"JK Cement Limited Q1 & FY25 Earnings Conference Call"

July 22, 2024

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

Moderator: Ladies and gentlemen, good day, and welcome to the JK Cement Earnings Conference Call for the quarter ended June 30th, 2024, hosted by PhillipCapital (India) Private Limited.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you, and over to you, Mr. Agarwal.

Vaibhav Agarwal: Thank you, Sagar. Good evening, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q1 FY '25 call of JK Cement Limited.

On the call, we have with us Mr. Ajay Kumar Saraogi – Deputy Managing Director and CFO and Mr. Prashant 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 may be made or discussed on today's conference call may be 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 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 Cement for the opening remarks, which will be followed by interactive Q&A. Thank you, and over to you, Saraogi sir.

Management: Thank you, Vaibhav. Good evening and welcome to this Call for Q1 Results. The Board of Directors met on 20th of July to review the working for the 1st Quarter ended 30th June 2024 and the major highlights are:

The net sales for the quarter was 2,555 crores as against 2,856 crores in previous quarter, a drop of 11%. However, the same was about 1% higher on year-on-year basis. The year-on-year number was 2,541 as against 2,155 in this quarter.

The EBITDA during this quarter was 479 crores, a drop of 13% as against 548 in the previous quarter. However, the same was up by 19% and year-on-year it was 402 crores. Margins, comparative margins are this quarter it was 18.7%, previous quarter 19.2%, year-on-year 15.8%.

The profit before tax is 292 crores in this quarter as against 358 a drop of 19%, up by 51% and as it was say 194 in previous year. The profit after tax was down by 14% at 203 crores as against 236 crores and up 60% and previous year it was 126 crores.

The EPS for the quarter was Rs. 26.2 paisa, previous quarter Rs. 30.5 and last year it was Rs. 16.3.

These are the major financial highlights.

If you look at the business performance highlights:

The grey cement volumes grew by about 6% year-on-year. Central India expansion achieved 93% capacity utilization. We commissioned 2 million tons Greenfield grinding unit at Prayagraj of 2 million tons and this was completed in record time of 10 months from start of work.

As far as the expansion is concerned of 6 million tons and which is our journey for 30 million tons by FY '26, so we are already now at 24 million tons and the work on the 6 million tons, which is at Prayagraj to set up the Clinkerization unit Line-2 at Prayagraj and Brownfield expansion at Prayagraj, Hamirpur and Panna, whereas the Greenfield expansion in Bihar.

So, at Panna the work has already started. We are on stream. The orders for main plant and equipment have already been placed and we expect that in 3rd Quarter FY '26, this should get commissioned.

Similarly, in case of the grinding unit at Bihar, the Greenfield grinding unit, we have just finalized the land acquisition, now moving in for the various approvals. In the meantime, we have already placed orders for main plant and equipment, and we are hopeful here also, that we should be able to start work post monsoon and then complete within the time schedule along with the main plant.

So, that was the major highlights of the working. And if you look at the balance sheet, then our gross debt was 4,515 crores and the net debt was 2,830 crores and net debt to EBITDA was as on 30th June is 1.36. That is the major thing on the balance sheet.

Now, if you have any questions, we will be happy to address the same. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: So, the first question is on cost. Your other expenses as well as your raw material cost has dropped a lot in these quarters. Could you help understand what the reasons for this drop?

Management: So, the other expenses are lower because we are yet to, you know, if you look at quarter-on-quarter, last year there were certain annual adjustments that were pertaining to S/4HANA, certain expenses which we had done, and the branding expenses, whatever is our branding plan, that to take off is still not there. Mostly the branding expenses we shall be taking up beginning this quarter and in Q3. So, that would be the major branding spend. All the annual dealer tours and all will be done in this quarter. So, it is actually a timing difference you could say.

Management: As regards the raw material, Amit, actually the volumes are down by around 7% in this quarter, and second, there was some extraordinary item which was in the purchase of traded goods and in the sales also in the previous quarter amounting to around 30 crores. So, that is the impact in the raw material cost.

Amit Murarka: Also in the annual report, I think this time you have laid out a plan to do capacity heading for FY '29, FY '30 and you have laid out some units also, Muddapur and Orissa and all. So, could you just set up, I mean, explain the priorities as to what will be the order of expansions if you have any in mind?

Management: So, see, as of now we have not frozen which would come first, but in all likelihood the not, you know, we as a step because we feel that Jaisalmer part unit line one may be the first one to come up, which may be followed by Karnataka and then afterwards it could be Panna line 3 and followed by, I mean, along with Panna line 3, it could be Orissa. Whatever the four options which we have given, how we will reach out around 45 to 50 million tons, it will be in that sequence.

Amit Murarka: And land is in place at every location, right?

Management: No, see, Jaisalmer, yes, the land is in possession. In case of Karnataka, it is a Brownfield expansion. Again, in case of Panna, it would be a Brownfield expansion. In case of Orissa also, the land is there. So, for all the clinker units, I think I would say the land is already there. If going forward, we may have one or two more grinding stations. That land is still not there. That we will go as we are already planning for that. But pending the grinding locations land, all other land is in possession.

Amit Murarka: Also, lastly, on the Orissa unit, I believe the limestone is not owned by you or lease is not with you. You have an arrangement of purchase. So, you were saying that you would be working to get the lease in your name. So, is there at least a progress on that?

Management: No, sir, actually, there has not been much progress because of the elections. And now we had been in dialog with the previous government. So, we need to initiate the dialog with the new government. And we would take up that. In any case, we are not going to take it up immediately. So, we have a plan that by September '25, we should be able to close this in any case.

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

Navin Sahadeo: Sir, couple of questions. First was, how far are we from ordering or considering like, you know, placing the order for Jaisalmer? Because the last couple of times, my understanding was that we needed more support from state infrastructure to be developed in that belt because it's not just us. I think several other cement players have bad limestone mines in that belt. So, just wanted to get a sense as to how far are we? Because if we can do it, then obviously other companies may also consider putting up a plant or if the infrastructure is ready for material evacuation.

Management: Yes, so, Navin, a lot of work has already been initiated over there. As a timeline, see, normally what we do is that when we take up another expansion, it is at the time of when our existing expansion is about to get completed. So, you could say that we are in July. If we have to take up Jaisalmer, the right time would be sometime end of next year or so and definitely while placing the order, we would see that the infrastructure, the work has begun and it is in that stage that it will coincide with our plant commissioning. So, only we will take up and we will commit. Otherwise, we have other options. We may shift to the other options for an expansion.

Navin Sahadeo: Yes, certainly. I am saying certainly a Brownfield expansion is far easy and faster to convert.

Management: Yes, definitely it is easy. But if you know looking to the North market, there are very few sites available in the North and the North is a growing market. So, that is the only area which is now there for to feed the North market.

Navin Sahadeo: Yes, exactly. So, that's what my question was, sir, that is it fair to say that Jaisalmer is now soon to be developed as the next.

Management: Yes, I would say yes. And I think not only us, the other cement manufacturers who have limestone deposits over there are all pursuing with the state government. See, the state government has also at till one stage has also granted us certain incentive schemes also which we have put and that has also been granted to us and to some other cement players also. So, they also want that that area should be developed and the manufacturing facilities should come up. One of the ways how you can develop any areas when the industry comes over there.

Navin Sahadeo: Sir, my second question was on the white segment per se. So, I was just observing that the volumes for the quarter have been I think down. Since the past two quarters, there is a de-growth of sort seen in the overall white segment so to say. So, question was, are we growing slower than the market or how should one look at it? And in the same breath RAK White is now a subsidiary of the largest cement company in India. So, does that have any impact or positive rub-off so to say, positive, negative rub-off so to say on the prices of white cement imports into India?

Management: So, your first question that the white business revenues are going down, see, it is mainly because of some, I mean, it's not actually volume numbers to that extent are not going down. It is the value which is going down because the putty realizations are going down.

So, the paint manufacturers are very aggressive especially Asian Paints. And I would say today Asian Paints whatever has become the largest distributor of putty in the country, so the position which we and UltraTech, sometimes we were ahead of in the putty or sometimes UltraTech was ahead.

So, it is now Asian Paints and so they are really very, very aggressive in terms of the pricing and other things. The growth of putty for them is more than us though it is not that we are also growing year-on-year, but we are not able to, as of now, we are working out our own strategies how to ensure that we grow in tandem with the competition, but at least if maybe if we are not able to catch up with Asian Paints, definitely otherwise our growth will be in line with the average industry growth or we are saying with at least in line with UltraTech.

As regards your second question regarding RAK, so UltraTech had acquired a stake in RAK White about two years back. It is now that they have acquired balance 25% by which they become 54%. They were already, you know, they were effectively in control of the plant, but now with the effective, with the equity control, so in terms of ownership and management, they have a control. This is definitely going forward; it would be a good sign for it. White Cement has always been on a duopoly situation. So, I don't think so it is a negative thing for us.

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

Ritesh Shah: Couple of questions. Sir, first is on cost savings. Earlier you had given a target of Rs. 150 to Rs. 200 per ton over FY '25-'26. Sir, is it possible, so is the target the same? Are we looking to afford to revise the numbers over here?

Secondly, if you can bifurcate it between freight, power and fuel, others, and if you can also help us understand what part of it would be achieved in '25 and then in '26? That's the first question, sir.

Management: So, on the cost savings, yes, we see an opportunity of what I said, about Rs. 150 to Rs. 200 a ton over next two, three years. And the areas are one, on the logistic cost, we think that we should get about, if not Rs. 50, about Rs. 30 to Rs. 40 in the logistic cost. We should get something about Rs. 20 to Rs. 30 in the power segment by increasing the green power. And some in the AFR substitution. So, all in all, we could get anything ranging between half of that about Rs. 70, Rs. 75 by this year, but it would not be the, I would just say we are working on it. We will not get, this would be the average may be lower, but our exit of FY '25 should be around Rs. 75.

Ritesh Shah: Sir, you indicate 30-40 for larger stakes and power around 20 to 30. This takes you around 70-80 bucks. How should we bridge this versus the number that we have indicated say up to Rs. 200?

Management: So, this is year 1 and then I think we are doing something similar thing it is on these are the three areas which remain and which we would be working in year 2 also.

Ritesh Shah: Sir, secondly, when we just go through the annual report, we find the cash tax rate for the company at 13%. This is again say effective tax rate of 33%. Sir, how should we understand this gap? So, there is one of the schedules in the annual report which says tax exempt income and incentives and there is a negative element of around 32 crores over there. Sir, is there a better way to appreciate the difference in cash tax rate and effective tax rate?

Management: So, we are still in the old regime and so our cash tax rate we could say it is about 17%.

Ritesh Shah: Sir, still if there is a gap like that would be on back of what?

Management: I will get back to you on that, you know, what you said on the annual report.

Ritesh Shah: Sir, I have just two more questions. Sir, any update on Toshali mining lease, anything over there?

Management: So, I just said about in Tohsali, there were elections and then now there has been a change in the government. So, we are going to, now we need to have a dialog with the new government. And I have already indicated that the arrangement which we have that over next one year, by September '25, we should have a proper long-term arrangement for the limestone. And preferably, we can get a lease, otherwise a long-term supply agreement on the basis of which we can plan investment in that region.

Ritesh Shah: And the last question is on paints. Can you quantify the revenue, EBITDA contribution? And secondly, the competitive intensity in the space off late has been pretty steep. So, what is our market strategy over here? Are we also reducing prices, increasing discounts to penetrate the market? How should we understand that?

Management: So, see, one, on the paints, yes, the pricing is as per the competition. Today, as we gave an indication of a top line of about 300 crores in this fiscal, we are on track for that. In the 1st Quarter, we have done about 57 crores of net turnover. And yes, on the EBITDA front, there was a loss of about 10 crores, because mainly on account of the branding spent on the paint business.

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 pricing in the North market has been usually weak versus historical strength what we have seen in the market. Can you discuss on the pricing how it is, I mean, how do we see it going forward? Also, how it is looking for second quarter versus average of 1st Quarter?

Management: So, actually the prices are under pressure and I would see that the second quarter, the pricing would be lower than the 1st Quarter. It is already, I mean, we are seeing some price drop about 1%, 1.5% already in this month vis-a-vis the 1st Quarter. So, the prices, I mean, I don't see a possibility that this quarter we could, we will definitely have a lower pricing as compared to the quarter one. However, we do expect that by September the demand should really there should be a step up in demand and hopefully the prices should get corrected upwards in the month of October.

Prateek Kumar: And is there like all players are like sort of ramping up capacities or you know that I think I have had like some capacities in North or is it like how is the players' positioning in the market in terms of market share?

Management: So, see, as far as we are concerned, see, we are also expanding, and we have not lost market share in any of the regions. You know, maybe some in a particular, we do monitor that on a month-to-month basis. So, we are maintaining our market share and it could be some producers may have a marginally higher, and that too is amongst the top four, five players. We are really not monitoring. We compare ourselves with the three, four players in the region. And we see that our growth is in line with them or not.

Prateek Kumar: Another question is on profitability. Obviously, it depends on pricing. But we had like close to 1,090-1,100 unit EBITDA like last year for standalone operations. Are we looking to outgrow that number in FY '25?

Management: It will depend on the pricing. See, the first half, the second quarter, as it looks now, would be lower than the Q1 and then how the prices take up. So, definitely we could, though our internal target may be not on per ton basis, absolutely, definitely on absolute numbers, we have an internal target to do better than last year.

Moderator: Thank you. The next question is from the line of Pathanjali Srinivasan from Sundaram Mutual Fund. Please go ahead.

Pathanjali Srinivasan: Sir, I just noticed one thing, like our RM plus fuel cost has kind of been flat for the last three quarters. So, did we get some kind of an inventory benefit or something? Or could you explain why it has been flat?

Management: So, see, the RM and what has happened that looking though the volume numbers in this quarter are lower, but we have definitely built up some inventory of clinker looking to the maintenance of the kilns, which is likely to come up in this quarter. So, it is a combination. Yes, as we see as a benefit, the fuel pricing has been going down. So, I mean, quarter-on-quarter over last three quarters when we have seen, we are seeing definitely a drop in the main pet coke pricing. So, that is the reason. Other raw materials is, you know, the price variation is more or less flat.

Pathanjali Srinivasan: Because the fall is pretty steep in the last six months, but I don't see much of it getting translated into our numbers or did we kind of get it front ended in the 1st Quarter itself, which is like December?

Management: No, see, when you are looking at the raw materials, it is also, as we said in the last quarter, there were certain purchases of traded goods. So, that entry is also there. So, otherwise we are seeing major, if you see raw material and fuel and the fuel cost has been going down.

Pathanjali Srinivasan: Any guidance for the next few quarters, sir, for this?

Management: So, the fuel prices are softening. So, we are seeing that the pet coke pricing, which was around the land, the consumption rate, which was around 160 at the plant in the last year, last quarter, that is January, March quarter, should be about $10 cheaper in this quarter. And going forward also, it should be about $10 cheaper.

Pathanjali Srinivasan: So, we will get some benefit in the subsequent quarters in terms of fuel cost.

Management: Yes, we should.

Pathanjali Srinivasan: And one more thing on realization. Can you give us some color on region wise intensity on weakness in pricing or demand?

Management: See, region wise, I think the measured, you have to say our measure volumes presently are in the North, where there has been a dip in the, Central is more or less, center and North are also about the same, though Central, the prices have been flat in the last quarter. But South is something which does fluctuate on and off, quarter-on-quarter, quite much, I mean, quite high. So, South pricing is sometimes, two quarters back it was quite low, then it picked up. So, the South pricing is something which fluctuates a lot. Otherwise, Central and North are some prices, you know, the fall is also when even a drop or increase is within particular limits only.

Pathanjali Srinivasan: So, like large part of a fall should come in from North. Would that be a correct statement?

Management: Yes.

Pathanjali Srinivasan: And just one last question, sir. Like employee costs, will it stay at this level for us or is there any one-offs or anything of that sort?

Management: No, it should remain the same at this level. There should not be any further increase in the employee's cost.

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

Mangesh Bhadang: Sir, couple of questions. So, firstly, on the paint business. Given the competition that we are seeing with new players and things, would we revise our CAPEX guidance for this business anytime soon or you think that once we move out of UP and the rest of the state, we would need more CAPEX on the scene?

Management: I didn't follow.

Mangesh Bhadang: Sir, on the paint business, will we be rising our CAPEX guidance support? So, would any more further CAPEX would be required in this business as we move ahead?

Management: Yes, so as of now, we are sticking to our plans on the paint business. So, what we had said that one, we are committed to about 600 crores of limit. Our investment in paints is limited to 600 crores and we will stick to that. There is no change in that guidance. And in any case, we are not going to increase that on any account, and we are well on track on the plans which we had made on the paint business both in terms of whatever annual investments and the growth of the paint business.

Mangesh Bhadang: Sir, on the power and sales side, what is the average, you know, the current pricing in rupees per KCal terms compared to 1Q average?

Management: Yes, this quarter the rupees per KCal is Rs. 1.62 and the previous quarter it was Rs. 1.80.

Mangesh Bhadang: And with pet coke coming down, how much it would be around 1.55?

Management: It will be about 1.55 or so in this quarter and in Q2 may be between 1.50 to 1.55 in Q2.

Mangesh Bhadang: And sir, with regards to our CAPEX at Panna as well as the Bihar grinding unit, so we are having almost 6 million tons of grinding capacity additional by December '25 and 3.3 million ton of clinker. So, any plans to increase the clinker capacity further or you think this clinker would be sufficient for this?

Management: No, clinker is sufficient. See, today as on with the present grinding capacity in the clinker ratio, we are still not operating line one and line two of Nimbahera. So, we have sufficient clinker.

Mangesh Bhadang: But in Central, sir, and Bihar would be serviced by?

Management: By Central India.

Mangesh Bhadang: Central India. So, there you would be requiring, right, at least?

Management: Yes. So, see, ultimately what you have to see, it goes on a, when we make, it is on a basis of 85%, 90% capacity utilization, average. So, when we see, when we talk about capacity of 30 million tons or if you take Central India specifically, when we say 6 million tons, it means 3.3 million tons of clinker for a 5.4 million tons of grinding, average at 90% capacity utilization. So, 3.3 million tons of clinker sufficient for 5.4 million tons of grinding.

Mangesh Bhadang: And so finally, how much are the incentives for this quarter?

Management: So, the incentives for this quarter is about…

Management: 69 crores.

Mangesh Bhadang: 69, almost same as it was.

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

Rajesh Kumar Ravi: My first question is if you can explain the sequential price decline appears to be almost 5%, but the margin decline seems to be nominal. So, is it that a grey cements, a higher amount of clinker sales relative to the Q4?

Management: So, yes, see, with the price decline, one, you are taking a market, our average mixed price, that is lower. When we talk about a blend of trade, non-trade, and different regions, so the price drop is not 5%. It is lower. Secondly, on an average when it reflects on the cost on the margin part, it definitely takes care of the reduced costs. So, the fuel cost reduction and all is reflected in the margin part.

Rajesh Kumar Ravi: How much clinker sales for now? And the second question is….

Management: Clinker sale was around 24,000 tons, but in the previous quarter, because you are comparing the margin, the pricing drop previous quarter. So, previous quarter, there was the one-off sale of around 30 crores, which was in the purchase of traded goods. And then sale was also there. So, you have to exclude that for the comparison purpose, from the raw material cost and the sales.

Rajesh Kumar Ravi: I was saying that the December quarter, there is 138 crore negative stock adjustments. What was that pertaining to?

Management: In December quarter?

Rajesh Kumar Ravi: Yes, December, 138 crore.

Management: 138.

Rajesh Kumar Ravi: 138.

Management: So, December quarter, we check up because we don't have all the December quarter data readily with us. I will get back to you separately.

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

Shravan Shah: Many questions answered or a couple of data points and maybe a clarification. So, first is in terms of the volume growth guidance, last time you said 10%. So, that remains the same.

Management: Yes, as of now, yes. See, the 1st Quarter was a exceptional quarter where with elections and intensive heat, we could not get those numbers, but we are still there with the annual numbers.

Shravan Shah: Second, if you can share the railroad mix and fuel mix for 1Q FY '25?

Management: The rail movement was 9%, and then the fuel, the pet coke by the heat is around 68%.

Shravan Shah: CAPEX, how much was in 1Q FY '25? And last time you said 1,900 crore for FY '25 and 1,800 crore for FY '26 at consol level. So, that number remains the same?

Management: Yes, that remains the same because our projects are on stream and going as per the schedule.

Shravan Shah: And in 1Q FY '25, how much we have spent on CAPEX?

Management: We have spent around 125 crores on this project, the Panna expansion. Plus, we have around 50 crores of the normal CAPEX.

Shravan Shah: And broadly, sir, if you look at the, by FY '30, we are looking at 20 MTPA to be added to reach 45, 50 MTPA. So, roughly, if you look at 13,000 crores kind of a CAPEX, obviously, this is likely to have a higher versus others. So, just on a broader direction, in terms of the given the kind of a cash flow, don't you think the CAPEX on a yearly average basis will be higher than the CFO and we can see an increase in absolute net debt, though it may remain in control in terms of the 2x, less than 2x net debt EBITDA?

Management: So, actually, while we have worked out our plan, we have ensured that our net debt to EBITDA is not increasing. So, see, what you have to understand that when we are taking up an expansion, we already have expanded, when we are taking up a next expansion, say, at Jaisalmer of 5 million tons. So, we are taking up expansion at a capacity of 30 million tons. So, we will have profitability from higher volumes. So, there will be incremental cash inflow, which is coming from the higher volumes. So, after a particular capacity, I think, once you do it, your debt equity, net debt to EBITDA is only going to improve upon.

Shravan Shah: And in terms of given the price decline, I understand you have already mentioned that 1.5% further decline is there in the second quarter, for grey I am saying. Do we think that there will be a decent price increase from the 3rd Quarter, and will it sustain in the fourth quarter itself? So, broadly, still our understanding says that we can see a 3% plus kind of on full-year basis kind of a price decline. So, just trying to understand. And given that, as you mentioned, that our other expenses now will again start increasing, so in terms of the profitability, trying to understand, given the pricing pressure and the cost may, though we have a cost saving, but we will not nullify the other expenses increase, we will nullify whatever the cost saving we will see.

Management: See, again, price is something which is an expectation, and which is a trend which everybody expects. And I think you all are also visiting the markets and the same feel you are getting that the price increase should happen in Q3. On yes, Q2 will definitely be a tough quarter because A, the prices have reduced. B, there would be incremental other expenses on account of branding we are also going to take, because we are to start branding prior to the festival season and the main market season. There is a maintenance cost, higher maintenance cost because all maintenance are also due in this quarter. So, yes, Q2 maybe would be rather a tough quarter. But otherwise, I think things we hope to recover everything from Q3 onwards.

Shravan Shah: And lastly, sir, if you can help me in terms of the paint EBITDA for full year because this quarter are 10 crore EBITDA loss, so full year last time we talked about 35, 40 odd crore EBITDA loss. So, will it remain the same and the 500-crore revenue for FY '26?

Management: So, see, one is FY '25, we had given about a top line of about 300 crores. So, net that is we are on track for that. Yes, there would be a 40-crore net loss in FY '25.

Moderator: Thank you. The next question is from the line of Tejas Pradhan from Citigroup. Please go ahead.

Tejas Pradhan: I just have a book being question actually. So, the 30 crores revenue that you mentioned, which was one-off in the last quarter, is this recorded in the grey cement revenue that you disclose in the presentation or?

Management: Yes.

Moderator: Thank you. The next question is from the line of Jyoti Gupta from Nirmal Bang. Please go ahead.

Jyoti Gupta: Just a few clarifications. I saw that the volume decline was on a Q-on-Q basis was around 6%, and a price decline on a Q-on-Q basis was 3%, and the total expenses per ton basis was 2% and therefore there was a decline in the EBITDA per ton was only to the extent of 7%. Now, in the next quarter, since the cost that you just mentioned, your total expenses on a per ton basis is likely to increase by 6%, which will again be, and we will see some sort of a decline in price as well, by 3%. So, can I comfortably consider that EBITDA however not bad, based on the assumptions, we will see, if not a marginal decline of maybe 972? Would that be a fair assumption?

Management: You are coming up with a very fine and exact number. It is very difficult to say yes or no for that, but see, I still feel that the decline, it is just the beginning of the quarter. And definitely our attempt would be to see that there is a minimum dip in the EBITDA, but we will have to really see how things go in the quarter.

Jyoti Gupta: No, because if I consider on a per ton basis the branding expenses and maintenance, which is obviously, it is part of the operations and this is totally on the operational aspect and completely understandable. In fact, I would say, these numbers are quite commendable and even if on that basis, even if I take, I think last 3, 4 quarters, the way I see, JK Cement has performed quite well. So, a bit of dip in the second quarter, given that this quarter is going to be a tough quarter, both in terms of again we will see a dip in volume by almost like on a Q-on-Q basis somewhere on 5%, again pricing a dip of 2% to 3% because your major portions in the North, unless South gives a certain amount of volatility, and then you have this entire maintenance and branding cost. And all if I consider all of them together, we should be fairly sitting at a very, very decent EBITDA per ton.

One more question is the logistics cost that the reduction that we are having, which part of the regions are we really consolidating in the sense, where are we really seeing that improvement in terms of lead distances?

Management: So, we are working on the lead distances mainly in Central India. See, one other reason what happens when you open up new markets, to have the own, you know, grinding units have started. Prayagraj has come in. When you are opening up new markets, first, you have to feed that market irrespective of the logistics cost. So, you can't control the cost and then say, I will only supply at a particular cost. So, to open a market, you have to start as the market stabilizes and your productions, so you are able to reduce the lead distance and the logistic cost. Though in logistic cost, region wise, the freight cost per ton per kilometer are different. They behave differently, while in the North it is the cheapest per ton per kilometer, Central is higher and South is still the highest.

Jyoti Gupta: Could you give me that break, could you just give me a ballpark in terms of the logistics per ton? Because what you are saying is fair and obviously, the expense that you do in this quarter will actually, the likely benefit will start accruing in the third and the fourth quarter. So, while I think it's a value for money.

Management: So, whatever the logistic journey which we are doing, each quarter, we should get about Rs. 10 each quarter. So, what we are planning Rs. 30, Rs. 40 in the year, so we will get about Rs. 10 in each quarter, not, and that will flow. So, the exit becomes Rs. 30 or Rs. 40.

Jyoti Gupta: And sir, in terms of that you mentioned, that Central is cheaper, the cost per ton per kilometer, how much would that be in terms of North?

Management: No, Central is cheaper. No, the North is cheapest.

Jyoti Gupta: Sorry, North is cheaper than.

Management: Yes, so North is one, Central is two, and number three, the cost is South.

Jyoti Gupta: And the other question is that with the JP deal, now that's called up between Dalmia and even the tolling agreement is also discontinued between Dalmia and JP. And with the new entity which would likely happen in maybe in the quarter, coming quarter, how do you see the competition intensifying for you in, for all the companies in the Central region?

Management: See, the competition was in any case intensify because JP, Dalmia was already has a plan. So, they had a definite plan and they were seeding the market and trying to build their positioning in the market. Now, we have to see who gets that JP assets and how he, whether it is a new player or it is an existing player and what is his strategy. So, I think, see, at least when it has gone to the NCLT, I don't think so it can take a decision in a quarter or so. This may drag along till at least this year end.

Jyoti Gupta: No, actually my dipstick says that even if Dalmia, even when Dalmia was in a tolling agreement, the exposure, let's say, the amount of exposure that Dalmia should have gone, it really didn't go that well because of this JP delay shift. So, there were certain push-backs for Dalmia.

Management: Yes.

Jyoti Gupta: For the new entity, it may be a different scenario.

Management: It depends on who is the new entrant and how it is. See, again, they will have to deal with the same set of dealers. See, again, a new entrant comes, even if it is an established player, they have to, you know, you have to increase that volume with your existing network. What will you do with the network of JP? So, all those questions come because we have seen UltraTech taking over earlier JP assets. And they also took some time to rebuild their position in the various markets.

Moderator: Thank you. We have our next question from the line of Sanjay Nandi from VT Capital. Please go ahead.

Sanjay Nandi: Sir, what would be your incremental clinker capacity for a 30 MTPA grinding unit? Sir, what would be your clinker capacity on 30 million ton overall grinding capacity?

Management: Clinker capacity would be above 18 million tons.

Sanjay Nandi: And sir, just to mention that the next quarter we will be having some significant spike in the branding cost as well as that shutdown cost and all those things. Sir, just to mention in the next quarter we will be incurring some additional cost in terms of branding and also overhead cost for those maintenance and shutdown things. So, can you please quantify like what kind of incremental total cost per ton we can anticipate in the next quarter from the exit of this quarter?

Management: Yes, anything maybe Rs. 50 to Rs. 70 a ton.

Moderator: Thank you. Ladies and gentlemen, we will take the last two questions. The next question is from the line of Siddharth Mehrotra from Kotak IE. Please go ahead.

Siddharth Mehrotra: Sir, just a couple of small questions. I see there is a subsidiary contributing to volumes in the grey business. Could you just tell me which subsidiary is this?

Management: This is Toshali Cements nominal. So Toshali still they have the operating plants. So, it did contribute to some volume. On consolidated, it's about 16,000 tons. 30,000 tons, sorry.

Siddharth Mehrotra: And I just noticed that the white cement volumes for the previous quarters have been sort of reduced marginally by around 4%, 5%. So, any color on that, sir?

Management: Yes, actually in the white business, we have done two changes. One is that we have excluded the self-consumption of the white cement for the putty. So, we have excluded those volumes. And second, there are main complementary products of the wall putty like Putty Advance et cetera, which we were actually earlier not including in the putty volume. So, we have included that the entire putty family volume.

Siddharth Mehrotra: So, like, can you tell me from which quarter you have made these changes?

Management: So, we have given the previous figures also, restated the figures on the same basis.

Siddharth Mehrotra: So, this has been done starting 1Q '24, right?

Management: Yes, we have actually started from this quarter, but we have restated the figures of all the previous four quarters.

Moderator: Thank you. The next question is from the line of Ajay Kumar from CoV Capital Markets. Please go ahead. As there is no response from the line of current participant, we will move on to our next question. Our next question is from the line of Amit Murarka. Sorry, our next question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: Sir, two quick questions. Your green power, I think, we have done a very commendable job in a short span of time. From 19%, we have already had 57%, target being 75% by FY '30. So, my question is, is there a possibility that we meet this green power target much sooner? And if so, and also, I mean, what is the cost saving that we get per unit in green power?

Management: So, see, per unit, the saving is around Rs. 3 per unit, approximately. So, definitely, on that green power is our priority. And when we gave, that was in 2020, when we gave the target for 75%, it was, we were not very clear on whether we can reach that number earlier. Having said so, we now feel confident that we will be able to achieve that number at least maybe two years in advance, maybe by FY '28, if not earlier.

Navin Sahadeo: And last question, sir. Toshali volumes you said in the quarter were about 0.3 million tons.

Management: No, 30,000 tons.

Management: 30,000 tons.

Navin Sahadeo: Okay, 30,000 tons, my bad. So, what is the full-year volumes that we can expect there?

Management: So, Navin, we are working on that plant. There is some upgradation, everything was required. So, we would definitely like, on a quarterly basis, to achieve a number of about a lakh a quarter, which could be from maybe fourth quarter onwards.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we would take that as a last question. I would now like to hand the conference over to Mr. Vaibhav Agrawal for closing comments.

Vaibhav Agarwal: Yes, thank you. On behalf of PhillipCapital (India) Private Limited, we would like to thank the Management of JK Cement for the call and many thanks to the parties for joining the call. Thank you very much, sir. Sagar, you may now conclude the call. Thank you.

Management: Thank you, Vaibhav. Thank you everyone for joining. If any questions are left, you can write to us, and we will be happy to address the same. Thank you.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes the conference call. Thank you for joining us. You may now disconnect your lines.