"JK Cement Limited's Q4 & FY'24 Earnings Conference Call"

May 14, 2024

MANAGEMENT:	**MR. AJAY KUMAR SARAOGI – DEPUTY MANAGING DIRECTOR & CHIEF FINANCIAL OFFICER, JK CEMENT LIMITED** **MR. PRASHANT SETH – PRESIDENT (BUSINESS INFORMATION & INVESTOR RELATIONS), JK CEMENT LIMITED**
MODERATOR:	**MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Earnings Call for Quarter and Year-ended 31st March 2024 of JK 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 star, then zero 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 Q4 & FY'24 Call of JK Cement Limited.

On the call we have with us Mr. Ajay Kumar Saraogi, Deputy Managing Director and CFO, and Mr. Prashanth Seth, President, Business Information and Investor Relations.

I would like to mention on behalf of JK Cement Limited and its management that certain statements that be made or discussed on today's conference call maybe forward-looking statements related to future developments and 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 differ materially from the statements made. JK Cement Limited and the management of the company assumes no obligation to publicly alter or update this 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 Cement for their opening remarks before open it up to Q&A. Thank you, Saraogi, sir.

Management: Thank you, Vaibhav. Good evening. I'll give you a brief. The Board of Directors met on 12th May to review the working of the company for quarter-ended 31st March '24 as well as for the whole year. Though we have already posted the details to you and in the investor presentation also, I just give you a brief of the working for the quarter and the year.

So, our net sales during this quarter were higher by 6% at Rs.2,856 crores as against Rs.2,690 crores. The EBITDA during this quarter was lower as compared to previous quarter by 10% at Rs.548 crores as against Rs.608 crores. The EBITDA margins were also lower at 19.2% as against 22.6%. The profit after tax was lower at Rs.236 crores as against Rs.289 crores in the previous quarter. If we see the working for the year, the net sales was higher at 16% by Rs.10,563 crores as against Rs.9,094 crores. The EBITDA was higher by 52% at Rs.2,005 crores as against Rs.1,320 crores. The EBITDA margins was 18.9% for the year as against 14.5%. And the profit after tax was higher by 65% at Rs.831 crores as against Rs.503 crores.

If you see that this year has been an exceptional year for the company. Gray cement volumes for the company have grown by 19%. The Central India expansion achieved capacity utilization of 83% in its first year of full operations. We commissioned the Ujjain grinding unit of 1.5 million tons within 12-months of start of work. We acquired the Toshali Cement to extend footprints in the eastern markets.

Looking to this, the Board of Directors also recommended a dividend of Rs.15 and a special dividend of Rs.5 as this year we are going to celebrate 50 years of gray cement and 40 years of white cement. We started the gray cement journey way back in 1974 and the white cement in 1984.

As far as the projects are concerned, our expansion is well within the track. The Prayagraj unit of 2 million tons is in advanced stage and this is likely to be commissioned in the second quarter of this fiscal. The 6 million tons expansion plan, we have already placed orders for the main plant and equipment, the civil and mechanical contractors' work has already been released. At the main integrated plant site, the Bhoomi Pujan has been done and the construction work has started, then about either end of second quarter of FY'26 or third quarter of FY'26.

As regards, we continue our journey of growth. And yes, presently because of elections, the demand is subdued. However, we feel that we will end up the year with at least about 10% growth.

And we continue with our journey for cost optimization and going forward, we see that we should be able to achieve Rs.150-200 of reduction in costs.

These are the major highlights. I would be pleased to address any of your queries. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: Just to confirm, did you mention Rs.150-200 per ton cost reduction potential in your initial comments?

Management: Yes, Rs.150-200 cost reduction potential going forward, not immediately in FY'25 but over the next two fiscal.

Navin Sahadeo: So, if I may please request some more like elaboration on this as to what will be the broader areas under which you plan to achieve this, and if there are any specific year wise timelines to this that will really help?

Management: So, again, see, as far as timelines are concerned, we will get back. Maybe major areas are one is on the freight, so, on the logistic cost, we are working, and this should definitely give us around Rs.50 a ton. We have already achieved a good level of green power; we are already around 50%-plus, but we are still working for more green power that will give us certain savings. We are optimizing more usage of AFR. So, that would also result in certain savings and other fixed cost and other areas of cost, so on the supply chain and other things we are working on. So, that should also result. So, exact numbers are being worked out, but we definitely see a potential of the value of Rs.150-200 a ton.

Navin Sahadeo: My second question then was around the timeline for Panna-2 CAPEX. So, in the presentation you said that the clinker plant would be possibly up and running by July to September '25. But if you could help us understand the grinding units related to this, what are the specific timelines if you can share that?

Management: So, see, there has not been any difference in the timelines, that there have been delays in any grinding. So, as far as the integrated plant is concerned, we feel that though our internal target is still much lower, so within 18-months we should be able to commission the integrated site. So, we have already done the Pujan early and now we expect that if you take 18-months, it comes to around by between September, October we should be starting next year the entire integrated plant. The grinding unit major would be on the grinding at Bihar. We are in advanced stage on finalization of the land. And once we do it, I think there should not be any delay, we should be able to complete that within 12 months and start work at the site, we have already finalized the order. So, we are confident that by end of Q2 or beginning of Q3 FY'26, we should be able to commission this.

Moderator: The next question is from the line of Mangesh Bhadang from Centrum Broking. Please go ahead.

Mangesh Bhadang: So, a couple of questions. First is on Toshali Cement. So, now that the acquisition is complete, what kind of contribution is expected in terms of volumes from that plant, or do you think that we need to make certain investments for that plant to basically start contributing the new fleet off.

Management: So, see, we should be able to start the work in full in this plant. It's a running plant, but we need to modernize it and make some investment and working capital. So, another we are going to invest about Rs.40 crores in this year on the plant and as we modernize the plant, we should be able to get about 3 lakh to 4 lakh tons annually from this plant. And in the meantime, we'll also work on the mining lease, and when the mining lease finalizes and order long-term arrangement for the limestone, we will work out for the next phase in due course of time.

Mangesh Bhadang: So, this year we can expect 4-5 lakh you said, right?

Management: Not this year, I mean, I think this year it will be lower, the normal production should start coming in by beginning of the third quarter onwards.

Mangesh Bhadang: The second question is on the market. Just wanted to have your views on what the current pricing is compared to the 4Q average, and you mentioned that demand is low at least initially because of election. So, what kind of number you're looking for in '25 and that 10% growth you have mentioned is largely will come from the central region?

Management: See, as far as demand is concerned, it is low because of the elections across and then even in the second quarter, though it will pick up, but the monsoon should be there. So, we are really expecting normal demand to be there from third quarter onwards, by that time the annual budget would have also come in, there would be clear clarity on the government spend also. And as far as the volume is concerned, yes, there would be growth in central India because we have, we would have commissioned Prayagraj, so we will get extra volume also in the central India and in the other regions also, North and South we will be growing at par with the industry.

Mangesh Bhadang: On the current pricing trend?

Management: Let us see. We should see some pricing only from the third quarter onwards. I do not know that any expectation of price may come up immediately. There is some pressure on the pricing vis-à-vis fourth quarter as you see, there has been a marginal dip but not a substantial dip.

Mangesh Bhadang: And sir, finally, the Prayagraj and Ujjain grinding units cumulatively will have 3.5 million tons of grinding capacity. So, we do have the commensurate clinker for the same, right, at the existing unit?

Management: Yes, that we told you earlier also, we have commensurate clinker. So, our present clinker availability means even now we are not operating all our kilns. Presently, the demand is less, one of the major reasons is that also. So, we have commensurate clinker. As we told earlier, we are working at average 85% of capacity utilization, so for 22 million tons of production, we have all the clinker.

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

Amit Murarka: So, my first question is on the CAPEX build up for '25 and '26. So, if you could just provide some guidance there?

Management: CAPEX will be spent in '25 will be around Rs.1,900 crores and in '26 also around Rs.1,800 crores.

Amit Murarka: And what is the kind of incentive that got booked in Q4?

Management: So, Q4, the incentive is around Rs.70 crores.

Amit Murarka: And in UP, have you started the booking? I mean last call I think you had said that your booking only in MP as of now.

Management: No, no, in UP, we've been booking, Aligarh also we have been taking. Only thing is that the incentive available for Aligarh was only available till December, the yearly amount was exhausted. So, there was no incentive which we could take for Aligarh in the last quarter. But we are accruing and in fact we have already got partial payment of that incentive.

Amit Murarka: And also on the paints business, what was the revenue and EBITDA booked in Q4?

Management: Paint revenue in the Q4 was Rs.30 crores and overall revenue for the year was Rs.153 crores.

Amit Murarka: EBITDA?

Management: There is an EBITDA loss of Rs.20 crores for the year as a whole, Q4 it was Rs.6 crores.

Amit Murarka: And generally, like you said that pricing, you are now expecting only post-monsoon. So, as of now then the Q1 realization, I believe you said that you will be down only marginally versus Q4. My understanding was that like there was a big drop in pricing that has happened in March and the exit of Q4 was actually about Rs.10 lower than the Q4 average. So, if that is the case then then it just means that we are 3%, 4% lower than Q4 realization. So, is that understanding, correct?

Management: Can you just repeat?

Amit Murarka: So, basically, there was a continuing decline in pricing that had happened in the fourth quarter. With the exit of Q4, our outstanding that was about Rs.10 lower or 3% lower let's say than average Q4, and given that there is not much hike this quarter, so then is it is it correct to kind of expect that this Q1 will be 3% to 4% lower than Q4 realization terms given that no hike has happened?

Management: Yes but blended it could be around the same thing. There is a lot of pressure and even half of Q1 is left. You never know how the situation would be. But it could also be that things may improve marginally. So, we really have to see.

Amit Murarka: And also, on white putty cement and putty, it seems like the realization has dropped there as well. So, what's the reason for a drop over there?

Management: So, actually there's continued pressure on the putty. So, the pressure from the paint guys, it continues and even after entry of bill offers in the paint, I think there's a reaction on the putty side by the paint mainly Asian Paints. So, there is a pressure on the putty pricing.

Moderator: The next question is from the line of Keshav Vijay Ratan Lahoti from HDFC Securities. Please go ahead.

Keshav V R Lahoti: Just want to confirm on the central and east expansion what I can recall the entire expansion was 2,850 crores and the central piece was 2,200 crores, but we can see now Panna alone cost is 2,300 crores. Is there some bump up in expansion, how much this total expansion will cost?

Management: No, no, no. I think the 6 million tons expansion cost was 2,850 which included the figure, the integrated plant site has been shown 2,302 and the balance 531 crores is for the grinding units at Bihar and balance is for the increase in the grinding at Hamirpur and Prayagraj. So, that was the total expansion cost of 6 million tons, central India was 2,850, there is no change in the project cost. It is what was estimated earlier remains the same.

Keshav V R Lahoti: In this quarter also, we have seen sequentially some increase in employee cost, although last quarter we were expecting some decline.

Management: So, as you see in this quarter, one of the reasons for increase in the employee cost is, there has been an incremental variable pay and when you see year-on-year as a company, overall profitability has been much better than what was internally budgeted as a guideline for the variable pay. So, there is an incremental variable pay portion which has come for the full year for the entitlement. So, one of the reasons for increase and other is that when the projects get completed you have full salary for the other plants, Ujjain full salary has come in, Ujjain was commissioned, the salary of Ujjain is also included.

Keshav V R Lahoti: Is it possible to quantify what is the incremental variable pay amount?

Management: So, variable pay amount is total additional for the quarter is 15, but even once you compare with previous year the variable pay portion was quite less, it was even 50%, it was lower. So, compared year-on-year, the impact of variable pay is around 35, 40 crores.

Keshav V R Lahoti: Is the paint guidance remain same for FY'25?

Management: So, FY'25, pain guidance remains the same of 300 crores plus what we said.

Moderator: The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Just continuing for FY'25 on paint front, how much loss that will be delivered?

Management: So, the paint loss for FY'25 will be marginally higher as we would be investing more towards the branding and the loss would be around 35 to 40 crores.

Shravan Shah: Previously, we were looking at close to 500-odd crores kind of revenue. So, will it remain the same and for FY'26 also can we see the EBITDA loss, or will it turn EBITDA-neutral?

Management: So, yes, definitely FY'26, we should see a top line of around Rs.500 crores. So, there is no change in that. On the EBITDA front, we see that in FY'26 maybe there is some loss, but FY'27 onwards it should be EBITDA-positive.

Shravan Shah: Just to again clarify in terms of the timeline for the expansion, so by Q2 of FY'26 Panna clinker and one MTPA grinding will start and Bihar 3, Amritsar 1 and Prayagraj 1, what's the timeline in terms of the start?

Management: So, see, as far as the timelines are concerned, we see end of Q2 or beginning of Q3 as a timeline for Panna completion.

Shravan Shah: Bihar 1 MTPA, how much, sir?

Management: So, Bihar will come at the same time and we don't foresee that there would be anything on Bihar side.

Shravan Shah: And Hamirpur and Prayagraj will also come by Q3 FY'26?

Management: Hamirpur, Prayagraj will come at the same time, not much work to be done at those plants, it is only a marginal upgradation which will lead to the incremental production. So, there is not major activities to be carried out for that.

Shravan Shah: A couple of data points are needed. Green, sir for FY'24 we said 51%. But for Q4 how much it was? TSR for Q4 FY'24?

Management: The fuel mix is like we have around 60% of pet coke based on the heat consumption and balance 40% is the imported coal and the alternate fuel.

Management: TSR we have around 16%.

Shravan Shah: 16% for Q4 FY'24?

Management: Yes, it's around 16%.

Shravan Shah: And for green, sir, for full year we said 51% for Q4. In FY'25, how much we will be adding in terms of the capacity this will increase the grade, sir, please.

Management: For the data for the TSR and the green power is captured on the YTD basis. So, there's not much of a change on a quarter-on-quarter basis. So, that is why I am telling you the yearly number of AFR is 16.3%, the green power yearly number is 51%.

Shravan Shah: And this green in this year, how much more capacity are we adding here? And also need a clarification we mentioned in the presentation some 22-odd MW wind agreement was till 31st March '24. So, now that capacity is no more with us or -

Shravan Shah: There was a one-time. It was a short duration opportunity available, which is not there. Having said so, we are entering into a long-term new solar agreement. So, we have just finalized, and I think by end of this quarter, we should be able to finalize some around 40-50 MW of solar power arrangement on the long-term basis.

Shravan Shah: In terms of the net debt levels, previously we were talking about 5,600 crores kind of gross debt can be peaked out. So, that remains the same?

Management: The gross debt as on 31st March is Rs.4,592 crores. And what you are talking of that is including the expansion that is FY'26.

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

Rajesh K. Ravi: My first question pertains to your CAPEX. So, this 1,900 crores which you have mentioned will be spending in this financial year. This is only the expansion CAPEX or all that is inclusive of your maintenance CAPEX.

Management: It includes everything.

Rajesh K. Ravi: And this Panna expansion, you have mentioned close to 2,300 crores, right? This being the Brownfield expansion, why is the cost suddenly higher because clinker is 3.3 and grinding is just 1 million ton?

Management: You have to look at the total panna expansion on the kiln is to support grinding of 6 million tons. You have to see the capital cost of 2,850 for 6 million tons. Now if you see the capital cost for 6 million tons, it is working out to less than 500 crores per million.

Rajesh K. Ravi: Just thinking from that perspective, the clinker unit is a Brownfield one, so I believe the cost should have been lower?

Management: See, you do the saving only in terms of the land and you have the administrative setup available so that you can complete the project earlier. And also, because of Panna, we have seen huge mining land, and we have to keep on acquiring. So, even in this project cost, we have considered the cost of the mining land which has to be acquired.

Management: A bigger kiln as compared to Line-1. So, again see we have to support the cement grinding line, one, it was 8,000 and then increased to 10,000. So, we're starting this with the 10,000-ton kiln with a potential of another 2,000 tons. So, with that it's a larger kiln, so capital cost and then it takes care of all the escalations in cost. There's a time gap between line-1 ordering and line-2 ordering.

Rajesh K. Ravi: This Bihar grinding unit is a Greenfield one, 3 million tons, but the pending CAPEX beyond this 2,300 is 550 crores. So, how much you are spending in Bihar, and this seems to be a very small CAPEX for the Greenfield Bihar unit?

Management: So, 530 crores is quite a big amount.

Rajesh K. Ravi: Remaining –

Management: 40, 50 crores remaining is for Hamirpur and Prayagraj.

Rajesh K. Ravi: There you have some balancing equipment which you are only checking in?

Management: Yes, so that's only 40, 50 crores for Hamirpur and Prayagraj. That is not much.

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

Amit Murarka: Sorry, I missed the comment on fuel cost. So, can we now expect that that the downward sloping curve that we're seeing on fuel cost for last year, it will now be more like a flat curve from here for the next couple of quarters at least for which we have the visibility or is there some further reduction that can be expected?

Management: So, there would be some reduction, but not the steep fall as we saw in FY'24. On an average quarter-on-quarter, once we compared to previous year definitely there would be savings but quarter-on-quarter there is still some marginal cost reduction, but not very significant.

Amit Murarka: And you said the share of AFR was 16.3% in FY'24, right?

Management: Right.

Amit Murarka: What would be the cost generally that you incur like this kind of AFR sourcing that you do?

Management: Sorry, we will not be sharing the exact details of AFR cost. We will go on an average fuel cost, net of AFR, we give you the fuel cost, but we will not share what is the AFR cost, it is business confidential, we would not like to share that.

Amit Murarka: You mentioned in the opening remarks that you see 10% kind of volume growth in FY'25. So, my first question was like is that your assessment for industry growth as well or you are building in some market share gains in that number?

Management: No, no, no. We will grow definitely more than industry growth should be around 7%.

Amit Murarka: And last year, what would have been your clinker production number?

Management: See, we are at around 85% of clinker capacity utilization. So, we have like -

Amit Murarka: Is that at a blended level for both North, Central combined?

Management: Yes, yes, combined level. So, -

Management: If you want all the clinker data, we'll send you separately.

Moderator: The next question is from the line of Girija Rai from Asit C. Mehta. Please go ahead.

Girija Rai: So, if I go through the presentation, our lead distance has reduced by 6-7 kilometers on quarter-on-quarter basis and also, we see the global energy cost also has declined. But we do not see much impact in our freight cost per ton, and in your opening remark you mentioned we will be having a saving of around Rs.40-50 per ton of savings from the freight cost. So, how we are going to do that?

Management: See, again, logistic cost what we said is, we see a potential, not that we will get in a month's time or two months' time. Our logistic cost we have taken on a project to work out on the logistic cost and there are several levers to which has to be achieved and we are quite confident maybe that over a period of one year we should definitely get to this number of Rs.40-50 a ton.

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

Ritesh Shah: First is, can you please provide some color on the UAE business, the shipments, the volumes that we had for the full year, if at all there were shipments from UAE to India and how are we looking at this asset going forward?

Management: So, yes, as we see, there has been quite an improvement in the UAE performance. The full year volume numbers, there has been about a 34% increase during the year from 4,28,000 tons of clinker and cement, it has gone up to 5,75,000 tons. And if we look at the whole year, this is the first time if you look at, I mean from a marginal negative EBITDA, we have close to 70 crores plus EBITDA coming in from the UAE business. So, there has been a substantial improvement in the UAE business. Definitely we see that we should be able to maintain this volume numbers though it has been supported, there is a lot of competition in the UAE internationally, but we are working out on different countries, going to Australia we are working on even on going to US, we are strengthening our presence in Africa, the India continues to be one factor because as we see that India mostly both Birla and us are mostly fully utilized, so there is a volume which is coming into India. We are covering our southern region from UAE only besides there is some direct sale to UAE to some of the paint and other consumers.

Ritesh Shah: Second question is, can you provide some details on the market sizing and market share on both white cement as well as wall putty? And have we retained our market share or is it something which has gone down, how should one understand that?

Management: I think market share is being maintained. The white cement market share is primarily between UltraTech and us. We have a market share of between 45% to 48%. So, in that same vicinity we maintain the market share of the white business.

Ritesh Shah: And sir, wall putty?

Management: Overall, yes, we have a market share of around 22%.

Ritesh Shah: And sir, what will be the market size like, will it be upwards of 4, 4.5 million tons?

Management: Yes, should be closer to about 4 million tons. No separate numbers are given. We arrive at a volume number, because putty, we arrive at a putty based on an assumption that whatever is the white consumption, and we assume that some white consumption going into putty and arrive at the volume numbers. But otherwise, no separate numbers per se are available.

Ritesh Shah: And the last question is on growth. Sir, after what we are doing in Panna, what is the region that we look at? We have gone to a couple of regions; one in Rajasthan, one in Karnataka. So, if one has to take a five-year, seven-year view, how should we understand it, like there's a lot of optionality at Panna, which is there, but will we be looking at other regions?

Management: Yes, like we have definitely Jaisalmer is one, which we have a mining lease and even at Karnataka and a line at Panna and Toshali we get so far. This is what we do have plans and post Panna line 2, we shall be reviewing. And that definitely as the next option we will strategize and let you know which of the options where we feel we should be going next after Panna line-2.

Ritesh Shah: But sir, is there any timeline given we have all the leases and the options, does it state that within say two years or three years we need to set up a plant and show value addition?

Management: No, see, just the continuous growth as you have seen over the years. We at the nearer to completion of Mangrol line-2, we announced Mangrol line-3 when we were about to be commissioned Mangrol line-3, we announced Panna line-1. And post within six months of commissioning of Panna line-1, we gone out Panna line-2.

Ritesh Shah: For all the incremental growth projects that we have announced, are all of them backed by incentives?

Management: Definitely incentives are there. Presently, yes, Panna line-2 also has incentives. For Bihar, we have to work out, but definitely for UP and MP there are incentives and Bihar also there are certain incentives which we will be availing.

Moderator: The next question is from the line of Siddharth Mehrotra from Kotak Institutional Equities. Please go ahead.

Siddharth Mehrotra: Just a small query. I see that your other expenses have been elevated and the reason for that is attributable to increased branding spends. So, could you just break down what sort of branding spends are there in this quarter out of the total other expenses of around Rs.468 crores?

Management: So, see, if you look at, we have nearly not gone into the ATL, but still when you see all the competition is going on the TV. Having said so, though our major focus still remains on non-ATL, we have done a lot of working and we do have a direct connection with all our dealers, we have done substantially in this quarter. What we did was an annual dealer meet conference which we had in both the businesses. So, that is one of the reasons for the increase in the sales promotion costs in this quarter. Also, as there has been some incremental spend on the IT automation, we are migrating to export HANA which got implemented in the month of April, on 1st April we migrated from the old HANA to S4 HANA. So, there has been an incremental IT investment also in this quarter.

Siddharth Mehrotra: Sir, if I were to sort of put a number in terms of a run rate for say the next two or three quarters for the branding part, sir, can I have some color on that sir?

Management: So, see, again branding, we are revisiting, there is a lot of requirement from the marketing. Though we would definitely like to optimize, I don't foresee a major saving in the branding cost, because as we are expanding, we are entering new regions, so we will continue to see branding part of it, I would call it as a part of investment and this needs to be done.

Moderator: The next question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: Sir, just two follow-ups. So, in the previous quarter, I think we commissioned the Karnataka Waste Recovery. Is that correct? I'm just comparing Q3 presentation with this.

Management: The waste heat gets commissioned in phases. There are two, three boilers. So, you connect one boiler and then the second boiler. So, exactly what we would say is that waste heat will get fully commissioned. We started off in the previous quarter with one boiler then again… so I think by end of this month it will get fully commissioned. So, the real benefits of waste heat would be seen partially in this quarter, some of it, but major coming from the second quarter onwards.

Navin Sahadeo: It's a 15 MW?

Management: It's 18 MW.

Navin Sahadeo: Sir, my second and last question was about the CC ratio. So, with now addition of more 6 million tons of grinding capacity against the 3.3 million ton clinker that we are like adding, Panna line-2 I am referring to, so what could be then improvement in CC ratio we can see, I understand I think last year we were more like 1.45, I'm talking about FY'23, will really help if you give CC ratio for FY'24 and how much we can improve on that?

Management: See, CC ratio actually we are continuously improving upon because of the increasing in the number of the grinding units. Because the grinding unit production is mainly the blended cement and we have actually planned the clinker in such a way so that the clinker, whatever the new line, will be sufficient for the 6 million tons of the grinding.

Management: So, even in this quarter, as you see, there is some dip in the trade non-trade ratio, but even in non-trade we are trying to procure and get more of blended cement orders so which will help us in improving the clinker factor. And we also feel that the more grinding unit, it is a sort of a green cement. So, this is our focus area. Having said so, at the same time, we cannot discount in which area the incremental demand comes up. So, if the majority of incremental demand is from the government projects and they only take up OPC, then we may have to take up, otherwise all our trade, wherever we are investing so much on the trade, on our branding, on our customer service and all, so which is helping us in maintaining our market share and improving upon the market share and maintaining the trade ratio, which would also help in maintaining the blended cement ratio.

Navin Sahadeo: I was only asking if this 1.45 could increase too maybe –

Management: We have to see. Yes, definitely we are working towards it. It should improve.

Navin Sahadeo: And since you mentioned trade, non-trade, what was it in Q4 and for the year?

Management: Q4 trade was slightly lower to 61%.

Management: Blended was higher.

Moderator: The next question is from the line of Keshav Vijay Ratan Lahoti from HDFC Securities. Please go ahead.

Keshav V R Lahoti: I just want to get a sense on the paint business. We can see sequentially the business is down, revenue is down by 35% though we understand some seasonal factor is there but still there is a sharp dip in the business and when the business is ramping up, so possibly 300 crores revenue in FY'25 could be a tall task to achieve?

Management: No, no, I don't think so. Sequentially, the numbers have reduced.

Keshav V R Lahoti: So, Q3 paint revenue was 46 crores and this quarter you said 30 crores.

Management: No, no, no. Sorry, this quarter it is 51 crores. For the year, if you see, we did 153 crores. We took over from Acro, which was around 70, 80 crores. So, vis-à-vis Acro 70, 80 crores we say that is there, we have just doubled in one year from 70, 80 crores to 153 crores. And the target for FY'25 is about close to 295, 300 crores for FY'25.

Keshav V R Lahoti: Do you have any interim TSR target like FY'30 you have given but interim something like FY'26?

Management: So, see, TSR target as per FY'26, today we are at 16%.

Management: No, the target for 2030 we have said 25% and we are gradually increasing it. So, hopefully it should go up by say 2% every year.

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

Amit Murarka: I just wanted to clarify the paint revenue. You mentioned 30 crores or 53 crores?

Management: No, actually, see the overall revenue for the year is 153 crores and, in this quarter, it is 50 crores.

Amit Murarka: Some of it is booked standalone as well, right?

Management: That is the point actually means the sale from the subsidiary is 20 crores and 30 crores is through the standalone. So, that's why you are confusing between 30 and 50 actually.

Amit Murarka: And the clinker ratio would have been what, 0.62, 0.63 in FY'24?

Management: No, no, no. See, our clinker ratio is 0.66.

Amit Murarka: In FY'24?

Management: Yes.

Amit Murarka: Based on whatever you see in the market, and I believe you also said that even though the share of trade dropped a bit in Q4, blended actually increased. So, in that sense, is there a number of clinker ratio that you're looking at from FY'25 or FY'26 perspective?

Management: See, it is a market situation, because if you see the blended cement for the year as a whole, we are at 67%, right.

Management: So, actually at the grinding units, the clinker factor is around 60% only or less than 60% at all grinding locations.

Moderator: Ladies and gentlemen, this will be the last question for today, which is from the line of Shravan Shah from Dolat Capital. Please go.

Shravan Shah: Just again a clarification needed on the paint. So, 2-3 things. First is 707 crores white consol revenue for this quarter, does that include the 51 crores paint revenue?

Management: It includes Fujairah and paint, both.

Shravan Shah: So, for full year at consol level, we have booked Rs.153 crores of paint revenue in the white as we have shown in the presentation of 2,750-odd crores?

Management: Yes, yes, 2,750 crores includes 153 crores of the paint revenue. Right.

Moderator: We will take one more question, which is from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: A simple question. You indicated cost-saving numbers over two years. Sir, do you think this is something which is replicable industry wide? The reason to ask this is two largest companies have also chief given cost-saving targets. So, is it like industry cost curve will actually go down or is it something which is more company-specific?

Management: See, I have seen, yes, UltraTech which they have given their numbers. So, see today, entire industry is working towards cost reduction. Every company may have different avenues and opportunities for cost reduction, it may depend on where they are in terms of green power, where they are in terms of AFR and other things. So, that will really see where each position is there. So, what we have identified 150 to 200 crores is what we see avenues which are possible in our case.

Ritesh Shah: Sir, if I just rephrase the question in a different way, if one had to look at say logistic cost which you indicated, what can be the optimal primary and secondary lead distance that we are looking at?

Management: See, that's a very difficult question to answer. See, sometimes there could be a higher lead distance but your ex-gate realization is higher. You will not mind spending a higher lead distance cost. So, everything normally we try to do it on what is my ex-gate realization.

Ritesh Shah: So, that explains on the secondary lead part. On the primary lead, would there be a thumb rule basis?

Management: No, it depends on the primary lead also.

Ritesh Shah: Second question, basically we are doing great job on green energy. I understand basically there is something called peak load, but hypothetically if one had to assume say we have 1,000 MW of power requirement, what is the broad ballpark number that we need to have a minimum of thermal power? What can be the optimized WHRS and wind? Again, I'm just trying to get a sense of how much of incremental cost savings can be.

Management: Again, as far as the WHRS is concerned, you can have WHRS only in the kilns, you can't have WHRS anywhere else. So, you may have whatever grinding and your split grinding locations, the only green power in at those locations could either be solar or wind. No other type of green power would be at the grinding stations.

Ritesh Shah: If I rephrase it, if one had to look at the mother unit, if there is a hypothetically 1,000 MW of requirement only where the kiln is, and assuming that there is a small GU over there, is there a broad ballpark number, a thumb rule that one can look at on optimized metrics?

Management: So, on our mother unit, you could have theoretically a very high 75% and this is what we feel that this is ultimately target what we have given 75% green power. So, whatever is the requirement at all locations, we're trying to get 75% green power at all locations.

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

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital (India) Private Limited, we would like to thank the management of JK Cement for the call and thanks to the participants for joining the call. Thank you very much, sir. And Michelle, you may now conclude.

Management: Thanks, everyone for joining.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines.