JKLC:SECTL:SE:24
9th November 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 on 8th November 2024 at 4:00 P.M. IST

In continuation of our letters dated 5th November 2024 and 8th November 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: 2024.11.09 14:16:12 +05'30'
(Amit Chaurasia)
Company Secretary

Encl: a.a.

"JK Lakshmi Cement Q2 FY-25 Earnings Conference Call"

November 08, 2024

MANAGEMENT:	**MR. ARUN KUMAR SHUKLA – PRESIDENT & DIRECTOR, JK LAKSHMI CEMENT LIMITED** **MR. SUDHIR BIDKAR – CFO, JK LAKSHMI CEMENT LIMITED**
MODERATOR:	**MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Earnings Conference Call for Quarter and half year ended 30th September, 2024 of JK Lakshmi Cement Limited hosted by PhillipCapital (India) Private Limited.

As a reminder all participants' 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, Michelle. Good evening, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q2 and H1 FY25 call of JK Lakshmi Cement.

I need to highlight that JK Lakshmi Cement is also the holding Company of its listed entity 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 at 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, and which are 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 different material from the statements made. JK Lakshmi Cement Limited and the management of the Company has no obligation to publicly alter or update the statements whether as a result of new information or future events or otherwise.

I will now hand over the floor to the Management of JK Lakshmi Cement for their "Opening Remarks" which will be followed by interactive Q&A. Thank you and over to you sir.

Management: Vaibhav, thank you so much and good afternoon to all of you. Welcome to this Quarter 2 FY25 call of JK Lakshmi Cement along with Udaipur Cement Works Limited. Quarter 2 has been quite volatile, quite challenging not only for JK Lakshmi Cement but overall industry wise also.

If you look at typically July-September is low in demand because of cyclicity and monsoon factor. But this time around this was also coupled with the general election and usually what happens after this general election. Some kind of sluggishness which creeps into the market. So, that triggered very low demand in different geographies perhaps.

I think all of you know that demand was quite subdued in the Quarter 2 of this year and because of various sluggish demand there was a lot of pressure on prices also. My estimation or our estimation goes that prices have dropped by about 8% and this time around I think drop has been quite substantial in case of east west and followed by north. For a change at this time drop in prices in south and northeast were the least. Since our geographies are limited to western part of India, part of it north and east. Yes, I think there has been impact on us in terms of subdued demand and depressed pricing. Nevertheless, I think yes of course I think the result would have been much better. But I think what we are really taking confidence from is that wherever whichever market we operate we are holding on to the market share. Like just to let you know, part of west, part of north and east west where we are there, we sell about 70% of our cement and there, our market share is intact. Also price-wise we have done better than others. So, that is what that gives us the confidence that directionally we are alright. Yes, there was pressure because of the external environment which we cannot control fully. But whatever we could have controlled, I think we have tried every bit to change that in our favor.

Just to give you a very brief performance update; of course, volume and all you know that our volume is down by about 9% on a consolidated basis. But leading indicator if you look at, I think that gives us a lot of confidence that directionally we are all right. So, trade we are at about 53%-54% quarter wise, blended cement is at 66%, lead also we have substantially reduced. Lead was at 374 km which is about 13 km lower than last year same quarter. We have done quite well in terms of renewable energy also. Renewable energy last quarter stands at about 40% and out of that about 20% is solar and wind. So, that way we are progressing very well.

If you look at other performance parameter; variable cost on a consolidated basis, we have done better. We are lower by about 11% YOY basis. Overall cost also has been down by about 5%. Power was down by 9%, fuel by 22% and fuel cost was about Rs. 1.62 per kilo calorie.

On TSR front also we have done quite well. TSR was at about 13% and operating cost also was down by about 4%. If you look at EBITDA, drop of top players in the industry; in the last quarter YOY basis that ranges from right from Rs. 225 per ton to about Rs. 400 per ton. We also fall within that range only, we just kind of get carried away, if we look at percentage. Whenever price drops that similar kind of drop happens for every player. So, our drop was also in line with the industry and if you look at because we have also done comparison ourselves within the player who are there in our geographies because at times also, we carried away looking at the larger player who operates in different geographies. I told you that the price drop in different geography was different this time.

The overall drop was 8% but our geography somehow for a change was little higher drop and that is what has impacted our EBITDA. But we are confident that directionally we are alright, leaning indicators are favoring us and I don't see any issue going forward also. Of course, there is also always scope of improvement and definitely whatever levers we have on top line or on cost front, we keep on working on that and hopefully we will bounce back in this quarter and going forward. So, this is what the brief update I just wanted to give you and now we are open for question answer.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of from. The first question is from the line of Nigel Mascarenhas from Leo Capital.

Nigel Mascarenhas: Firstly, by when is the merger with Udaipur Cement Works expected to be completed? My second question was by when do you expect the expansion in the east to be completed and how much of CAPEX will be spent towards it?

Management: To answer your first question regarding the approval and the completion of the merger; so the board had approved the consolidation of the cement business by merging the three subsidiaries of JK Lakshmi on 31st July in their board meeting. Thereafter the process is that we have to first approach the stock exchanges and once the stock exchanges, both the stock exchanges which is the BSE and NSE give their approval then they forward their joint recommendation to SEBI and only when SEBI approves it then we can approach the NCLT. So, that is the process. While the approval from BSE and NSE together with SEBI takes anywhere between 3 to 4 months. For us the stock exchanges as we understand have forwarded their recommendation, cleared that application and have forwarded it to SEBI. SEBI the BSE people and NSE people are chasing them. We can't approach them directly and there have not been any queries there so far and we hope in the month of December SEBI would clear it hopefully and thereafter we will approach NCLT. NCLT based on the past experience which different companies and different players have, take anywhere between 8 to 9 months. So, as we have mentioned in our press release which we put in and also the presentation which we have put in the website after the board approved the merger, anywhere in the second half of the calendar year 2025, we expect that to be in place. Though we are trying to expedite it as much as possible but things are not in our control. NCLT take their own sweet time. They are already overloaded with other cases but we are trying to push it and our endeavor would also be to do it as fast as possible. That is as far as the timing for the merger of UCWL is concerned.

Now your second question regarding the expansion in the East; yes, we have embarked on an expansion of 4.6 million tons of cement together with about 2 to 2.3 million tons of clinker at our Durg plant and initially we will take up the Durg clink erization along with the grinding unit in UP first and follow it up with the other two grinding units at the other location as we have mentioned. So, somewhere in FY26-27 we expect that to be on stream. The first phase which will include the clinkerization and half of the cement capacity followed in the next financial year by that. Expenditure we have not incurred much as of now on the Durg expansion. In the current year we expect anywhere between 100 to 150 on that, primarily on account of some initial placement of orders etc. And thereafter the pace of expansion as well as the CAPEX will gather pace in the next FY.

Moderator: The next question is from the line of Ashish from Himalaya Capital.

Ashish: I had two questions. Firstly, why has there been a delay in the ramp up of our expanded facility in Udaipur Cement Works? And secondly what sort of utilizations are we seeing operating for both clinker and cement in the UCWL expansion?

Management: On the first question of ramp up, we commissioned our landing station at Udaipur on 28th of March. As that this 1st Quarter was marred by general election and followed by this impact of cyclicity and sluggish demands which I mentioned during my opening remarks. So, that has impeded our progress a bit. But I think that now taking pace and the way we see trend now, we are on the right track and whatever plan we have for this year hopefully we will end up achieving that.

Ashish: On the second question the utilization for both clinker and cement in the UCWL plant.

Management: So, clinker utilization was at 83% and at Udaipur 58% and cement 65% percent in JK Lakshmi Cement and about 37% of Udaipur cement utilization and consolidated basis it is 57%.

Moderator: The next question is from the line of Keshav Lahoti from HDFC Securities.

Keshav Lahoti: Some data point, non-cement revenue and RMC in this quarter and what was the margin?

Management: So, non-cement revenue in this quarter was 126 crores and margins were lower as has been generally it was down to about 5%.

Keshav Lahoti: And how much is RMC in this?

Management: Out of 126, RMC is I think 66.

Keshav Lahoti: So, firstly, this quarter our volumes have degrown by 9%. So, how our guidance stance which was 8% for this year and secondly 9% degrowth should we assume the Company has lost market share? How you read it like it's a regional thing or how should we read it?

Management: So, first I will address you the question which is latter part of it. So, none of the core market we have lost our market share. In fact, in some of the market we have increased our market share. Now the volume growth which we talked about, I told you that prices were quite depressed. And some of the non-core markets where we were selling, I think it was not advisable to sell in those market because we were going below variable cost. So, that was a conscious call not to sell in those market but to kind of be consolidate in the market, which is our core market, and, in those markets, we have improved market share a bit rather than kind of losing. So, that was a conscious call not to sell in those far off market. And that is what is reflecting in our lead also. If you look at our lead was 374 km which is 13 km lower than the same quarter last year. So, that was a well thought strategy because had we sold in those markets just to go up to the volume, I think you would have achieved a little better volume but our losses would have been more. So, that was a conscious call not to sell. So, that was on this 9% thing which you asked about. Other thing the guidance about in the next two quarters, I will just give you an industry estimation, whatever our estimation is. Quarter 1 was almost flat; industry wise all India wise. Quarter 2 we estimate that the growth is about 1% to 3%. Quarter 3 is estimated—industry I am talking about is—about 4% and Quarter 4 is going to be about 9% to 10% kind of thing. This is what our estimation is and if you go by that then overall all India cement demand is going to be about 4% to 5% for a full year basis. So, two quarters. I think our endeavor would be to go in alignment with industry growth. That is what we see.

Keshav Lahoti: Tell me one thing. If I see your freight cost, which has increased sequentially by 50 per ton, why is that so? Sequentially I'm talking freight cost have increased by Rs. 50 per ton. Last Q1 was 1,040 per ton, this quarter it is looking 1,085 per ton.

Management: So, sequentially, year-on-year basis it has gone up by about 4%, which is in alignment with the inflation rate. And that has gone a bit up because of some amount of increase in clinker sale also. Lower clinker sale because clinker what happens is it is soft basis mostly.

Moderator: The next question is from the line of Rajkumar Das from Navodaya Enterprises.

Rajkumar Das: My question is regarding your conveyor belt project which has been delayed for a long time, could you please update the current status of conveyor belt at Durg plant?

Management: So, conveyor you are talking about Durg 5 conveyor, right?

Rajkumar Das: Yes.

Management: As I said before that there are some approvals which are pending and that is on the last stage of approval, so you know that government approvals this takes little bit more time and some of the things we cannot control. But we are actively working on that and hopefully I think we will be able to resolve this very quickly. Yes, this is taking little longer time because of again election was also one of the factors because the entire machinery was not really that focused on those kind of jobs which are not important for them. So, because of that this got delayed. But we are working on this. Probably I think we will have some solution very quickly.

Moderator: The next question is from the line of Amit Murarka from Axis Capital.

Amit Murarka: Firstly, I joined the call a bit late, so if you could just share the volumes for the cement and clinker at stand on and consol level?

Management: Cement sales was 17.82 and clinker was 0.84, total was 18.66.

Amit Murarka: 17.82 and sorry how much?

Management: 17.82 and 0.84 clinker, total 18.66.

Amit Murarka: This is at the standalone level and what would be consol?

Management: This is certainly on a standalone level and on a consol basis it is 23.60 for the cement, 1.33 clinker and total 24.93.

Amit Murarka: On your comments which you made that in few markets your variable cost was higher than the realization hence you kind of did not participate in that market. So, just wanted to understand which markets would these be and like given that pricing seems to be staying subdued since quite some time, what is your strategy to combat this situation and get volumes back up again?

Management: Our strategy is to reinforce in the market or the battleground which we have and battleground for us is all those markets which are near to our plant. So, we will keep on reinforcing our position in those markets. and during Quarter 2 also we have done the same thing. So, in all those markets our trade sales have gone up and overall markets here also in some market it is intact and some market we have done better. And those far off market like I would call them secondary market, is deep into central India, then eastern part of UP and those markets. So, there we did not participate because our prices were not remunerative, and realization was lower than even variable. So, that was a conscious call. So, those market I am talking about otherwise all those four markets like Rajasthan, Gujarat, eastern market Chhattisgarh, Odisha, Vidarbha part of it, Eastern MP and Western MP, these are the market where we keep on consolidating ourselves and that will keep on kind of effort will be further on to consolidate in these markets even better.

Amit Murarka: And generally, also a thought like I think 1.5 years back, 2 years back we had said that we are embarking on a journey of improving the brand in the market and improving in that sense realization as well. So, how far have we moved on the journey and like if that could also help to address this problem?

Management: We have progressed quite far and if you look at the EBITDA per ton difference between the leaders and JK Lakshmi Cement last year and even 1st Quarter also was reducing. So, that has come about because of the actions which we took and which I elaborated in my previous calls. So, on levers on top line, on cost which I mentioned some of them during my opening remark, that journey is I would not say fully accomplished, but I would say definitely 75% we have accomplished, 25% yet to be done. The major portion still we are further working on brand and premiumization, so we are working on brand premiumization also and for us when next quarter when we meet, so I will update you on what actually we are going to do with the brand. So, that is a very ambitious project which we have already started and hopefully we will have some update during next quarter. I would say about 70%-75% journey we have traveled and that has resulted into reduction in the gap between leaders and JK Lakshmi Cement and about 25%-30% still remains and that is not the final thing because we keep on exploring different avenues, different opportunities and we embark upon them. And of course, digital also will help us to improve our efficiency further. And some of the plants have already deployed some AI tools and algorithms which is going to improve our efficiency in different value chain in the operating. So, 25%-30% from the previous one and even going forward we will explore further all those avenues. We will just try to realize with technology, with our experience and acumen which we have within.

Amit Murarka: Also, lastly pricing has it improved versus Q2 averages what we're seeing now?

Management: Prices have improved a bit for sure. Prices have started going up from September. October was more or less stagnant, little bit upward trend. But now since post Diwali demand will improve hence prices are also likely to go up. So, definitely prices will go up once demand improves.

Moderator: The Next question is from the line of Raghav Malik from Jefferies.

Raghav Malik: Just a few housekeeping questions, actually what would the premium product mix be, I don't think you mentioned that and the premium product mix even as a percentage of just the trade volumes?

Management: So, premium product proportion is about 25% on our trade sales is about 12%-13% on an overall basis.

Raghav Malik: And just on the cost side the fuel cost per kcal this quarter, what would that be?

Management: Fuel cost rupees per kilo calorie you are asking.

Raghav Malik: Yes.

Management: It was 1.62.

Moderator: The next question is from the line of Sanjit Tambe from Centrum Broking Limited.

Sanjit Tambe: I just wanted UCWL volume for this quarter and previous quarter.

Management: UCWL volume, they did 5.74 cement sale and 0.84 clinker sale and in the preceding quarter you wanted, 6.41 was their cement sale and 0.9 was their clinker, total 7.31.

Moderator: The next question is from the line of Jatin Chhaparwal from Chhaparwal Enterprises.

Jatin Chhaparwal: I have just one question. I need to know about the CAPEX plan you are planning, what's the stage of it?

Management: CAPEX, as I mentioned in response to some earlier questions, we are having two-three projects on hand. One is the Surat grinding unit. We expect that to be commissioned towards the end of this financial year wherein we are adding 1.35 million capacity therein. And then there is a Durg expansion which will take 2 to 3 years therein. The Udaipur expansion is virtually complete, some small ancillary jobs are left. So, that is as far as the CAPEX are concerned. Railway siding project is on, we expect that to be in place in the 1st Quarter of the next financial year. Partly we have already started using railway siding there.

Moderator: The next question is from the line of Uttam Kumar Srimal from Axis Securities Limited.

Uttam Kumar Srimal: What is our CAPEX guidance, you just give the number of CAPEX, so just one CAPEX guidance for FY25 and FY26?

Management: Current year, we have done about 175 crores in the first 6 months. We expect in this year FY24-25 for the full year we can do about 500 crores, then 700 next year, followed by about 800 to 850 in FY27.

Uttam Kumar Srimal: Power and per KL cost has come down to 1.62. So, do we expect more decline in the coming quarters, or it will remain at the same level?

Management: Around the same level it may be. We don't see any substantial drop there in.

Moderator: This will be the last question for today which is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: I think the CAPEX you mentioned is for standalone. So, on consol basis in 1H we have done 440 odd crores. So, for ‘25-26-27 put together at console level what CAPEX are we looking at?

Management: You are right, whatever figures I've given is for the standalone. So, we may have another 200 crores for Udaipur. Whatever 500 has talked of for FY25 on a standalone basis and about another 200 for the Northeast project. That is as far as in the subsidiaries are concerned in FY25. Going forward Udaipur may be not there, maybe only 3040 normal CAPEX there including some leftover of the expansion and another 200 to 250 for the Northeast project and thereafter in FY27 nothing for Udaipur. But Northeast may have about 400 to 500 crores.

Shravan Shah: I still want to tally the number, for FY25, so 500 is standalone plus 200 crores Northeast. So, put together would be 700 crores full at console level FY25?

Management: Another 200 for UCWL you have to add.

Shravan Shah: So, 900 crores total.

Management: Correct.

Shravan Shah: And for effort 26 total would be 700 crores standalone and Durg expansion would be how much?

Management: 700 crores include Durg expansion, Northeast asset, when I say Northeast that is the Assam project in the subsidiary. Not in Durg. North doesn't mean Durg. It means the Assam project which is in the subsidiary. 700 includes Durga expansion.

Shravan Shah: So, Northeast in FY26 would be a 300 crores you say?

Management: Yes.

Shravan Shah: And this Durg expansion, just to clarify, first phase Surat expansion last time we said we will be doing a 1.35 in a half of by October and March. But now we will be doing the entire 1.35 by March end?

Management: Yes, around that.

Shravan Shah: And for Durg expansion the first phase also previously we were looking to start by FY26, the clinker and 2.4 million tons grinding. So, now this will be….

Management: It may be spilling over to the first half of the next financial year.

Shravan Shah: And then the second phase would be in FY28?

Management: Yes, one year later.

Shravan Shah: And then the Northeast also will be in FY28 will start?

Management: Around that, you're right.

Shravan Shah: And just a data point, our CC ratio for this quarter was how much what ratio? Cement to clinker ratio.

Management: 1.45.

Shravan Shah: And this RE share which is 47%, so by March end this will increase to last time we said 50% odd. So, that remains the same.

Management: Yes, will be closer to 50% because we are still working on some of the solar projects. If that gets commissioned, they will reach there.

Shravan Shah: And in terms of the overall consol level cost reduction at per ton basis now how much one can look at?

Management: So, as I said Shravan, yes, we are working on now one thing which is a big chunk is premiumization which we are working on. So, that exercise is going on and perhaps that will give us some good leeway. Apart from that this operational efficiency is a continuous journey. So, we will keep on getting something as we progress. So, definitely I see Rs. 50 to 75 a ton. That is what I see. Rs. 50 to Rs. 100 a ton going forward once we will realize different actions which will be taken.

Shravan Shah: And then once as you said in the second half we will be doing in line with the industry growth but in FY26, we will be growing much better than the industry growth?

Management: That is what we wish Shravan because now by that time our capability improvement plan which we have taken for Udaipur expansion that will come in full force. So, definitely our ambition our plan is to grow faster than industry next year.

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

Vaibhav Agarwal: On behalf of PhillipCapital (India) Private Limited I would like to thank the Management of JK Lakshmi for the call and many thanks to all the participants joining the call. Thank you very much sir. You may not conclude the call, Michelle. Thank you.

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