**Q3 2012 Earnings Call - J.K. Cement Dt-17 Feb'12**

## Operator

Ladies and gentlemen, good evening and welcome to the Q3 FY12 Earnings Conference Call J.K. Cement hosted by MF Global Securities India Private Limited. As a reminder, for the duration of this conference all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Vaibhav Agarwal. Thank you and over to you sir.

## Vaibhav Agarwal

Thank you,Mohsin. On behalf of MF Global Securities India Private Limited, I welcome you to the J.K. Cement Q3 FY12 earnings conference call.We have with us Mr. A.K. Saraogi, Corporate Affairs and Chief Financial Officer of the company. We also have Mr. Prashant Seth, ABP Finance MIS. I will now hand over the floor to Mr. Saraogi for his opening remarks which will be following by the Q&A.

Saraogi sir, over to you.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Thank you. I welcome you to this Q3 results of the company. The Board of Directors met on the 11th February to review the working of the company for the quarter October-December '11. The details of during the quarter as against same of the previous year. The gross turnover has increased by 30.6% at 789 crores as against 604 crores. The net turnover increased to 615 crores from 473.31 crores and the profit before interest depreciation and tax increased by 114% at 122 crores as against 57 crores.
As a result the profit before tax showed a substantial increase to 64.57 crores as against 2.74 crores. And the net profit after tax to 43.52 crores as against 1.83 crores. The earnings per share were Rs.6.22 as against Rs.0.26 in the previous year. The grey cement volumes registered growth of about 5% during the quarter and the white cement showed an increase, a nominal increase of 1%. Whereas the wall putty showed a increase of 15%. If we compare the performance with the previous quarter at July to September, we see that the turnover has increased by 21.1% at 789 as against 651.

The net turnover by 20% from 511 crores to 615 crores and the profit before interest depreciation and tax by 85% from 65.87 crores to 122 crores. The earnings per share in the previous quarter was 51 paisa which is Rs. 6.22 in this quarter. If you see the volume then during this quarter the Grey Cement production was, the Grey Cement sales was 12.34 lakh as against 11.81 lakh and increased a 4.5%. The white cement sale was 87,662 as against 86,499 and the Wall Putty this is compared to October, December '10. And the Wall Putty was 45,799 as against 39,870.

The nine month period, the grey cement volume showed an increase of 3.5% at 37.14 lakh as against 35.88 lakh, whereas the white cement showed an increase of 11.1% at 2.52 lakh as against 2.26 and the Wall Putty at 26.7% at 1.25 lakh. At l,25,000 as against 99,000. In the nine month period the gross turnover increased by 22.7% at 2,215 crores as against 1,804 crores. And the net turnover also increased by same percent at 1,732 crores as against 1,417 crores. The profit before interest, depreciation and tax had increased by 86.5% at 320.74 crores as against 171.96 crores. The comparative nine month period profit before tax is, during this quarter, it is 143.71 crores as against 15.7 crores.

The profit after tax 96.98 crores as against 10.48 crores the earnings per share for the nine month period is Rs.13.87 as against Rs.1.50. These are the major highlights and if we have any questions we'll be please to attend the same. Thank you.

# Questions And Answers

## Operator

Thank you. We will now begin the question and answer session. [Operator Instructions]. The first question is from the line of Prate Kumar from Religare Capital Markets. Please go ahead.

## Prateek Kumar

Hello.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## Prateek Kumar

Good afternoon sir. Congratulations for good set of numbers. Sir I have question regarding the capacity the new capacity of 4 million tonne coming on line. So what is the exact timeline that is coming online?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Just

## Prateek Kumar

Sir this total the new capacity of 3.5 million tonne?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Expansion which we had announced last year has been kept of gold that we informed in the previous quarter also. \

## Prateek Kumar

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

That decision that project has been taking up sometime beginning of last year, which there subsequently kept on hold.

## Prateek Kumar

Okay. So, there is no new capacity coming post 7.5 million tonnes?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

There no new capacity coming domestic only we have announced white cement plan, white compressive cement plan in the UAE.

## Prateek Kumar

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

So besides that, there is nothing.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Okay sir. Sir, that's what my question was. Thanks.

## Operator

The next question is from the line of Raj Gandhi from Principal PNB. Please go ahead.

## Raj Gandhi

Hi, sir. Thank. And sir, what will be your outlook for the next year Wall Putty volumes that we can see?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer
See, we're seeing growth is Wall Putty of about between 25% to 35%.

## Raj Gandhi

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

And we feel that, we have targeting the price to push up to say 50% increase.

## Raj Gandhi

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

But let us see and we got to make best efforts to see that we increase it by at least 50%.

## Raj Gandhi

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

But otherwise as a trend what we have achieved up so far it's about 30% increase this year.

## Raj Gandhi

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Where which we'll close to see around 30, 35. That percentage definitely will be able to increase, but we price we'll try push up go about 50% increase.

## Raj Gandhi

Okay. And sir what's the current EBITDA that you're earning on wall putty wall putty specifically not if you exclude the white cement volume.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

So actually we do not share the EBITDA margins for business secrecy for White Putty as separate.

## Raj Gandhi

Okay. Sir, given even the headline number of Rs.5,000 including that white cement, if you continue with that trend and we can expect about 125 core to 150 core EBITDA from there itself wall putty?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes, white cement or wall putty.

## Raj Gandhi

And now let's given in our volume growth we will face capacity constraint in just about a year's time also in that sense. So what's your plan for wall putty business going ahead?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

We already have a capacity of wall putty of 3 lakh tonnes.

## Raj Gandhi

Right. So that's why we will exhaust by the next year and if you continue with the putty..?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

We are already planning to take up another, whether at the same site or a new site.

## Raj Gandhi

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

We will take a call shortly within next three to six months.. Shortly with a next three months to six months time. At the time we are able to just we will have a new capacity in place.

## Raj Gandhi

Okay. So, they have in white Wall Putty, the only constraint was capacity in that sense for the business?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

No, no. Presently, currently it's not the concern...

## Raj Gandhi

No, earlier, earlier, when you were at 0.1 or something, so that was - what sort of potential here?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

No, it is not that. It was, when we put up a Wall Putty plant, we started off with 50,000 tonne capacity, it increased to 1 lakh tonnes and then subsequently we increased it to 3 lakh tonnes. When our market has been growing consistently, we started off with when we - beginning, we started the sale of 25,000, 30,000, then it went up to 60,000, 70,000, then 1 lakh something. So, it's increasing, year-by-year, year-on-year, that was 30%, 35%, 40%. So, now we have this year like we should close the year at around 1.75 lakh or 1.80 lakh. And next year, rebrand, maybe we do, we touch to an higher lakh trans or see whatever.

Or if it is on 25-30, 30% growth then about 210-220.

## Raj Gandhi

Right.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

that is where increase what we are, we

## Raj Gandhi

Okay okay. Sir it seems your Gotan plant as you are mentioning can be converted to white cements in terms capacity is not constraint going forward, what's the potential here? How much can we ramp up in two three years? What is the market potential ?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

See, one we have a white cement capacity of 4 lakh tonnes.

## Raj Gandhi

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

now at, the Gotan plant which we do, which we have in the past also used for white cement during maintenance of the Gotan plant

## Raj Gandhi

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

that can produce a great, white clinker if we run only on white

## Raj Gandhi

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

around 2 lakh tonnes.

## Raj Gandhi

Okay okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

so, effectively we have a 6 lakh tonne capacity of white cement

## Raj Gandhi

Okay okay. And what's the market potential in terms of demand over two three years. What do you - how do you see

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

See. Overall growth what we are seeing in the white cement in around 15% to 20%.

## Analyst

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Which is coming as results of increasing the Wall Putty or other applications of white cement.

## Analyst

Right.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

A usage of white cement is there and putty.

## Analyst

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Putty it increase in putty production by us and by Birla and other producers starting - is resulting in overall demand increase in white cement also.

## Analyst

Okay. And sir just your realizations have moved quite sharply sequentially some 13% so what was the exact realization for the quarter and if you could just possibly highlight what is the current run rate in terms of realization in Grey cement

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Grey cement the today the prices in the South are ranging from around. To Rs. 280 a bag.

## Raj Gandhi

Right.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

In the not the price ranges around Rs. 250 to Rs. 270 a bag.

## Raj Gandhi

Okay. Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

So what we have seen this quarter because the prices have I mean South, we have seen an improvement in prices both in North and South.

## Raj Gandhi

So even Q-on-Q, what is the kind of realization increase that you expect now in Q4?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Q4 should be the -- Q4 over last year Q4 or?

## Raj Gandhi

No, over Q3.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Around say Rs. 100.

## Raj Gandhi

Okay, okay. And volume sir for Q4?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Volume should be around 15%.

## Raj Gandhi

15%?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## Raj Gandhi

15% growth Yoyo?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

quarter-on-quarter, Q4 over Q3.

## Raj Gandhi

Okay. Okay.. And sir, your petcoke costs this quarter were up Rs.100 a tonne sequentially and petcoke costs have come down quite significantly so what kind of..?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

See it has come down is right. But we use petcoke which we imported when it was at a higher price.

## Raj Gandhi

Right.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

So that consumption has taken place in this quarter.

## Raj Gandhi

Okay. So all high cost inventory has been exhausted now?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes, it has been - now it will get exhausted in this quarter.

## Raj Gandhi

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

We will have the new petcoke arriving at the plant in this quarter and the subsequent quarter.

## Raj Gandhi

Okay. What is the kind of saving that we can expect?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

See the petcoke which we had, which we use was at $150 and this would be at around $118 so about $32 with the saving.

## Raj Gandhi

Okay. And sir, just considering the price, the kind of pricing on obviously that rupee appreciation in the recent time also will help to get down cost. Do you plan to stock more Petcoke in that sense, or will you maintain a normal two, three months inventory.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

See, again we will maintain only to much beyond that storing is also a problem.

## Raj Gandhi

Okay. And is there any mechanism where you can forward book or something like that. And whatever delivery can be.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

All the Petcoke supply there also very- taken between sometimes there is immediately we're lot of suppliers. Currently if I want to book our Petcoke, I will not get Petcoke

## Raj Gandhi

Okay. And sir, just your other expenses have been rising up quite a bit in the last four quarters. So, do we expected to go down from here, as your ram-up

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

In this quarter we have also provided for at the extraordinary item of about 7 crores towards the royalty sales and this was a set on royalty both by these state government which is are not pertaining to previous years that also been provided, So we are contesting. But we have provided this amount, so there is a traditional provision of 7 crores on that account.

## Raj Gandhi

Okay. And sir just now that current run rate you are having about 75 core to 100 core of free cash flow every quarter, so do you plan to continue to repay that and reduce interest cost?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

No, with current cash flow, we will plan to increase further capacity, take a call on that.

## Raj Gandhi

Okay. But it will be mainly in your Middle East expansion and India...

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Beyond that, whatever we have to do domestically, we will take a call on that, what has to be done.

## Raj Gandhi

Okay, what's your CapEx outlook for next year, how much do you intend to spend?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

See, one is our CapEx which is there or we are doing white - marginal white cement expansion and some railway siding and other so a normal CapEx would be close to around 150 crores.

## Analyst

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Beyond that the white - the CapEx which we have to invest in Nicotine in the UAE

## Raj Gandhi

Okay. Is it a 100% we have just doing or it's in JV or partnership with somebody?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

No. It's actually - practically it is 100% but we have given 10% equity to the

## Raj Gandhi

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Other 90% equity will be JK Cement

## Raj Gandhi

Okay. And how much will be the equity outflow next year?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Around - out of about 125 crores will be the equity outflow.

## Raj Gandhi

Okay. Thanks a lot sir. I will come in queue for another question sir.

## Operator

Thank you. [Operator Instructions].. The next question is from the line of Rahul Kumar from Jefferies. Please go ahead.

## Rahul Kumar

Hello sir.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## Rahul Kumar

Sir, I have a follow up question regarding your capacity expansion at Mangrol plant and Jhajjar. In the annual report of FY11 you had mentioned a outlay of close to Rs.23 billion for this plant.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes.

## Rahul Kumar

which will give you an implied cost of close to 6500 per tonne for setting up this capacity.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## Rahul Kumar

and in 2010 you had set up another plant in Karnataka for 3 million tonne capacity.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## Rahul Kumar

for which you had a cost outlay of close to 8.7 billion.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Okay.

## Rahul Kumar

so which, which will give you an implied cost of close Rs.2,800 per tonne.. Would you be able to tell us what has contributed to this sharp increase in cost of setting up capacity?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

850 Karnataka I think there is something wrong is actually the...

## Rahul Kumar

It was there in the annual report that you had spent total 870 crores.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

870 core would be the expenditure which we could have been incurred in that fiscal. But the Karnataka plant which the set up which has a capacity of 3 million tonnes, the project cost is 250 crores.

## Rahul Kumar

Okay. But that will give....

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Which maybe Rs.4,000 per tonne capital cost.

## Rahul Kumar

Okay. So...

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

I do not confirm I mean how, I mean... I just go on for the balance sheet and we can discuss. I will just call for the balance sheet and we can discuss with later or you can send a mail, we can clarify it.

## Rahul Kumar

Okay. Sir, even then, even if you say that the cost was Rs. 4,000 per tonne. Is then the cost would have increased by Rs. 2,500 rate?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## Rahul Kumar

So, I mean I just want to know what are the various factor which have contributed to this?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes, now we're talking about this Karnataka project which was commissioned in the year 2009 had in which was ordered in the year 2006-'07. So, it is having four year inflation, this project also includes a split branding location Mangalore expansion which was give per say included as split branding location. Our railway siding at the both the locations.

## Rahul Kumar

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

So, these factors have led to higher cost.. Of Karnataka, there is no railway siding.

## Rahul Kumar

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Or split allocation.

## Rahul Kumar

Okay. And also I mean what is the sensitivity of the cost of setting up with respect to the depreciation? I mean say like rupee is already depreciated to close to 49 while in FY08 or FY07 it was close to 43 or 44. So how much does that depreciation fixed your cost of setting up?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes.

## Rahul Kumar

Among role?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

No, no, that will not change, but as of now we have to dream this was project cost for Mangrol when we took up one year back.

## Rahul Kumar

Yeah.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

As of now, if we whenever we restart the project, we have to relook at the project cost though there should not be any major variance but again the reworking has to be done.

## Rahul Kumar

Okay. Thank you sir.

## Operator

Thank you. [Operator Instructions]. The next question is from Jaspreet Arora from Anand Rathi Financial. Please go ahead.

## Jaspreet Arora

Hi sir, good evening, you mentioned the CapEx plan for next couple of years. So, this white cement and railway siding prospect, you mentioned 150 crores, is that right?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes, in the fiscal '12, '13.

## Jaspreet Arora

Okay, so this entire 150 crores will be spent in current year itself, as you said '13 actually?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

See, we are talking about fiscal '12, '13, which is just a normal some portion of white cement, we are doing a. Portion of white cement we are doing a marginal expansion in the exiting white cement.

## Jaspreet Arora

Sure.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

And there are other normal CapEx retrofitting in the existing plant at in the north as well as south including some work on the railway siding. All that work will cost about 150 crores.

## Jaspreet Arora

Okay. And so in India that's about it. So 150 unless we take at a little stage?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes. That's the committed as of now.

## Jaspreet Arora

As of now Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

If going forward there is decision in quarter that we have to take up another some another project and any other expenditure.

## Jaspreet Arora

Sure.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

we get an opportunity for any mining lease any or some land has to be required for a new that is separate. Because as of now it is not for them.

## Jaspreet Arora

Sure. And the UAE project you mentioned 125 croes that's again for fiscal 12-13?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

That's for fiscal 12-13

## Jaspreet Arora

Right and how much has been spent so far on this, on equity ?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Around 15 crores has been spent and as a about 25 crores would be spent up to March.

## Jaspreet Arora

So by March you it will be 40 crores roughly.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes.

## Jaspreet Arora

Okay. The balance, the total equity sir here is roughly 250 crores?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah 250 crores.

## Jaspreet Arora

So balance is

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

next fiscal 13-14.

## Jaspreet Arora

Fiscal 13-14. Okay and sir the tie up for debt for this project is at what rate?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Its worth plus 550 basis points.

## Jaspreet Arora

plus 550 basis.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes.

## Jaspreet Arora

Okay and that you have already completed, right. Now that's negotiation

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah. We are, we are in the process of announcing the financial -

## Jaspreet Arora

Okay. So effectively.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

We have already received that in principal and we are just in the final stages.

## Jaspreet Arora

Okay. So effectively this project will get commissioned by March or will it spell over to March 15, sir?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

No, no March 14 is the out of limit we will, March 14 definitely, maybe December 30.

## Jaspreet Arora

Okay, okay. Alright. So the new project I mean any other project beside this?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

We are working on, on different options.

## Jaspreet Arora

Sure.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

And as and when I mean I think maybe next time we could be in the better position.

## Jaspreet Arora

Okay. So a related question in that context would be, sir, I mean. Right now debt equity would be some, I mean net of cash would be less than 1. So, what is the comfortable level, that is there in a mind while taking of the multiple projects in India and outside.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

1.5 is a very comfortable I think, 1.5 up to 1.7 also. We don't increase that should be- on the company, the company can sustained on that level up to debt equity 1.7.

## Jaspreet Arora

Okay. Why was the asking because a lot of companies the big companies and even the mid-cap space are virtually debt free today. So, obviously there leverage power when it comes to 0.7 paisa would be much higher. So, do you still thing we can stretch up to 1.5, 1.7?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah, of course. Because again which, I don't not know which companies you talking

## Jaspreet Arora

I mean these all the three top companies, ACC, Ambuja, UltraTech and so they are all net cash. So,

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

See, for, okay, for them it's different, but even I think with we have a reasonable capacity and a 7 million tonnes means capacity can a bit by can definitely sustain at that level of bonds were. And again when we - once we reached 1.7, our capacity will be 10 plus. See because we should not take that project scale, because that's not going to come up, that's part of the project cost. At a time, when we come to a debt level of - debt equity of 1.7, our capacity will definitely be 10 million plus.

## Jaspreet Arora

Sure. And sir, what's your sense on the upcoming expansion in north in let's say in the state of Rajasthan, by the other industry participants in the next two years?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

We, in Rajasthan, what we see only in this fiscal '12, '13, only to should come up.

## Jaspreet Arora

That's under segment

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Under segment. Beside that we don't see any plan coming up in that region during this fiscal year 12-13

## Jaspreet Arora

Okay. And in Karnatka do you think there something coming up in the near future it's all back ended?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Nothing is coming up. I have major capacity additions are likely to come up now.

## Jaspreet Arora

Okay. Alright sir. And the outlook going forward in terms of for fiscal year 12-13 in terms of both volumes and cement prices. How would you see that the Gray cement

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

The volumes in 12-13 would definitely be better because this current fiscal we have seen government across both central and state government did not take active part in the growth of the state or whatever different projects

## Jaspreet Arora

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

And now definitely the projects would go at same in 2013 and the following year should be the election year or so.

## Jaspreet Arora

Sure.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

So we are the projects I mean so we are definitely hopeful that there should be a growth rate of 7% to 9%.

## Jaspreet Arora

Sure, and sir, just one last question. We have done reasonably well in this quarter in terms of margins, so how confident are you about maintaining this run rate over the next four to five quarters?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

I think the prices play a very important role.

## Jaspreet Arora

Sure.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

But I feel that the current quarter and the first quarter of next fiscal should be good.

## Jaspreet Arora

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

We'll see how things are going - behave during monsoon.

## Jaspreet Arora

Alright. And do you assume, do you anticipate any price increase from, we don't do take up much but, does you see any price increase of Coal India in the first quarter in the next financial year?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Definitely, I think, I think they could, they rolled it back they may do it with some correction but something is going to come up once they have already announced something. It may not be to that extent

## Jaspreet Arora

Sure.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

they have rolled back but after the election of may be as a part of the budget this may come up.

## Jaspreet Arora

Alright sir alright. That's it sir. Thank you so much for sharing your thoughts on that sir.

## Operator

Thank you. [Operator Instructions] The next question is from the line of Prateek Kumar from Religare Capital Market. Please go ahead.

## Prateek Kumar

Hello? Sir just one question, booking question. What volume of cash and debt as of 31 December ?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

It is around. Debt and 300 crores is the cash. So net debt is 1,050.

## Prateek Kumar

Okay. Okay sir. And out of this 150 crores plus 125 crores of equity of CapEx in FY12, '13, this 125 is only would be that, or the whole of this will be financed by debt?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

No, after 250 equity for the in way, it will be financed with debt.

## Prateek Kumar

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

And 100 crores will come from internal growth.

## Prateek Kumar

And sir out of this maintenance CapEx of 150 core...

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

You mean the normal CapEx of 150,

## Prateek Kumar

Yeah.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

100 crores will come out of debt and 50 crores from internal growth.

## Prateek Kumar

Okay sir. Sir, thank you. That's what my question.

## Operator

Thank you. [Operator Instructions].. The next question is from the line of Rahul Adukia from Darashaw. Please go ahead.

## Rahul Adukia

Hi, good evening, sir. Just wanted to know if you can just give us the breakup of the gray and white cement revenues for the quarter?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah for grey cement it is 479 crores.

## Rahul Adukia

Sorry sir, 474?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

479 crores.

## Rahul Adukia

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

And white it is 136.

## Rahul Adukia

Okay. And the EBITDA as well?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

EBITDA for white is 39 crores, for grey it is 83.5.

## Rahul Adukia

Okay. And sir, can you just also give the sales volume for grey cement forward quarter?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah, it is 12,34,600 tonnes.

## Rahul Adukia

Sorry sir, 12 lakh?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

34,600.

## Rahul Adukia

Okay. And sir, regarding the CapEx you said for the next year the CapEx would be somewhere approximately 275 crores including

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

I think investment.

## Corporate Participant

Investment, right, right.

## Rahul Adukia

Okay. And sir, can you tell the figure for this year, I mean what will be the entire CapEx for FY12, or till now how much you've spend and how much you are going to spend in the next three months?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Total would be 150 this year, including investment in the UAE.

## Rahul Adukia

Okay. 150 crores.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes.

## Rahul Adukia

Okay. That's it from my side. Thank you, sir.

## Operator

Thank you. [Operator Instructions]. The next question is from the line of Raj Gandhi from Principal PNB. Please go ahead.

## Raj Gandhi

Sir, this $30 saving in Petcoke that you mentioned on current prices that is on landed bas is on lended business, inclusive of all taxes, because...

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes, but see when it is what I am saying, other cost will remain same, when the imported - price reduction from 150 to 118, so these $32 will be the next seven standard price, because there is no increase in the other cost.

## Raj Gandhi

Right. And sir, what is the percentage of pet coke in your fuel mix.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

There are 80%.

## Raj Gandhi

Okay. So sir, as in, should I expect then about let's say 20%, about 15% savings in a fuel and - power and fuel...

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

No, no, actually the only fuel because power there will not be any saving. It is a great - in fact the increase of grid prices will be reflected in this quarter.

## Raj Gandhi

Grid prices in the sense, we buy...

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

State government, we also consume some power from the state grid. And so, that will be reflected viz a viz the last quarter but the increase took place only in this fiscal.

## Raj Gandhi

Okay okay. So sir versus this quarter per tonne I think the cost of power and fuel was 1150. What is the kind of decline that we can expect if petcoke stays here ?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

should be about 7%.

## Raj Gandhi

Or 7-8

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

percent decrease should be there.

## Raj Gandhi

Okay okay. Thanks a lot sir.

## Operator

Thank you. [Operator Instructions] The next question is from the line of Parag Jain. Please go ahead.

## Parag Jain

Hello?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## Parag Jain

Sir, what is the for the quarter in different three region?.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah, pardon

## Parag Jain

sales mix for the quarter

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Sale mix for North and South?

## Parag Jain

Yes.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

For the South it is 3,30000 tonne

## Parag Jain

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

And North it is 9,04000

## Parag Jain

Then what is the fuel mix sir?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Fuel mix practically we are using around 70-75%

## Parag Jain

Good. Okay. And the remaining is coal from market

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Very see we are only taking some imported South African coal from blending purpose otherwise mostly wall coal what we are using its and the coal which we get. Trade and non-trade segments? We are currently in trade segment, right?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Pardon.

## Parag Jain

Trade and non-trade segment split.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

On trade segment in North and South will be different in March to the trade segment is around 55 to 60%.

## Parag Jain

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

The South, the trade segment is around 70%, 75%.

## Parag Jain

Okay, okay. And sir, how is the demand in North and South certain markets for the last quarter and what their outlook for the next quarter?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

See, the demand of over last few months is looking up both in the North as well as South. And we see that the current quarter should be better than the previous quarter both in North and South in terms of volumes and pricing. They forward April-June quarter should also be more or less same. I mean may not sure increase but at least a marginal increase should also be there April-June quarter.

## Parag Jain

Okay. And primarily the demand which I think is coming from individual house or it's coming from government spending any institutional demand.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

See across all, yes government normal during this period. Because the budgets of various state government local bodies, central government is exhausting today trying clear all the pending orders so that they have to meet out their targets. And even this is if we see across the country, now it's a good time weather wise for construction. So construction activity is at a. Across the country during this period. And this will remain up to May, June months who starts coming up in later part of May in some parts and then gradually in case into across the country.

So, up to May, June we see this part, this is a good construction period across excess for partial few days in the North, because of cold, otherwise it's a good construction period of time.

## Parag Jain

Okay. And sir, in primarily in North market where are the in terms of state?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

We're present in Rajasthan, Uttar Pradesh, UP and Hariyana, Delhi, Punjab a parts of MP and Gujrat.

## Parag Jain

Okay. And how you're counts all the four state we're catering or?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Pardon

## Parag Jain

For South. We are there in the on the four state?. We are there in all the position.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

South, primarily we are in Karnataka and Maharashtra and Goa, very small quantieties are send to Kerala and parts of Andhra Pradesh, we are joining. But that is only...

## Parag Jain

In the west, and the matter yes.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

If you take -- which is Karnataka and South Maharashtra and Goa.

## Parag Jain

Okay, okay. And also what is the freight news if you could please tell sir?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Freight?

## Parag Jain

Freight sir, in terms of rail and outlook.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Freight been, south was additional by roads. We do a few days from another station but that's very nominal that, that could be close to around 10%.

## Parag Jain

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Path is there, everything is moving out by road only

## Parag Jain

North sir, North

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

In the North from its only about 30% is going by the yield.

## Parag Jain

Okay. And what was the landed cost pet coal for this quarter 115 say right

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Well. Landed in price for the south. We only import pet coal for south.

## Parag Jain

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

We take Pet coal from reliance and IOC.

## Parag Jain

For not

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

For not that is for number plant and the vice we take betco rom IOC and Reliance. Okay And the for the south plant we import pet coke

## Parag Jain

So for south it was 150.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

For south which we imported cross 150

## Parag Jain

out of the loans reliance prices. Hello. How about north sir. 200 per tonne land base.

## Parag Jain

Okay. And sir in North, are we expecting prices of petcoke also because given that in one or two...

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

No. See, the prices of petcoke has reduced but again from February it is started decreasing, because the prices are firming up in the -- has already firmed up in the U.S., Gulf. Lot of demand has come from China and the prices of coke fuel again increasing on the increasing trend.

## Parag Jain

Okay. And we normally maintain two months inventory?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes.

## Parag Jain

So, we would have got something that lower cost also, right?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

We already have I told you we have two shiploads which are there 118, one is likely to arise the port by end of this month and next by April. So, we already have up to June, we already side up for the coal.

## Parag Jain

Okay. That is for the South project, how about.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

North is again - there we only maintained one month inventory because there is no illustration period because they can get by rail and road. So here we don't maintain two months inventory.

## Parag Jain

Okay, okay. And sir, as you said we are not seeing only 1 million capacity coming up South sir, could you please throw some light?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Pardon?

## Parag Jain

Sir, as you said in North you are seeing only 1 million capacity coming up?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## Parag Jain

In South also if you could please throw some light?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

No capacity is coming up in the South.

## Parag Jain

For fiscal '13, '12, '13 you are talking right, sir?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah, '12, '13.

## Parag Jain

Okay. That's all from my side. Thanks.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Thank you.

## Operator

[Operator Instructions]. The next question is from the line of Raj Gandhi from Principal. Please go ahead. Sir, just in Mangalore, you've a refinery MRPL just upgraded and will have about 1.5 million tonne of Petcoke coming in. So, I guess that should be near to our plan?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yes, we're already in dialogues with the MRPL. As an when they coming to production we have already, I mean we have sort of already entered into an agreement with them.

## Raj Gandhi

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

So, we will be I mean they come into production hopefully, we could, missed the quality is okay, we'll meet out all our of requirement in the.

## Raj Gandhi

Okay. And any cost savings there, when we buy from MRPL.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

I see, I mean it should be the cost landed cost should walk out same for North and South then. For their rising formula they will also follow reliance.

## Raj Gandhi

Right. MRPL.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

They are going to follow any other pricing,

## Raj Gandhi

No, but at least there the freight will be lower, right, because MRPL is quite.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

The freight cost.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

I mean that the freight cost rupees more than less came from to our plan as in those North from reliance to our North plant.

## Raj Gandhi

Okay okay

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

So the land rate cost of both the fuel at the plant would work out same.

## Raj Gandhi

Okay currently your petcoke cost for South and North is same-- nearly the same or South.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Presently because we had imported petcoke which is costlier their cost were around 880 rupees. As again average of 7200-7300 for North. So we had paid higher price in the South but that new lock which is being imported the price would be more or less North and South would be the same.

## Raj Gandhi

Okay but given that lecture there are petcoke users in our country as per say as in because we are relatively closure to MRP what if we try and bargain a better price, because if they have to sell it some were else far away they would incur freight cost and all. And that's it.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Of course we will try our best, but everybody -- today the value of pet coke is known to everybody. All cement producers, even in the south, even India Cement and Madras Cement has also switched over to pet coke, they are also importing pet coke.

## Raj Gandhi

Right, okay. Now, given that the distance for them will be much higher than you, that is why...

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

No, they import their pet coke, they also see the opportunity there is there.

## Paresh Jain

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Even Reliance is giving, they are getting the coal, pet coke by sea route to them.

## Paresh Jain

Okay. Got it sir, got it. Thanks.

## Operator

Thank you. [Operator Instructions]. The next question is from the line of Paresh Jain from Max New York Life Insurance. Please go ahead.

## Paresh Jain

Yes, good evening. Just now you said that Rs. 8,800 was a price for pet coke and 7,200 for the north plant right?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## Paresh Jain

So what is below cal after

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Below cal is more or less same 8,000

## Paresh Jain

Okay, that 8,000 only. And as of now today the price would be closer to about Rs. 6,000

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

No, landed price as a plant today in north is about 7,200

## Paresh Jain

Okay. That is as of now.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## Paresh Jain

Okay. And how much is a then involve because you said that $118 is what is currently out there the price right?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## Paresh Jain

So that means close to

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

See $118 plus caring charges

## Paresh Jain

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

and

## Paresh Jain

Okay. Okay. Fine. And just Rs. 8,800 is the current price

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

The landed price at plant

## Paresh Jain

At the plant as of now

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

As of now what we have imported. So - if we see a reduction of which would mean approximately Rs.1600.

## Paresh Jain

Right.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

So it means, it will come down to same 7200.

## Paresh Jain

Right right.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

North and South has became same.

## Paresh Jain

Okay fine yeah perfect. Okay, thank you.

## Operator

Thank you. [Operator Instructions] The next question is from the line of Rahul Adukia from Darashaw. Please go ahead.

## Rahul Adukia

Hello. Sir just wanted to confirm from your calculations, what would be the white cement realization per tonne in this quarter sir?

## Prashant Seth

It is coming around Rs.15,500

## Rahul Adukia

Okay.

## Prashant Seth

gross.

## Rahul Adukia

Sorry, 15,500 right?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

15,500.

## Rahul Adukia

And sir, if you can just give the figure for the previous quarter and the last, the last quarter

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Previous, previous quarter it was around 14000

## Rahul Adukia

This is September, you are saying right? For the September

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah yeah September.

## Rahul Adukia

14000 okay and. And for December 2010 sir?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

December 2010, it was again 14,000.

## Rahul Adukia

Okay. Sir, can you just confirm the figures for the grey cement please?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Same figures.

## Rahul Adukia

Sir grey cement yeah sir?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Grey cement this quarter per tonne it is 3,900.

## Rahul Adukia

Okay.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Previous quarter, 3,300. And previous year same quarter, 3,000.

## Rahul Adukia

3,000.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Okay. Okay sir. Thank you.

## Operator

Thank you. [Operator Instructions].. As there are no further questions, I would now like to hand over the floor to Mr. Vaibhav Agarwal.

## Vaibhav Agarwal

Sir, when you were seeing this 15,500 as the realization of white cement it is exclusive of putty, right?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah, it is inclusive of putty.

## Vaibhav Agarwal

Okay. And sir, one more thing I want to know is that at Nimbahera plant sir, what is the kind of reserves which you are having for - right now? What is the mineable reserve now?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Nimbahera plant the mineable reserve will be close to more than 30 years.

## Vaibhav Agarwal

Still it's more than 30 years as of now?

## A. K. Saraogi, President Corporate Affairs and Chief Financial Officer

Yeah.

## Vaibhav Agarwal

Okay, sir. Just thanks a lot for the opportunity, sir. And thanks all the participant for joining in for the call. On behalf of MF Global Securities Mohsin, please conclude the call.

## Operator

Thank you. Thank you on behalf of MF Global City Securities India Private Limited. That concludes this conference. Thank you for joining us and you may now disconnect