JK LAKSHMI CEMENT Ltd.

JKLC:SECTL:SE:24
14th February 2024

1 **BSE Ltd.**
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
**Security Code No. 500380**
**Through: BSE Listing Centre**

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 13th February 2024 at 5:30 P.M. IST**

In continuation of our letters dated 8th February 2024 and 13th February 2024 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

AMIT CHAURASIA
Digitally signed by AMIT CHAURASIA
Date: 2024.02.14 14:43:44 +05'30'

(Amit Chaurasia)
Company Secretary

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# "JK Lakshmi Cement Limited Q3 and 9M FY '24 Earnings Conference Call"

**February 13, 2024**


**MANAGEMENT:** **MR. ARUN KUMAR SHUKLA – PRESIDENT AND DIRECTOR, JK LAKSHMI CEMENT LIMITED**
**MR. SUDHIR BIDKAR – CHIEF FINANCIAL OFFICER, JK LAKSHMI CEMENT LIMITED**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the JK Lakshmi Cement Q3 and 9 Months FY '24 Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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. Thank you, and over to you, sir.

**Vaibhav Agarwal:** Thank you, Rayo. Good evening, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q3 and 9-month FY '24 Call of JK Lakshmi Cement.

I need to highlight that JK Lakshmi Cement is also the holding company of Udaipur Cement Works Limited and therefore this call is also open for discussion about the performance of Udaipur Cement Works Limited.

On the call, we have with us Mr. Arun Kumar Shukla – President and Director and Mr. Sudhir Bidkar – CFO of JK Lakshmi Cement.

I would like to mention on behalf of JK Lakshmi Cement and its Management that certain statements that we made or discussed on this conference call may be forward-looking statements related to future developments based on current expectations. These statements are subject to a number of risks, uncertainties and other important factors which may cause actual developments and results to defer materially from the statements made. JK Lakshmi Cement Limited and the management of the company assumes no obligation to publicly update or alter these 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 an interactive Q&A. Thank you and over to you, sir.

**Management:** Thank you, Mr. Vaibhav and good afternoon, good evening rather, ladies and gentlemen, for this Q3 call for the JK Lakshmi FY '24. You would have already seen the results and our press release. So, nothing much to talk on that. You would have observed. So, we will now throw the floor open for question and answer.

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

**Shravan Shah:** Sir, before asking a question, just a clarification needed. We have removed our outsourced volume from our numbers. So, if you can help us with the revised volume number for last four quarters of FY '23, third quarter we already have, and two quarters of Q1 FY '24 and Q2 FY '24, because it seems because of that, realization seems to be a much higher Q-o-Q. So, just wanted to understand the revised numbers and is it the now this is the new normal volume number? So, despite the volume reducing outsource, there is no impact on the revenue front.

**Management:** Yes, you are right. This is going to be the new normal, first and foremost, to answer your question. And first, you should all analysts understand the reason as to why we have done that. For last almost seven, eight quarters, we on all our Con-Calls have been talking of seeing the profitability in numbers, but especially the per ton numbers on a consolidated basis. Still, I find most of the analysts are publishing standalone per ton analysis. That distorts the figure, I will tell you why.

You see, for the simple reason, if UCWL is procuring some cement from us and then selling it to market, that volume when you report on a standalone basis gets counted as sales, both for JK Lakshmi as well as Udaipur. Ultimately, from market, we realize only X profit, which gets divided in two companies.

So, what we have decided? The company which ultimately sells in the market should show that as the sales. That's why when you would see, when you add the standalone reported number of JKLC plus standalone reported numbers volume, I am talking sales volume of UCWL. Earlier, there used to be huge inter-unit sale which used to be knocked off for doing the consolidation. This time there would not be any need for doing that because we have taken at one place. So, it is going to be the new normal.

Regarding your question of fast data, we will share that separately. You can put up the mail and our team will answer. It will be difficult for you and for other people who are in the queue to note down all the numbers for four quarters which you want. You can send the mail. We can answer that. But as you rightly said, it is going to be the new normal.

Going forward, you would have also seen in our press release and in our report to the Stock Exchange that the Board has decided to form a committee of executives to consider and evaluate the possibility of the restructuring. We have been talking of this consolidation of the two businesses, UCW and JKLC, for quite some time. But now the unfortunate time has come that we start seriously having a look at it. And hopefully next year, somewhere next year, we will announce at an appropriate time the plan to consolidate the businesses.

So, that is, once that happens, then obviously there will not be any reason and the need for any inter-unit sale because UCWL and JKLC will be one company and UCWL will be another plant or division of JKL only as a part of the company. Only a little bit of outsourcing which we are doing from some third party outsource, that is very negligible and will not distort the figures. But yes, this is going to be the new normal going forward. We will share the numbers. You send us the mail what you want. Right? Thank you, Shravan.

**Shravan Shah:** Sir, now in terms of coming to the volume, so nine months, 6.6% volume growth and we were looking at last time say 12 to 15% volume growth. So, what kind of new growth we can look at for FY '24? So, particularly 4th Quarter, how much kind of volume growth we are looking at? So, for that also we need a 4th Quarter of FY '23, the revised volume number. So, that's the first one.

**Management:** Yes, so the volume growth number which we have told before was based on some assumptions and market growth and there has been the area where we operate some disruption, like, you know, north, we had severe cold and this graph restriction, construction activities were not happening. So, that has impacted quite a bit. So, that is why in the last call also we had told that we are going to moderate our numbers. So, yes, our volume growth in the last quarter, volume growth was 8%. And going forward we see that growth is going to be, because January-March typically is high month, right? And the base is very high. So, I see that growth is going to be almost in the similar fashion what we have achieved in the last nine months. So, maybe around 8 to 10% end of January.

**Shravan Shah:** Sir, now coming particularly on the expansion and the CAPEX and the data things, so if you can help us in terms of how much CAPEX in the nine months we have done, what's the new number for this year, FY '25, FY '26, and also at the same time in terms of the expansions that we have announced at the Durg also and the acquisition in the Northeast. So, there also we are looking at expansion. So, if you can help us in terms of when each and every grinding unit and the clinker unit in terms of the timeline will be coming and how much CAPEX we will be doing in the 4th Quarter, FY '25, FY '26, that could be helpful. And ultimately, the net date which we were looking at the peak net debt at consol levels are closer to 1,800 odd crores. So, now what kind of peak debt we can look at?

**Management:** Yes, we have announced some projects in this Board meeting. One is, apart from the normal CAPEX, which is happening, we are already in the two, three things which we are doing. One, we have announced a railway siding project of 325 crores. That will be implemented in two phases. The first phase by September of '24 and the second phase by March of '26. So, out of the 325, about 105 will be part of the Phase-2. So, balance that is around 200 to 220 would get spent by September of '24. That is number one as far as the railway siding is concerned and the balance of 105 in about 12 to 18 months' time thereafter.

And then we have also announced the expansion of our Durg plant which involves adding a clinker line of 2.3 million and 4 grinding units with an aggregate capacity of 4.6 million tons. So, again, that will be in phases. The 1st Phase will involve about 1 million ton in UP and another 1.2 million in UP and 1.2 million in Durg. So, that will take about 2 years' time and we are talking a CAPEX, of course, for the entire project of 2,500 crores. So, maybe 1,500 to 1,600 crores get commissioned or get incurred in those first 2 years by March of '26. We need maybe about I would say 40% coming in the first year, which is FY '25 and 60% in the next year.

Broadly I am telling you, we have to just do the fine numbers there in quarter wise. And that involves fundraising of close to about 2,500 crores which is basically 1,750 for the Durg project, 250 for the railway siding and for our other aspirations about 500 crores, which includes the ongoing project like the AFR project and the Waste Heat Recovery Project where we are adding plus also some solar power plant which we are doing at the Sirohi. So, all that will be about 500 crores. So, we are talking of fundraising of 2,500 crores over the next 3 years' time. May be about 500 to 700 gets in this FY '25 and another may be 1,000 in FY '26 and balance thereafter.

**Shravan Shah:** Sir, if you can still help us in terms of the total combined, everything put together, CAPEX for 4th Quarter, FY '25 and FY '26 would be how much?

**Management:** We need to work on that. Broadly, I have given the high-level numbers. We have just announced the project. We have to break it down quarter wise and maybe next call I will be able to give the exact numbers. But broadly, I have given you broad indication of the quantum of the CAPEX as well as the term load.

**Moderator:** Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

**Prateek Kumar:** My first question is on your expansion. Do you be able to give any reason for choosing East over North or any other market for your first round of expansion after UCW? Can you just highlight any specific reason we looked at Durg expansion earlier than North expansion which you were also talking about earlier? In terms of order expansion, is it related to the readiness of the site or any other reason which you can cite here?

**Management:** We are in the process of completing North expansion. Udaipur will be completing hopefully towards the end of this quarter. So, they will need some time to stabilize before we embark on next expansion in the Northwest. That's why we chose and considering the demand supply mismatch there in the Eastern side and the expected growth in the demand in that region, we chose East as the preferred market to go for the next round of expansion. But yes, once this expansion gets stabilized at Udaipur, maybe then we will have a look at the expanding in the Northwest.

**Management:** Yes, adding to what Mr. Bidkar said, you must have seen that capacity utilization of our Durg unit is almost done exhausted. And the highest growth in the entire India is Eastern region. Typically, I am talking of those markets where we operate because we do not operate in the entire East. So, that was one reason.

And if you can look at our 30-30 plan, our plan was to expand Durg. Our plan was to put up next line in Udaipur and then Nagor and Kutch. So, we are just on the track, whatever the road map which we prepared for ourselves, we are following that. So, I think this is almost as per the plan which we are kind of going ahead with.

**Prateek Kumar:** For the Northeast acquisition, we have talked about only mine seems as of now around Rs. 300 crore and initial capacity of only 1 million ton for which we have not cited any CAPEX.

**Management:** So, you said 2,500 crore CAPEX is for East operation. 325 crore is for rail siding. May be 100 crore annually. This 100 crore is like adding up to 3 years of CAPEX excluding Northeast. So, including Northeast will be like close to 5,000 crore of CAPEX for us in next 3 years.

**Management:** Yes, we are talking of a CAPEX of 2,500 crores for the Durg expansion, which will take about 2 to 3 years. Ongoing project is about 200 crores. Then the railway siding, 300 crores. So, that is 3,000 crores. May be 1,000 crore for the Northeast, 4,000 crores over the next 3 years.

**Prateek Kumar:** And just related to previous question, can you just give for the benefit of everyone, I am sure everyone is looking for your volume number. Your stated volume numbers of quarter three for that and may be annual FY '23 volume.

**Management:** Yes, we will provide you that. So, I think what you want is net of that in the outsource, right? That we have already given in the press release both for 9 months as well as this thing. Quarter wise we will share.

**Moderator:** Thank you. The next question is from Noel Vaz from Union Mutual Fund. Please go ahead.

**Noel Vaz:** So, I had that question about Udaipur cement. Now my information might be a little incorrect, but I just wanted to know is there any issue of limestone availability or limestone shortage at the Udaipur cement plant?

**Management:** There is absolutely no shortage of limestone reserves. In fact, there was an additional mine which they have recently acquired. So, in fact, their reserves at present, it means after this expansion also would be good enough for another 40, 45 years. And we are thinking going forward, as I mentioned in response to an earlier question could be possibility of another line. So, there is no any possibility of a limestone reserve at that plant in Udaipur.

**Noel Vaz:** And just to clarify, so I think the company is going to finish off with the Udaipur expansion, then Durg and then at Udaipur Cement Works. I think that is all right.

**Management:** Yes.

**Moderator:** Thank you. The next question is from Rajesh Prasad Ravi from HDFC Securities. Please go ahead.

**Rajesh Prasad Ravi:** First, could you share on the trade, non-trade mix and blended cement and the fuel cost for this quarter? And then Q3 volumes, restated volume for Q2 if it is available, please.

**Management:** This quarter, fuel cost was Rs. 8,700, which is around 1.7 at kCal. And regarding your question on the…

**Rajesh Prasad Ravi:** Trade mix and blended cement.

**Management:** So, trade, quarter 3 was 58%. This is up by 3% from the previous quarter. 58% here and blended is 65% and 35% is...

**Rajesh Prasad Ravi:** And these numbers are standalone or consol, sir? Blended and trade?

**Management:** The consol number.

**Rajesh Prasad Ravi:** Consol numbers, okay. And second, what is your thought process on the Udaipur ramp up with the clinker plant now operational? Why are we still looking at 7, 8% volume growth and for next year, what sort of ramp up you are looking at, given that even your grinding unit also will be available by March end?

**Management:** So, I will just clarify whatever industry is growing at, we will grow higher than them and as I told, last quarter also we have grown by 8% in volume which is better than industry. Industry, to my estimate, is about 6%-7%. One. Even in this quarter also our growth is going to be better than industry. Second. Once that Udaipur capacity comes to 2.5 million tons, our growth is going to be much higher, right? So, next year, I think we are going to grow, industry growth is envisaged to be about 8%. Our growth with additional capacity at Udaipur we are looking at somewhere around early two-digit number.

**Rajesh Prasad Ravi:** Two last questions. Q2 volumes if you have handy, like volumes in Q2 and why are you in the consol volumes when you need to knock off again outsource volumes because it will be your consol numbers have come down by 5% versus the prior reported ones.

**Management:** That I told you because of that outsource is minimal in the second quarter we had for JK Lakshmi, the volume was 21.7 and for UCWL 5.6, total 27.32.

**Rajesh Prasad Ravi:** And lastly, your thought process on this entering into the Northeast and by when do you expect this project to be on scene and what is your thought given that that market is quite consolidated between two players, Dalmia and Star?

**Management:** Northeast I think we have kind of, you know by now that we do have interest in Northeast and because the Northeast is one of the markets which form part of Eastern India and we want to consolidate our position there. This is one reason. Second, of course, the demand supply situation also favors going to that market apart from the price which is prevailing in that market.

**Rajesh Prasad Ravi:** And by when you are looking to start work on that project, sir?

**Management:** I think we are just working out the timeline. We will come back maybe next time.

**Management:** Next call we will give somewhere. It's too premature for us to give a timeline. Next call we should be hopefully able to answer that.

**Moderator:** Thank you. The next question is from Narendra from RoboCapital. Please go ahead.

**Narendra:** So, my questions are specifically pertaining to UCWL. So, what would be our peak utilization levels there and by when do we expect to reach those levels, if you could throw some light on that?

**Management:** Talking of the existing capacity which we have at Udaipur?

**Narendra:** No, no, no, the expanded capacity.

**Management:** So, the plan is right now whatever capacity we have, we have gradually ramped it up to about 75% now and the plan is a new line which is coming up maybe first year is going to be about 60%, next year 75% and there on 80%.

**Narendra:** So, '25 would be 50% and '26 would be around 75%, right?

**Management:** Right.

**Narendra:** And I believe we had a target at UCWL to reach top 5 players in terms of EBITDA per time. So, what's the target on the EBITDA per time for UCWL?

**Management:** So, I think we look at UCWL and JKLC combined because that is what matters to us, right? We have seen in the last two quarters; I think we have been improving with respect to our EBITDA ramp up. If you also look at the gap which we had before with the leaders, we have squeezed that up to an extent. Going forward also our plan is to consolidate at this level whatever we achieved because we have been talking about Rs. 1,000 EBITDA per ton which we have achieved now. We need to consolidate this on a consistent basis and going forward yes, the kind of plan and the actions which we have in place, this top 5 company, EBITDA earning company in the industry, yes, that looks quite feasible. And we are happy in the way we are progressing. So, all those actions are getting realized and we are progressing well. We are satisfied with that.

**Moderator:** The next question is from Aman Agarwal from Equirus Securities. Please go ahead.

**Aman Agarwal:** Sir, my question was once again on the reason why we went up the Eastern market, especially with the split grinding units in UP, Bihar and Jharkhand. Now, while we are aware that UP market is doing quite well in demand sense, Bihar and Jharkhand we hear that the demand has been subdued for quite a few quarters now. Further, this I think will also have some impact on our geo mix improvement target, which we have set for ourselves. So, just wanted your views around this.

**Management:** So, I think Bihar also you have to divide that market into further geographies like North-Bihar and South-Bihar. So, if you look at North-Bihar geography, that geography is better in terms of demand and supply situation and also on pricing front. Our plan is to go somewhere in North-Bihar, right? And Jharkhand also where we plan to go going forward.

I think we are choosing an area where from I think yes, it is going to be better to serve our customers. Second, I think the demand supply situation is good and third also the price trajectory is also favorable. So, I think we have done our homework and ground work before deciding on to this.

Another issue was that we have been capturing part of the growth of Eastern market, which is Chhattisgarh and neighboring area. But I believe that the individual home builder segment, which is the highest in case of east, I think that is going to drive the growth going forward. Right? And perhaps the individual home builder segment in that geography where we plan to go going forward is quite sizable. So, that was the rationale as to why we chose to go to that market.

If I look at Eastern market growth, I think growth of Eastern market is the highest in all zones in India, be it north, central, south or west. Moving forward also, I believe that this is going to be there for some time as to individual home builder segment which is ever growing. And that is going to really kind of consume all those capacities which are going to be installed going forward.

If you look at the demand supply gap also, I think though capacity has been added in east, but still, I think the gap is reducing. If you look at maybe one, one-and-a-half year, how industry has performed, the gap has gone down. And going forward I think it will further go down despite capacities are being added. This is what our estimation or the, I would say, presumption for that market is.

**Aman Agarwal:** That is really helpful. And sir, as we expand pretty aggressively for our own capacities, would that mean we would be trimming down our dependence? Obviously, it is low already, but would we be further reducing our dependence on outsourcing?

**Management:** Yes, so I think the strategy is we are going to be dependent on our capabilities to produce clinker, our capability to grind it. And if you see our 30-30 road map which we have told to all of you, I think the clear-cut road map is there at least now for 24, 25 million ton. Nagor and Kutch already I think work in progress which will take some time because of all those prerequisite processes are going on. Right? So, yes, we are going to be self-dependent in terms of grinding and producing clinker.

**Aman Agarwal:** And sir, lastly, Jharli would continue to purchase clinker from external market, any plans around that?

**Management:** No Jharli, I think we have in-house clinker only. We don't purchase from outside.

**Aman Agarwal:** I will check that.

**Moderator:** Thank you. The next question is from Navin Sahadeo from ICICI securities. Please go ahead.

**Navin Sahadeo:** Shuklaji, congratulations on Rs. 1,000 plus EBITDA per ton, as you had promised.

**Management:** Good evening, Navin, I think we had a discussion over this. So, I think now we are there.

**Navin Sahadeo:** Absolutely. So, I will just recall that as soon as you had joined, you had said Rs. 1,000 EBITDA per ton at the mark, and so congratulations on that. Sir, couple of questions. So, the volume growth of roughly 8% that we have seen, is it fair to assume that it was more biased in favor of North region because East would have been slightly slow or how should one look at the breakup between North and East?

**Management:** I think growth is in favor of the East. I told you that the East is going at a faster pace than other geographies are currently. Little bit more skewed towards East.

**Navin Sahadeo:** Even in the current quarter, it was more skewed towards East.

**Management:** Yes.

**Navin Sahadeo:** And said, realization wise, how should one look at, because in February, we believe there has been recent corrections in Jan and February, so how would you look at realization as on date versus the previous quarter? What kind of impact would you suggest would have happened?

**Management:** So, I think January, March, usually, yes, demand is good and is going to be good in the remainder of the February and March. Price wise, yes, I think there has been a softening in the prices in different market, for sure. It would be difficult to quantify as to how much softening has happened, but yes, softening has definitely happened in the month of January to an extent and even in February.

**Navin Sahadeo:** Sir, just one or two more questions, if I may. The split grinding units, I was just checking the distance, let's say, Durg to Madhubani, Bihar is roughly 900 plus kilometers. So, with that kind of a huge distance, would it not impact profitability? How should one, because it's almost 1,000 kilometers, I am saying, from Durg location. So, how should one look at it? And in the same breath, do we have this arrangement with Kanodia, if I am not wrong, in the same market and which will displace that or that's in a different market?

**Management:** No, no, I think we do not have any association with third party in that market, in the market which you are talking about. As far as that, you know, kilometer and other things you mentioned, I think we have done our calculation and that makes sense, you know. Because even today from our Durg unit, wherever we are selling, I think some of the markets are as good or as bad as the market which you mentioned, right? So, we have done our calculation. That makes sense to go to that market because we are also, you know, betting on the future because I personally see, we see that that market is going to grow at a much faster pace than others and once, you know, market growth is there, then price also comes along with that.

**Navin Sahadeo:** And just one last question. We purchased or we have agreed to purchase 85% in this Northeast entity, and it is for conceptualizing cement plant. So, the balance 15% would also, like, you know, I think the existing promoters, so would they also put in any equity, anything for the proposed CAPEX or it is us who will lead the entire expansion?

**Management:** Yes, obviously they would put in if they are good partners in that.

**Navin Sahadeo:** So, up to 15% in proportion to the equity that is being shared, right?

**Management:** Yes.

**Moderator:** Thank you. Next question is from Mudit Agarwal from Motilal Oswal Financial Services. Please go ahead.

**Mudit Agarwal:** I have some questions and some clarifications. Just wanted to know about this Surat grinding unit brownfield expansion. Is that plan is intact or any changes on that site?

**Management:** There is no change in that plan. That is going as per the plan.

**Mudit Agarwal:** And sir, you mentioned 4,000 crore of total CAPEX including North East. Is it the right?

**Management:** Yes, you are right.

**Mudit Agarwal:** And one more clarification, sir, about this Amethi grinding unit which is on a tolling basis. So, is it exclusively for JK Lakshmi or is it shared with other industry players?

**Management:** So, this grinding unit is being shared by other industry player also.

**Mudit Agarwal:** So, sir, can you just throw some light on how this arrangement is for the JK Lakshmi particularly?

**Management:** I didn't get what you are talking about.

**Mudit Agarwal:** I mean, what are the capacity which we are sharing and how much is the JK Lakshmi share?

**Management:** I think we do have a tolling contract with them. I think those other players, they must be having a different contract. We are having our own contract with them and based on that JIRA-based costing we have worked out some contracting arrangements. So, that is how we operate, right.

**Mudit Agarwal:** So, in simple words like how much volume we are getting from that unit?

**Management:** So, we are sharing about maybe 50% of it.

**Moderator:** Thank you. The next question is from Uttam Kumar Srimal from Axis Securities. Please go ahead.

**Uttam Kumar Srimal:** Sir, my question pertains to EBITDA ton. This quarter we have done over Rs. 1,000 EBITDA ton. And we have achieved our target earlier than we had envisaged. So, this EBITDA ton is sustainable going, moving ahead also, sir?

**Management:** So, our endeavor Uttamji is to be amongst top 5 players because market dynamics keep on changing, right? So, our effort is EBITDA goes to even 1,500, 1,600 also for others, we should also be moving in the same direction. If it goes down because of the regions, you know, then I think it will go down for us also.

Now what we can do, what is within our control is to release all those internal drivers of margins. So, I think we are driving that. I would say we have accomplished part of those levers, right. Going forward also, we are going to work on those levers and further consolidate on those things. So, I think I would put like, you know, being top 5 amongst EBITDA per ton company, that is what our endeavor is. If others go up, then we will go up more than them. This is what I would say.

**Uttam Kumar Srimal:** And sir, what was the lead distance and premium cement sale percentage as a percentage of credit sales during this quarter?

**Management:** So, lead was 377.

**Uttam Kumar Srimal:** And premium cement, sir?

**Management:** Premium cement was 12% of the overall volume.

**Uttam Kumar Srimal:** 12% of overall volume and out of credit?

**Management:** 25% of credit, right.

**Uttam Kumar Srimal:** 25% of credit. And sir, how were VAP sales during this quarter? Value added product?

**Management:** So, here also, I think we have done quite well. So, value added has contributed about 134 crore this quarter. And the major contribution is from RMC, which is 67 crore and followed by UP and AC block.

**Uttam Kumar Srimal:** Because sir, one question. Last quarter in FY '23, our volume was 2.32 million tons and this quarter it is 2.36. So, there is a growth of only 2%. So, if you can clarify the same?

**Management:** Come again. Can you repeat your question?

**Uttam Kumar Srimal:** Sir, last quarter, quarter 3 FY '23, volume on standalone basis was 2.32 as per your press release and this quarter, this is 2.36. So, there is a growth of only 2%. So, we are seeing around 8% growth. So, if you can clarify that?

**Management:** Consolidated is 8%, right. If you take only cement, the growth is 5%. So, de-growth is there in case of clinker sale, which we kind of not encourage, right.

**Moderator:** Thank you very much. The next question is from Parth Bhavsar from Investec. Please go ahead.

**Parth Bhavsar:** I have two questions. Sir, just wanted to understand that Durg will be supplying clinker to your state grinding unit, right?

**Management:** Yes.

**Parth Bhavsar:** So, sir, what sort of mineable reserves do we have at Durg?

**Management:** So, with the additional 2.3 million ton which we plan to have, it is going to be about 50 years. 45 to 50 years.

**Parth Bhavsar:** Oh, you added 50 years, okay. But this would be like, this is on the base of the 8 million ton grinding you have announced, right?

**Management:** Right, yes. Because typically all these markets are heavy on blended cement, right? So, blended cement is to the extent of about 80%, 85%.

**Parth Bhavsar:** So, can we, one assumes like the clinker factor would be around 1.67x, 1.67?

**Management:** Yes.

**Parth Bhavsar:** And, sir, the other thing is like to, again, like to maybe target East in the future, wanted to understand if we are bidding for any limestone auctions in the East or have we recently won any limestone mines in East?

**Management:** No, not in the near future, near past.

**Management:** In this East, we have not won any. We have only two won in the recent past.

**Parth Bhavsar:** Are we bidding for any?

**Management:** Other than that, we have not done.

**Parth Bhavsar:** Are we bidding for any?

**Management:** There is nothing in the op-in as far as my information goes.

**Moderator:** Thank you. The next question is from the line of Devesh Agarwal from IIFL. Please go ahead.

**Devesh Agarwal:** Sir, again, just to understand a bit better, this exclusion of our outsource volumes, is it because are we planning to scale down the outsourcing operations or was there any double counting and that's the reason we have now decided to exclude this?

**Management:** Two reasons. Broadly, you are right. One, there was double counting for UCWL. That's why we have done that, number one. The other one is we are scaling down considerably going forward the outsource. So, effectively, that will be negligible. It doesn't make sense to consider them. And, Udaipur was a case of a double counting, which we have been saying for quite some time now. So, ultimately, we decided to do it ourselves rather than you are seeing it on a consol basis.

**Devesh Agarwal:** And if you were to just make the number comparable, sir, this quarter compared to the previous reported numbers, what would be the volume addition that we have to do for the quarter in terms of what was the volume from outsource units?

**Management:** Better to exclude the outsource model from the earlier one rather than clubbing it again and running into the same problem for which we have decided to start the new practice. And in any case, going forward, as we mentioned, we are seriously considering as consolidation next year. So, obviously, this double counting etc. will go away and the volume from the outsourcing will considerably get reduced.

**Devesh Agarwal:** And, sir, any number that you can share in terms of the profitability that was getting added because of this conversion or tolling volumes or any cost that we were paying to the tolling operator?

**Management:** That's why it was very negligible and just because of the volume getting, distorting the actual real profitability of the company. So, it was negligible only. No volume negligible profitability doesn't make sense to add and double counting, obviously, was the reason for the UCWL.

**Moderator:** Thank you. Next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

**Keshav Lahoti:** Congratulations on the 4-digit EBITDA per ton. Firstly, coming on the CAPEX side, what is the CAPEX for the 9 month and FY '24? I think that number might be handy right now.

**Management:** We can share that with you. In 9 month, period, we have done about 250 crores of CAPEX in JK Lakshmi and in UCWL in 9 month about 450 crores. 250 for JK Lakshmi and 450 for UCWL.

**Keshav Lahoti:** The green power share, you said 35% for this quarter?

**Management:** Green power share, what we are saying is after the Durg arrangement, Durg has already touched 80% thereafter and in this quarter the green one is about 44%.

**Keshav Lahoti:** 44. So, this quarter Durg was fully operational, right, for the entire quarter.

**Management:** Yes, almost fully operational So, there it was almost, we reached 70% in the Durg.

**Keshav Lahoti:** Like, what I want to understand, like this 44% might increase in next quarter due to Durg. Is it a possibility in Q4?

**Management:** Marginal, because they have already touched 70, it might have maximum go up to 80. So, marginal increase could be there, but our aim is to first graduate to 50 on a company basis and take it forward from there.

**Keshav Lahoti:** And how is the fuel cost expected to be in Q4?

**Management:** This quarter it was about 1.78, maybe marginally lower 1.7, around 1.7 or so.

**Keshav Lahoti:** Last question from my side. You know as you are expecting 8 to 10% volume growth in Q4, so have we seen similar volume growth in Jan, like Jan has already passed?

**Management:** Yes, so Jan was good, yes, I think around that only. As I told you, I think we are doing better than industry in terms of growth and one thing I think you should remember is that during peak period because almost I think waste is very high, right? And capacity is almost exhausted, so you do not have headroom to grow further, right? So, Jan-March is something which comes out of other lever, like more blended cement, more of other things, right? So, that your throughput goes up and production goes up. So, that is what we are trying. Jan-March I think is muted growth because of these reasons, because we have already achieved our capacity utilization at a given product ratio.

**Keshav Lahoti:** One thing in call, you highlighted that East volume growth is faster than North because our assessment is, you know, North is growing faster than East at least in the near period because of other issues in the East. So, is it due to JK Lakshmi doing better in East or you would say the industry is also behaving in a similar manner?

**Management:** I am talking of industry. Industry, if you see FY '24, East growth has been better than all other zones.

**Moderator:** Thank you. Next question is from the line of Tushar, who is an individual investor. Please go ahead.

**Tushar:** Sir, my first question is, what is the current status and timeline for those conveyor belt projects?

**Management:** So, there are some approval and procedural issues. That is why this is getting delayed. We are working on that. Difficult to give a timeline, but hopefully I think we will resolve this very quickly within this quarter. Difficult to give a timeline as of yet.

**Tushar:** And sir, my second question is on the 7 megawatts solar power project at Sirohi. It was reported earlier in Quarter 2 and Quarter 1 Con-Call and was to be commissioned in March '24. So, what is the expected commissioning timeline for this project? And also, if you can clarify, is this project company-owned or tie-up?

**Management:** Yes, so solar power at Sirohi is on track and that will get 7 megawatts solar power plant. That will get commissioned somewhere around mid-March. You are right. That is what we told last time also.

**Tushar:** Is this project company-owned or tie-up, sir?

**Management:** Yes, it's company owned.

**Management:** In Rajasthan, unfortunately the state government policy doesn't allow any other mode other than the CAPEX mode. So, obviously, unfortunately it has to be that, as opposed to a possibility where it is pro-industry policies in Chhattisgarh. Rajasthan government doesn't have that policy. So, even in fact in Udaipur, what was the third-party solar power, we had to convert that into a CAPEX mode by buying that out. Otherwise, they impose those cross-subsidy charges and the electricity duty and all that, which doesn't make sense. So, that's why it is in CAPEX mode.

**Tushar:** And just one last question. Can you please give us the timeline to reach from 4% TSR to 16% at Sirohi and our savings through this?

**Management:** So, Sirohi, good news is that AFR project which we told you that we are putting up, so that is almost getting accomplished now and now in the last month, we have clocked about 11% of TSR. Right? So, Sirohi, I think there has been a good improvement in terms of TSR improvement. One entire thing will get commissioned, then will reach about 13% and that is what I think we planned for phase 1. Phase 2, our plan was to go to 16, 17%, which we will take it up latter.

**Tushar:** Any timeline to reach 16 to 17%, sir, by when?

**Management:** So, I think we will come back to you with the timeline once kind of we, our plan was to do it in FY '25. So, that is what I think we still believe that we will be able to do that.

**Tushar:** Sir, our savings after reaching 16% TSR level, sir.

**Management:** Any savings I think we will give you.

**Management:** Presently, it is saving of Rs. 28.

**Management:** Around Rs. 25 to Rs. 28 saving which we have done.

**Moderator:** Thank you. Next question is from the line of Ronald Siyoni from Sharekhan Limited. Please go ahead.

**Ronald Siyoni:** Sir, I have only one question. If you can share quarter 4 of FY '23 restated numbers after excluding the double counting of UCW and outsourced volume, that would greatly help.

**Management:** We will share these with you separately. We don't have readily for the 4th Quarter.

**Moderator:** Thank you. Next question is from Navin Sahadeo from ICICI Securities. Please go ahead.

**Navin Sahadeo:** Just one question, sir. This Phase-2 or this expansion that we are doing in Durg now is a brownfield unit. So, I was just curious to know why we still budget at least two years for the completion of it. Is it possible that we advance it by at least a couple of quarters into brownfield and change from that perspective? I just wanted to know your thoughts. Is there a reason why we are budgeting two years or there is a possibility we can do it in one and a half?

**Management:** So, yes, I think effort would be there to do it as fast as possible. Now the only critical activity is that equipment supply. Execution and other site work, we can do it very fast, no doubt about it. The only thing is how fast we can get all those equipments and accessories to put that plant up. That is what is going to be on critical path. Though our endeavor would be to do as fast as possible.

**Navin Sahadeo:** And I am assuming orders are yet to be placed for equipments.

**Management:** Now we are going to start that process because we took that board approval just in the last board meeting only. Now the team is working on that. Once we get the timeline and other things, definitely I think next call and thereafter we will be updating you.

**Moderator:** Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

**Prateek Kumar:** My question is on incentives that you answered earlier. What is the annual incentives like we are looking currently and all you are looking at incentives from expansions in North East India?

**Management:** As of now we don't have any incentive for our existing operations. Going forward, Durg also does not have anything but for the split location, we will be doing the lacing with the government and trying to get the incentive wherever in those states UP, Bihar and Jharkhand. Those are available as per the state policy.

**Prateek Kumar:** And North East operation?

**Management:** Yes, there also as per the state policy whatever is available, we will try to get those.

**Moderator:** Thank you. Due to time constraints, we will be able to take the last two questions. We take the next question from the line of Rajesh Prasad Ravi from HDFC Securities. Please go ahead.

**Rajesh Prasad Ravi:** Sir, this value-added products are RMC and AAC blocks, are they are managed captive or outsourced?

**Management:** We are doing on a summer captive summer outsource also.

**Rajesh Prasad Ravi:** So, when I look at your consol purchase of goods is close to 130 crores to 140 crore on a quarterly basis is almost 8% of top line. So, how much of these would be cement traded goods and how much would be the value-added products broadly?

**Management:** For which you are talking of?

**Rajesh Prasad Ravi:** So, last three quarter, if you look at the consol figure, right, purchase from goods, you know, the P&L item which is 130 to 140 crore every quarter. So, you know, that would have only smaller amount from the value-added sales as in this 40 crore should be coming in from the value-added products?

**Management:** We will confirm that. I don't have the figure readily here.

**Rajesh Prasad Ravi:** What I am just trying to understand, does it include any purchase from the outsource P&L and volume was required in UCWL knocked off the associated volumes?

**Management:** We will come back, but you are right, it primarily would be the value-added product, but some could be this also, because the purchase of clinker or cement, that could also be there.

**Rajesh Prasad Ravi:** How much was the margin and top line for the value added? You mentioned. Sorry, I missed that.

**Management:** Top line I mentioned in this quarter was Rs. 134 crores. Margins are around 5%.

**Rajesh Prasad Ravi:** 5% and RMC of how much in that?

**Management:** RMC was about Rs. 67 crores.

**Management:** Rs. 67 crores.

**Rajesh Prasad Ravi:** Rs. 67 crores.

**Moderator:** Thank you. The next question is from Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:** My question is, in the end of the 4th Quarter, how much CAPEX are we planning to do?

**Management:** Now JK Lakshmi, we will be doing around 250 crores in this quarter. Mostly going for these projects which are to be completed. Especially some major CAPEX will go for the railway siding out of that 250. And another about 300 would go for the Udaipur. So, maybe 500 crores in this quarter. 300 as I mentioned, 250 JK Lakshmi and 300 Udaipur.

**Shravan Shah:** And sir, as on December, standalone, consol, gross debt and gross cash?

**Management:** As of December, we have total debt of about 700 on a standalone basis, 720 crores and cash about 675. So, net debt is around 50 and on a consol basis, December stands at close to 2,000 crores for the gross debt, cash of about 850. So, 1,150 is the net debt on 31st December '23.

**Shravan Shah:** And then this Durg 4.3 split grinding units, so 4.3 million, is it fair to assume that one can divide by 4, so it will be a 1.08 million grinding unit for each locations?

**Management:** It is not 4.3. It is 4.6, right, first and foremost. Secondly, it will be 1.2 at 3 locations and 1 million at one location, right?

**Shravan Shah:** 1 million at which location, sir?

**Management:** 1 million at Jharkhand, I think, where in Jharkhand we have planned 1 million ton. And rest all other 3 places, 1.2 into 3.

**Shravan Shah:** And in terms of the timeline, everything will be, as we mentioned, 2 years, so for across all the grinding and the clinker will be mostly coming together at the same time?

**Management:** No, we did not say that. We said the Clinkerization, and 2 grinding units will come in first phase in 2 years' time and 2 grinding units split location would come one year later.

**Moderator:** That was the last question. I would now like to hand the conference back to Mr. Vaibhav Agarwal for closing comments.

**Vaibhav Agarwal:** Thank you. Sir, I just wanted to know that as per your assessment, what is the peak net debt of the company on consol basis and what is the peak net to EBITDA you are targeting once you start commencing all your CAPEX plans?

**Management:** Vaibhav, I think, are you asking any question to us?

**Vaibhav Agarwal:** Yes, I am asking a question that what is the peak consol net debt you are targeting and what is the peak net debt to EBITDA that as per your assessment would be there for JK Lakshmi?

**Management:** We are talking of peak debt because we are talking of a contracting debt of close to 2,500 crores over the next three years. So, we expect the debt to increase by about 1,000 to 1,500 crores because over the three years' period, about 1,000 crores will get repaid also. So, 1,500 crores debt would be there on a consol basis. So, if it is 2,000 crores today, the peak would be anywhere between 3,500 crores or so thereabout. And our target for this would be to keep it net debt to EBITDA, anywhere between less than 2.5 max.

**Vaibhav Agarwal:** That answers the question. Thank you so much, sir. Thank you, sir. On behalf of PhillipCapital (India) Private Limited, I thank the management of JK Lakshmi for the call and many thanks to the participants for joining the call. Thank you very much, sir. You may now conclude the call. Thank you, sir.

**Management:** Thank you, Mr. Vaibhav. Thank you, everyone.

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