management: It would have been around 55% trade and 45% non-trade.

Mitesh Shah: Sir as you mentioned the North prices have been risen by Rs. 30 in probably quarter 1 FY20 the similar is the case of non-trade side?

Management: Yeah, more or less similar, we have about Rs. 5.

Mitesh Shah: And how has been the pricing improvement on the East market for the Quarter 1 FY20?

Management: In East we see there a mixed bag Chhattisgarh did not see any improvement whatever improvement in the price where they have to take place in the month of March about Rs. 7, Rs. 8 a bag, but in first quarter we have not seen any price improvement in Chhattisgarh, but the states of Orissa, Jharkhand and Bihar there was a price increase of about Rs. 30.

Mitesh Shah: And how much would be Chhattisgarh composed of our total sales?

Management: It is almost 55% or 57% of our total sales is on Chhattisgarh.

Mitesh Shah: Of East only or total?

Management: East.

Moderator: The next question is from the line of Prayatn Mahajan from Kotak Securities. Please go ahead.

Prayatn Mahajan: Sir, just two questions first of all is on the cost we experience substantial decline on a per ton basis, is it fair to assume that these cost savings are permanent especially in power and fuel and freight?

Management: Well actually the fuel and trade the prices had reached a sufficiently high level so we are not expecting much of a change in this quarter minor changes if at all. In the East, we did not see that much of a increase because we were sourcing coal there are dependence on coal is increasing which we had entered into on an auction price which is stable for the next two, three months.

Prayatn Mahajan: Sir it is fair to assume that we can contain cost at these levels going forward?

Management: Yeah, I think that is the efforts and everything is not in your hand especially the petroleum price go up and the petcoke we are in the North we are dependent on the petcoke and petcoke price also determine than the imported coal price also. So, in the Northern operation our dependent is higher on either import of petcoke or coal which both are slightly volatile being dependent on the petroleum side. In the Eastern side the costs are probably more stable because there the fuel is based on our domestic coal. So, I think where the stability is better. Besides by end of this quarter we should be commissioning our thermal power plant also we should also bring about a stability in our price in the power price is in the Eastern operation.

Prayatn Mahajan: Just one more question is around your CAPEX plans it was mentioned in the presentation that we are just about to commission the thermal plant as you mentioned in the capacity are there any other plans on going forward in terms of CAPEX?

Management: We have also mentioned about our grinding units at Cuttack which have actually seen the light of the day by now, but because of that Cyclone Fani in Orissa that got slightly delayed by about 2 months.

Prayatn Mahajan: Any other CAPEX plans which you have in mind or the company has a plan around these adding up new capacity?

Management: Nothing substantial to talk which is going to fructify shortly.

Moderator: The next question is from the line of Prateek Desai from NMV Securities. Please go ahead.

Prateek Desai: Sir, my question is what were the average petcoke prices for the quarter the current quarter?

Management: The total cost fuel cost blended cost was about for the quarter Rs. 8,073 which was about Rs. 500 higher than 7,500 in the corresponding quarter. Overall, for the year was about 8,300 up by 17% from 7,100 in the last financial year.

Prateek Desai: Sir what is our current debt situation?

Management: Debt you would have seen debt has gone down significantly our debt equity ratio has also improved from 1.39 to 1.06 as of end of the year. So, total debt as of now as at the year-end which is about 1600 that is on a standalone basis and including the subsidiary is about 2,150.

Prateek Desai: When will you expect Orissa grinding unit because you said now cyclone fani has affected that grinding unit?

Management: That is happening in the second quarter of this FY20.

Moderator: The next question is from the line of Abul Fateh from GeeCee Holdings. Please go ahead.

Abul Fateh: What was the fuel mix in Q4 in FY19 in terms of petcoke, imported coal and domestic coal if you can share that number?

Management: Total petcoke usage in the quarter of about 78% it was higher in North primarily because we are using almost close to 90%. Overall for the year was about 80% pet coke and for the company and 16% coal and 4% of that.

Abul Fateh: I am just saying what was the pure cement realization in terms of per ton in Q4?

Management: We presently have a consolidated figure of 7-ton clinker.

Abul Fateh: I am just thinking if you have the number for cement purely for cement in Q4 and Q3 to get a trend on how the realizations have moved sequentially.

Management: Right now, we do not have you can take it offline.

Moderator: The next question is from Piyush Goel from India Capital. Please go ahead.

Piyush Goel: My question is how much debt did you repay in this quarter and what is the debt repayments schedule for next one year or so and second question is that you have taken a board approval for 500 crores NCD capital raise, so what is that over and when do you plan to raise that?

Management: We have a total repayment we did about 200 crores last year and about 280 crores is due for repayment next year that is as far as JK Lakshmi is concerned. As regards the approval which you have taken for the NCD it is the only an enabling resolution because of this SEBI there is a regulation which has come that any company having a AA plus rating at least 25% of their incremental long term borrowings have to be met for the market. So, there may be a possibility of we raising some money so out of that especially something has to be from the capital market for that approval of the shareholders is required. So, this is only anonymous approval which we have taken. We have not necessary utilize it depending on our future fund raising plan, but as of now it is only enabling do not have any concrete plants to raise those NCDs as of now.

Piyush Goyal: So, is it fair to assume that when you pay these 280 crores next year you would not be replacing it with new debt?

Management: We do not pay it will be made out of the cash flows future cash flows only we do not do that additional borrowing to repay the loans.

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

Swagata Ghosh: First is you mentioned that you do not have any significant expansion plans in the near term, but I just want to understand that whether we are having sufficient limestone reserves or land parcels so that whenever we decide to we can move like really fast on this, any color on this would be very helpful?

Management: I think we spoke on this in one of the earlier meetings even the concall that we have sufficient limestone at all the three locations which is amenable for at least one kiln at each of these three locations which will not take really much time it is usual about 20 month or so. So, once we are more confident on the marketing operation the demand in the market more stabilize, we can start in a short timeframe.

Swagata Ghosh: Second question is sir what are some of the internal measures you are talking to improve profitability because we hear other companies taking various measures either on the realization front or logistics front so want to understand I understand the captive power plant will help you reduce some cost beyond that what are the other measures if any?

Management: Well we are already in the midst of an exercise to optimize our logistic cost we have got some benefits last year and going forward I think we shall see more benefits accruing out of the measures that we have already initiated, we also have drawn plants for another waste heat recovery plant and other measures are also there in anvil for improving. Though we are already fairly every efficient in terms of the power and fuel consumption, but we are drawing further plans to take our consumption norms for the next levels. So, we are working on some of these measures and hopefully the coming time we will see a much more efficient and probably better realization and lesser cost of production.

Participant: With very quick question with the Chhattisgarh you said that pricing has not improved there as compared to the other Eastern states is it because of the government intervention or is it just a demand supply dynamic did not help in the price increases?

Management: One of the reasons was that if there was a change in government and when we had made an attempt to increase the price, they made some reservations. They wanted to understand they are taking some time I am hopeful that in the near future things may improve there, but let us see it is early in the day again.

Moderator: The next question is from the line of Sajan Didwania from Front Line Capital. Please go ahead.

Sajan Didwania: Sir can I get the numbers of JK Udaipur like I believe this year also the profits have been reduced in the consolidated numbers by around 40 crores due to Udaipur, so what type of sales and EBITDA we got in FY19 sir from Udaipur?

Management: As I mentioned earlier, they did total sales of about 16.42 lakh tons to be precise. They are basically that was a second year of operations so they are catching up and the fourth quarter they were cash positive and we see them contributing substantially on EBITDA as well as the bottom line in the year FY20. Last year we were not able to cover their full interest, but next year we are hopeful in the black only.

Sajan Didwania: FY20 we can see the black or in FY21?

Management: FY20 we see them back in the black.

Sajan Didwania: They were profit positive?

Management: PBT positive.

Moderator: The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: First of all, I miss the per ton fuel cost number for this quarter can you repeat that please?

Management: 8000 per ton fuel cost for the quarter as against.

Rajesh Ravi: 8000.

Management: 8,075 and it was 7,500 in the corresponding quarter of the last year. For the year as a whole it was about 8,300 as against 7,100 in the previous year FY18.

Rajesh Ravi: In terms of Udaipur Cement I see for the full year it has made a EBITDA of around Rs. 250 per ton and it is at peak utilization like 1.65 would be the peak utilization so what margin levers that we are looking at for FY20?

Management: Basically they have sold some clinker that will not happen they will also grind and complete do more of cement sales and together with that they are initiated various cost saving measures like the full utilization of the waste heat recovery which is now going to be 40% plus of their power requirement plus saving some logistic cost implement and some rationalization of sourcing of the various grinding units JK Lakshmi as well that was for the increased price.

Rajesh Ravi: So, more cement sales and benefit of WHRS and logistic benefit is what which will turn up, so what sort of EBITDA margin like at JK Lakshmi level we are doing close to 500, 450 so that is the level you believe is achievable.

Management: That will certainly be achievable by them. They have some certain benefit of about Rs. 100 per ton so that should help them to further increase that.

Rajesh Ravi: Which benefit is just a Rs. 100?

Management: Their sale tax incentive benefit with GST benefit is there.

Rajesh Ravi: So, that was not reflected this year?

Management: That was there but it was lower.

Rajesh Ravi: Sir on standalone books also logistic cost for the full year you have seen a rationalization on VAT front so you know what incremental benefit that you look in this in addition to the benefit of lower diesel prices?

Management: Not a lower diesel prices we intend optimizing our fresh further in terms of we are trying to do improvement on the three fronts in terms of blended cement, trade, non-trade ratios and the freight by correctly apportioning the market to a particular grinding units. These are some of the changes they bring us greater benefit in the coming years.

Rajesh Ravi: So, like lead distance you will try to bring it down and hence this can improve further?

Management: Yes.

Rajesh Ravi: Sir if one wants to analyze the console number, is it sufficient that we add the standalone volume plus the JK Udaipur Cement volumes and that would make a line-by-line assessment for the console number on a per ton?

Management: Basically, there are certain inter-unit so we will have to eliminate the inter-unit and consolidation we have to eliminate that is about 4 lakh tons.

Rajesh Ravi: For full year basis?

Management: Yeah full year basis.

Rajesh Ravi: So, that is the difference in cement sales which is reflected maybe implying cement production minus cement sales?

Management: In quarter it was about 3 lakh tons.

Rajesh Ravi: And lastly sir like this year on the total sales volume cement plus clinker is around 9.7 million standalone and we have a 11 million ton grinding capacity so can we assume that can you achieve that much even if you have to may be partly may be external clinker purchases and more of your clinker getting blended into cement converted into cement?

Management: Yes quarterly.

Rajesh Ravi: Sir do you have any guidance in terms of clinker requirement this 1.5 lakh we did in this quarter and partly may be earlier. So, this is a quarterly run rate is that a number that one should look at?

Management: The demand also varies from quarter-to-quarter. So, it is not a simple multiplication of four, but the attempt will be there to fully utilize the extra grinding capacity that we have.

Moderator: The next question is from the line of Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.

Dheeresh Pathak: Sir you mentioned for the full year petcoke was 80% and coal was 16%, so can you split the coal between domestic coal and imported coal?

Management: In the Eastern side we consumed 50-50, 50% domestic coal and 50% petcoke so imported coal is about 10%.

Dheeresh Pathak: And this is used mainly you are saying at in the East side?

Management: No, the imported coal is mainly used in the Northern side.

Dheeresh Pathak: So, what is the difference between the imported coal and the domestic coal for you?

Management: The cost of per unit of calorific value is cheaper in case of imported coal for Northern operation where the domestic coal freight is higher.

Dheeresh Pathak: So, your Eastern operation is not close to some mine is it coal mine?

Management: I will just repeat I told you that we are using the imported coal mainly in the Northern operation where what is closer to us and the coal mines are away from us. In the Eastern side is a reverse way the coal mines are nearer compared to the ports.

Management: So, there we are using more of indigenous coal.

Dheeresh Pathak: So, your landed cost for the imported coal at North and landed cost for the domestic coal at East on a 1000 kcal basis what would that thing be difference or the absolute numbers?

Management: We will checkup and we can connect on mail please. I do not have all the numbers right now.

Moderator: The next question is from the line of Sanjay Nandi from Ratnabali Investments. Please go ahead.

Sanjay Nandi: Sir just wanted to sense like what is the current demand-supply scenario is Orissa like what kind of impact that cyclone might have in Orissa and incremental demand that might happen from this cyclone?

Management: As was expected that the month of May as it was very much affected all around because of the election more so in Orissa the family election as well the Lok Sabha election on top of that the cyclone affected the power supply for good 8 to 10 days everywhere. The labor also moved away to the respective homes because there was all around damage so people have to leave for their houses. So, I think the labor was just not available and is not still is not available fully. So, I think the cement demand in the last two weeks has been very badly hit and I think it will take another two weeks for these operations to get normalize. So, I think one month of hardly 20% or 30% of the normal demand is what we have experienced. So, I think it will be quite a bit to the yearly average of the cement.

Sanjay Nandi: Sir what is the average market size in Orissa?

Management: Orissa is about 6 lakhs to 7 lakh ton.

Sanjay Nandi: And what is the size for the industry as a whole like overall market size for the Orissa from the cement perspective?

Management: The entire Orissa the demand only.

Sanjay Nandi: So, 6 to 7 lakh ton demand right.

Management: 7 plus lakh.

Sanjay Nandi: Sir what has been the utilization for these two months in Q1 FY20 like April and May?

Management: The month is still going on, but I think then we had almost 25% to 30% fall in the production compared to the previous quarter of month of March.

Sanjay Nandi: 30% deep you are expecting right.

Management: 25% to 30% yes.

Sanjay Nandi: And so, what is your pricing scenario as of now like from the March quarter end compared to this first two months of this current fiscal?

Management: As I mentioned earlier, we have taken a price increase however Rs. 30 and I assume I am not very sure for everybody how much increase they have because we have taken a price increase about Rs. 30 a bag.

Sanjay Nandi: Sir we also operating in the Chhattisgarh which is a Central India markets and most of the players are mainly launching their premium category cement in those regions in the Central as well as in the Eastern parts, so do you have any plan of putting some premium category of cement in those markets or we are already into that business?

Management: We already have a premium cement in our portfolio now in the Northern operation for 4 plus years and even in the Eastern operation within six months of commissioning our plant there we have launched our Steel Guard there which is a premium product. At both the partnership we have premium products with us.

Sanjay Nandi: And sir what is the price difference in between that premium thing and normal kind of cement like normal PPC bag?

Management: Normally Rs. 20 to Rs. 25 a bag depending on which market we are talking about.

Sanjay Nandi: So, Rs. 30 is the general gap right.

Management: Yeah Rs. 20 to Rs. 25.

Moderator: Due to time constraints we will take two last questions. The next question is from the line of Pradnya Ganar from Motilal Oswal Securities. Please go ahead.

Pradnya Ganar: Sir, we are having this grinding unit and thermal power plant coming up, so what kind of CAPEX if you could quantify for FY20 and how much was incurred in FY19?

Management: Almost the major expenditure on both these projects have already been split in FY19 about 30, 35 crores is remaining which is going to lower to the next year FY20 other than that there is a normal CAPEX of 30, 35. So, we expect about 70, 75 crores of total CAPEX in FY20.

Pradnya Ganar: And how much was done in FY19 if could quantify that?

Management: For 200 crores out of which these two accounted for about 170 as per the normal.

Moderator: The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Just you said clinker is running at 100% utilization in both East and North, so then next year how I will be looking at volume growth?

Management: We as earlier mentioned that we sold about 9.5 lakh tons of clinker last year out of our total production of clinker of about 6.5 million tons. So, I think that clinker sale will get reduced considerably and that will get converted into cement. Precise, we also intent improving our blended that is also some spare clinker for conversion into cement.

Dheeresh Pathak: But this will give us maybe another year or so and then after that where you will see capacity coming sir?

Management: We will have to expand and we have to retain our market share.

Dheeresh Pathak: I am asking like where you have in your planning are you going to expand another line?

Management: I think I had mentioned response to earlier question that we have a leverage both at North and East operations for increased kiln capacity in all likelihood the North market seem to be better in terms of demand, supply equation. So, we are likely to expand as and when we take a call first we can take a call for adding a kiln in our Northern operation.

Dheeresh Pathak: And that will be pretty soon because you will run out of capacity in FY20?

Management: If the market continuous to grow the way it has grown last year. You are right we will have to take a call soon.

Dheeresh Pathak: And that will be how much 10,000 DPD or what is the?

Management: Final thing will be announced once we take the call.

Moderator: 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: Thank you, on behalf of PhillipCapital I would like to thank the management of JK Lakshmi Cement for the call and many thanks to the participant for joining the call. Thank you very much sir Margaret may now conclude the call.

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.