"JK Cement Limited Q1 FY-23 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the JK Cement Q1 FY23 call of 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, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you sir.

Vaibhav Agarwal: Thank you, Inba. Good evening, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q1 FY23 call of JK Cement Limited. On the call we have with us Mr. Ajay Kumar Saraogi – Deputy Managing Director and CFO, Mr. Sumnesh Khandelwal – Deputy CFO and Mr. Prashant Seth – President, Business Information and Investor Relations.

I would like to mention on behalf of JK Cement Limited and management that certain statements that may be made or discussed on the conference call may be forward looking statements, related to future developments and the current performance. These statements are subject to number of risks, uncertainties and other important factors which may cause the actual developments and the results to differ materially from the statements made. At 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 handover the floor to the management of JK Cement Limited for their opening remarks which will be followed by interactive Q&A. Than you and over to you Saraogi sir.

Management: Thank you Vaibhav. Good evening. The board of directors met on 13th of August to review the working of the company for the first quarter ended 30th June 2022. The major highlights were the revenue from operations stood at 2,066 crores as against 2,269 crores and previous quarter that is last quarter at 522, a drop of 5%. The other income was lower by 46% at 22 crores as against 41 crores. The operating expenses were lower by 6% as against 1,766 crores as against 1,886 crores. The EBITDA number during the quarter was 405 crores, higher by 2% as against 397 crores. The depreciation was higher by 19% at 90 crores .as against 76 crores. For this depreciation we have reviewed the life of some of the power plants and accordingly the additional depreciation has been provided for. The finance cost was lower by 10% at 62 crores as against 69 crores. The profit before tax was 271 crores, a drop of 3% as against 279 crores. The profits after tax was 271 crores as against 149 crores, an increase of 81% because in the previous quarter impairment of Fujairah was considered. The provision for tax was 90 crores as against 63 crores and the proper after tax was 181 crores as against 86 crores. The EPS during the quarter was Rs. 33.44 as against 11.16. The EBITDA margin for the quarter was 19.08% as against 17.87%.

If we compare to working with year-on-year, the revenue from operations were higher by 33% as 2,166 crores as against 1,634 crores and the EBITDA was 405 crores as against 402 crores, almost flat just higher by 1%. The depreciation was again higher at 90 crores as against 66 crores. The finance cost was 62 crores as against 56 crores and the profit before tax was 271 crores as against 305 in the last year, a drop of 11% and the profit after tax was 181 crores as against 208 crores, a drop of 13%. The EPS Rs. 23.44 paisa as against 26.95. The EBITDA margin was lower at 19.08% as against 25.11%. These are the major financial highlights.

As regards the project is concerned, the greenfield expansion at Panna is at advanced stage and the company expects that this would be commissioned within this year, so our efforts are on. It may be possible that the plant goes on stream in the third quarter itself. Up till now we have spent about 2,072 crores on the project. If you look at the debt profile, the gross debt as of 30th June was 2,785 crores as against 2,850 crores. The net debt was 1,727 crores as against 1,606 crores. Net debt to EBITDA is 1.12 times as against 1.05 as on 31st March. The net debt to equity is 0.39 as against 0.38. These are the major highlights. If you have any questions, we'll be pleased to address the same. Thank you.

Moderator: Thank you very much sir. Ladies and gentleman, we will now begin the question-and-answer session. We will take our first question from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Now coming to the questions; first in terms of the pricing, so post June how much price decline we have seen in north, central?

Management: In the north there's a drop of about to Rs. 10 to 12 a bag. Central India is not our main market, so it's very difficult to say what is the real fall in that market. The major one is in the north.

Shravan Shah: And in south and west Karnataka and Maharashtra?

Management: South has not much change about Rs. 5 to 6.

Shravan Shah: Now the question is on the power and fuel front. Our consumption cost what was for Q1 FY23 and how do we now see cost particularly in the Q2? Are we now starting to see the cost power and fuel to decline from the Q2 or it will be from the Q3?

Management: Actually, we still got benefit of the low-cost fuel in the first quarter. The full impact or the high-cost fuel which we have secured, has not means the full impact is not still there. That would be seen in the second quarter. We see that in the second quarter our fuel cost would be higher than the first quarter. So, no question of any decline right now but second quarter would be the highest fuel cost for times to come.

Shravan Shah: Any ballpark number 10%-15 %, so Rs. 100-150 kind of…

Management: About 10% to 12% should be higher as compared to the power fuel cost, it could be higher about Rs. 200 odd a ton.

Shravan Shah: In terms of the couple of data points, so OPC-PPC share, railroad mix, lead distance, fuel mix for this quarter?

Management: Yes, the OPC-PPC like PPC was 64% this quarter, credit ratio was 69%, railroad was 17% to **83%** **10.27** and lead distance was 475 kilometers.

Shravan Shah: Lead distance has increased.

Management: Yes, it has increased because of the new markets because we are feeding the new markets of central India from the existing plants, so the lead distance has increased.

Shravan Shah: And the fuel mix?

Management: Fuel mix is around 50% pet coke and balance is the imported coal and the alternate fuel.

Shravan Shah: Just to clarify, when we said that we have reviewed the life of power plant and that's why the depreciation has increased 14 odd crores this quarter. This 90 odd crores quarterly is a normal run rate that we can see now.

Management: Yes, I think because this would be the run rate because this is the impact only in this quarter. Annual impact of review of life of the various power plants is around 60 crores.

Shravan Shah: Lastly on the CAPEX front and the debt front. Now as you mentioned that most likely we will be starting Panna by this quarter. So, this will be both….

Management: Not this quarter, I said Quarter 3.

Shravan Shah: Q3, sorry by December.

Management: We are trying. Yes, initial was by FY23 but we are working on it and we are hopeful that maybe in Quarter 3 we are able to start Panna.

Shravan Shah: This will be both even grinding also the entire 4 MTPA.

Management: Yes, there could be both during the quarter itself. This is what we feel that barring any unforeseen we should be able to do so. As we said definitely in all circumstances the plant would be on stream during this fiscal year. But what our working is that we are still, our work is at a very advanced stage and satisfactory stage and we are hopeful that maybe in the third quarter itself we commission it.

Shravan Shah: So, for the full year in terms of the CAPEX now how much we will be spending? Including the Panna what is left that to be spent and apart from that even the paint and maintenance, so what would be the full year CAPEX this year and then the next year?

Management: As we have conveyed the annual plan is for 1,700 crores of CAPEX. In all there will be around 1,150 crores of CAPEX for the Panna and 150 crores for the paint then 325 crores for the sustenance CAPEX and balance is what we are planning maybe some expenditure on the future plan of the 2 split grinding units. In all it would be in the range of 1,700 crores.

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

Rajesh Kumar Ravi: I have a few questions; first would you share the UAE sales volume, total sales from UAE facility?

Management: Yes. UAE volume in this quarter was 1,25,000 tons.

Rajesh Kumar Ravi: You missed out on the fuel cost, on a per kilo what was the number for Q1 on consumption basis?

Management: Consumption basis, the average mean fuel cost for the Q1 is around Rs.10,000 per ton.

Management: No, it is actually it's about Rs. 2.30 paisa is the consumption.

Rajesh Kumar Ravi: How did this change versus Q4 and where do we stand in Q2?

Management: Q2 should be around Rs. 2. 75.

Rajesh Kumar Ravi: And Q4 it was how much?

Management: Q4 it was 230, I think. It was about 220-230.

Management: It was more or less in the same range, like Q4 versus Q1 was more or less same

Rajesh Kumar Ravi: This is surprising while everyone faced a 15% to 20% inflation you have been able to manage with flattish sort of a number on 1 Q-on-Q basis.

Management: That is there, that is the benefit which we are seeing. But it has not been visible in the second quarter.

Rajesh Kumar Ravi: Correct. Everyone is faced the heat in the Q2 for sure. Do you see this 275 Q3 onwards tapering down?

Management: The fuel prices have come down. We have ordered but partially yes, it would be same in the third quarter. But there would be some impact of the high cost inventory even in the third quarter, though not for the full quarter because by the time the low cost fuel inventory reaches the plant, so we have a blended thing. I think the average can come down to something closer to Q1 or something.

Rajesh Kumar Ravi: In Q3 you're looking some tapering off but Q1 numbers situation, okay?

Management: Yes.

Rajesh Kumar Ravi: What is the price total project cost for this central expansion Panna and Hamirpur?

Management: So, it is 2,970 crores.

Rajesh Kumar Ravi: You said how much is spending on this for this financial year, FY23?

Management: 1,150 crores will be in this financial year.

Rajesh Kumar Ravi: From your presentation end of Q4 depending we have already spent 1,500 crores.

Management: I think last, we have spent 2,072 crores, so balance about 900 crores needs to be spend. So, some amount, there will be a spillover because again payments and performance guarantees, there will be some shift on and the waste heat may get shift to, now we are trying to do it within this fiscal but maybe partially in the first quarter of next fiscal. There would be about 300 to 400 crores CAPEX. Actual cash outgo which may be there in next FY24 but balance majorly about the expenditure of 2,600 crores should be spent in this year broadly.

Rajesh Kumar Ravi: And one last question, what is the status on the Paint project? How much, you mentioned you are spending CAPEX in this, so what is your status in terms of the branch finalization, land and all?

Management: We have got the permission for land and the land has been allotted towards. It is at Mathura in UP. So, the land has already been identified. Now we are in the process of getting the land acquisition and other approvals. In the meantime, we are also getting the quotations for plant and equipment and other things. We should be finalizing that all these things by the next 2 to 3 months' time.

Rajesh Kumar Ravi: And by when this plant should be up and running?

Management: As of now the schedule remains the same that by March '24 we should commission the paint plant.

Rajesh Kumar Ravi: The CAPEX in first 2 years, total CAPEX, not your investment that will be done for next 2 years?

Management: So, the 600 crores is spread over a period of 5 years as we said earlier.

Rajesh Kumar Ravi: This plant will be up and running by spending just 2 years, this year and next year, so around 250 crores the plant should be operational.

Management: No, next year we are planning to spend 125 crores this year. Next year expenditure is higher , next year expenditure would be about 200 crores because the plant would be commissioned and then we will spend on the branding and other things, so the balance 300 crores to get spread over the next 3 years.

Moderator: Our next question is from the line of Navin Sahadeo from Edelweiss Securities.

Navin Sahadeo: First of all, I am just looking at your presentation which says the CO2 emissions in KG per ton terms, they have gone up slightly in Q1 '23 over the average of '22. Is it because of any change in the sales per se, in the sense did we produce higher over the share of OPC or like unbranded….?

Management: No, this is actually relating to the emissions on account of the power and the usage of the alternate fuel. This is a minor variation which keeps on coming. So, it is not very significant also.

Navin Sahadeo: No, it's not significant. I was just little confused with the fact that…

Management: It is one account of the solar power and the alternate fuel relating emissions which is seeing some variation.

Management: Just to add to Mr. Prashant, like last year we had been operating some thermal power plant in some of the months and this year we have not operated the thermal power plant. Unfortunately for this calculation thermal power plant generation is not considered basically and that much power we had got from outside because of that basically it has gone up. So it is like issue of mix of power source.

Navin Sahadeo: I was just looking at it a little confused because green power mix, just the chart below that there that exposure from 32% has gone up to 41%.

Management: That is the reason as Sumnesh ji is telling because captive power, the coal based captive power is not a green power. Now we have stopped the captive power and we are procuring the solar power which is coming into the green power. And in case of the solar power which we are buying, the carbon emissions are being added and for the coal waste kept the power those are not being added as per the system. That is why increase of the green power has resulted into increase in the emission.

Navin Sahadeo: Sure. Just thing on this little bit, once we start operations in Panna, what kind of change like on a fully ramp up basis, what kind of change can we expect on the blending ratio or the CT ratio per se because I believe central India per se is a much higher blended cement region versus north or even south or west for that matter. So how much should that improvement be?

Management: See that will depend, today all the new markets we are entering is all blended cement. We have to see for initial ramp up what is the institution sale which comes and we have to see what on the blended cement. It will depend on the institutional demand. Yes, as far as trade is concerned it will mostly be only blended cement.

Management: Just to add to Saraogi ji, basically like from Hamirpur it will be like there will be substantial increase in blended cement because it will be producing only PPC. But as far as Panna is concerned since our focus will be to capture the market first basically. Initially there might be like some higher quantity of OPC but gradually it will keep reducing and blended cement will increase.

Navin Sahadeo: Staff cost sequentially has seen an increase of almost about 17.5%-18%. So, is this because of salary increases and in general the entire impact coming in? and post Panna then this is set to—this should I believe then—improve further post Panna comes.

Management: For the staff, yes. The impact of the increments is there. Also, the additional marketing staff which we have taken for the new markets, so the additional manpower which is required for the new market is also built in the staff cost. There would be now only the plant staff, which is presently being capitalized, that should come in once the plant starts. Going forward on the per ton basis yes, the absolute amount would be higher. We will get after the Panna production, the per ton cost will come down.

Navin Sahadeo: These grinding units which you said there's going to be some CAPEX identified for at least 2 more trade grinding units in central India. Have you finalized their location?

Management: Yes. One is in MP and the other one is in UP.

Navin Sahadeo: Eastern part or western part, some color or maybe we can share it probably next time if you….

Management: We have in the eastern UP and the west towards Indore and Ujjain is the place closer to that, we have other option that is the MP location it would be **(Inaudible)** 26.34 on that.

Moderator: The next question is from line of Sanjay Nandi from Ratnabali Investments.

Sanjay Nandi: As we are very close with the start off our Panna plant, so can you just share the demand supply dynamics which are prevailing in Madhya Pradesh, like what kind of productions we are eying for that Panna plant?

Management: As far as production is concerned, we expect that we should be doing in the next fiscal anything between 50% to 60% of the capacity. So, the capacity is $4 million tons. That is the number which we expect in the first full year of operation.

Sanjay Nandi: Going forward we will be clocking to the industry standards norms, right?

Management: Yes.

Moderator: Our next question is from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: First question, just on clarification on the prices. You said around Rs. 8 to 10 decline. Is it possible to compare the prices versus 1Q as an average?

Management: Q1 as an average, over?

Sumangal Nevatia: What are the current prices versus 1Q average?

Management: The current prices would be on an average lower by about Rs. 15 to 18 a bag.

Sumangal Nevatia: And this is gross price, I mean at the retail level?

Management: Retail level the pricing today different district it will range from anything from Rs. 360 to 380 a bag presently.

Sumangal Nevatia: This is north if I'm not mistaken and with respect to south?

Management: South it will be about Rs. 20 lower.

Sumangal Nevatia: Next question, you said in the earlier question that around 50% to 60% utilization in the first year. Given that it's going to be a significant ramp up and growth, any marketing-selling expense etc. which will be front loaded in the first year?

Management: I didn't follow.

Sumangal Nevatia: I'm asking with respect to our Panna expansion, we are expecting around 50%-60% volumes. 50% to 60% utilization of the plant in FY24. It's a very sharp increase in the overall volumes and it's a new region. I mean any front ended marketing or selling expense which we will see or it will be a normalized or it will spread over a period of few years?

Management: It will spread over; we have already started opening up the new markets which we have to feed from Panna. Presently also around in the new markets, we are selling around 40,000 to 50,000 tons a month. We are already feeding all the markets and as when we see all our branding spent and other things is part of that, so there would be additional branding spent would be there but it will get compensated by the additional volume.

Sumangal Nevatia: Understood. One last question the future grinding unit what sort of configuration, overall size would it be and should we expect that to be commissioned sometime in FY25?

Management: Yes, before FY25 and it should be additional what we have a plan, not yet approved by the board. We are working, it's at the stage of additional to add up which is also given in our annual report if you see that we intend to do additional around 6 million tons. This would come by way of one, we are also working out on possibilities of revamping of some of our existing grinding capacities and installation of new grinding capacities.

Moderator: Our next question is from the line of Prateek Kumar command from Jefferies.

Prateek Kumar: My first question is on your trade mix, so which has sustainably remained now at the high range of 65% to 70%. So post stabilization of Panna operations, are we looking at stabilizing it here or are we also targeting higher than 70% for overall company?

Management: Our ultimate target is for the company we want to achieve (+70%) as a trade volume and even for Panna presently we are seeding all the markets and like from the grinding station it should be mostly trade volume. It would be blended cement and mostly catering to the trade market and from the integrated plant because normally if you see the non-trade segment is only more of OPC rather than on blender cement. Even with Panna, we expect that we should be able to maintain the range of, initially the range of 65% to 70% and then increase further beyond 70%. Also, one other important factor is this is definitely subject to how the future demand if all incremental demand comes from institutional where there is a need to get the market share one has to sell more in the non-trade segment. Then definitely there would be some correction on the trade, non-trade ratio because in any case trade we are increasing. We are working towards increase of the trade numbers. But there is a limitation to increase in the trade if the demand is not increasing in that segment.

Prateek Kumar: One more question on cost of operations. Once the Panna commissions, so how would the cost of operation at Panna compared to the overall grey cement operation cost for the company?

Management: The Panna costing would be similar, new plant it will be more efficient. But the initial first 3 to 6 months maybe stabilization period and thereafter post 6 months from the third quarter onwards next fiscal, we should see one of the best costs coming in out of the Panna operations.

Prateek Kumar: Lastly on demand trends, now we are probably entering into the second half of monsoon, how are we looking at demand on year-on-year basis going forward like post monsoons as well?

Management: We are expecting a good volume growth post monsoon. In fact, we expect that even from September itself there should be some improvement in the volume numbers.

Moderator: Our next question is from the line of Tejas Pradhan from Citi Group.

Tejas Pradhan: I just wanted to check, you mentioned in your annual report that you have started toll operations for wall putty, so could you give a sense of what volumes can be expected from this method?

Management: Not big volumes but this will be small 1000 to 1500 tons coming from each location per month. And then step up to 2000-2500 max and then go to different more locations where you're having a distributed manufacturing hence in faster development of the market you are able to service the market better because these areas everything covering from Katni or from Gotan. Once you more lead distance your service factor gets affected. So ultimately you are able to do better servicing. It is only the servicing which matters now in marketing. The very important thing besides the quality and other parameters which we are in any case maintaining but service has become very important.

Tejas Pradhan: Would the cost for this be similar to your own plant?

Management: Yes, so ultimately distributed manufacturing should also result in over a period of time would also result in savings and costs.

Tejas Pradhan: Just finally as a follow up to what was discussed earlier as well, you had mentioned 25 million tons grey cement capacity roadmap by FY25. For this clinker would largely come from existing operations or any debottlenecking etc. would be planned for this thing?

Management: Yes. We do see once the Panna is stabilizing, so Panna would make out whatever is the balance requirement of clinker that will be met out of incremental production which we see we will get from Panna. Presently all our things have been marked at 8000 TPD from Panna. But we see a definite potential of 10,000 TPD from the Panna kiln.

Tejas Pradhan: Panna can go from 8000 to 10,000 and that itself should be enough for the 25 million tons.

Management: Yes.

Moderator: We will take our next question, it's a follow up from Shravan Shah from Dolat Capital.

Shravan Shah: Clarification in terms of the employee cost when we mentioned, so this quarter 143 odd crores kind of employee costs for the quarter on standalone. This run rate as you mentioned it also includes the increment also, so from next quarter this is the standard and once the Panna will start maybe we will see another 5-10 crores increasing that, is the understanding right?

Management: As of now the Panna cost will not appear because JK Cement is doing the marketing of the product. The employee cost for marketing is appearing, so Panna would unless it is we have a merger plan unless Panna gets merged with JK Cement, it will not be in standalone audited results. It will only come in the consolidated results.

Shravan Shah: Let's assume if it gets merged then this quarterly run rate will be after the Panna gets starting from Q1?

Management: Whatever is the plant cost that will come additional. There will be some additional marketing cost also because few more depos are being opened to cater to the whole market because with Panna, we shall be covering the entire state of MP and UP. So that would be the ultimate market with Panna. With Panna we shall, our market reach we will be a whole, we will be covering their entire state of UP. We shall be covering the entire state of MP.

Shravan Shah: From the Q2, these 143 crores this run rate will continue and…

Management: Yes. For Q2 and Q3 I don't think so there should be any major change.

Shravan Shah: But once the Panna gets merged then this employee cost will increase by how much?

Management: So, whatever is see we are talking about is 143 crores. You may have an additional about 10% on this amount.

Shravan Shah: Second clarification so currently this Panna clinker plus 4 MTPA grinding. These two grinding is one is at an integrated 2 MTP and 2 MTPA is at Hamirpur and the additional 6 MTPA we are talking about this we have identified one location Indore and second one is Eastern UP?

Management: One is in MP, not Indore. The location is not again finalized and approved by the board. So, I'm not taking the exact location. One is in MP and one is in UP. Near Indore I said I didn't say Indore, it's around and so the location has not been announced yet so we'll let you know. One location is there, one location is in Eastern UP.

Shravan Shah: There broadly though we have not finalized but in terms of the additional grinding which will come would be a 2 MTPA at each location. So, 6 MTPA when we are talking maybe max we can look at three locations.

Management: There will be, these two new locations plus we are revamping some of the existing grinding at our existing grinding stations across integrated plants and the grinding plants. There some grinding enhancement would be there. With all that the total incremental across would be about 6 million.

Shravan Shah: Only the 2,000 TPD increase in clinker at Panna would be sufficient for the entire 6 million tons extra grinding that we are looking at. And this entire 6 MTPA would be starting by FY25 or it will start from FY25?

Management: By. It should start within FY25.

Shravan Shah: We will add an entire 6 MTPA by FY25 and only the clinker extra 2,000 TPD clinker from Panna would be sufficient?

Management: See we already have excess clinker today. After the modification which we had done in Nimbahera we have clinker. We are not operating the older kilns as of now. We have sufficient clinker available so as you know we have the grinding capacity and as the demand picks up, we shall be utilizing all our clinker facilities.

Shravan Shah: Broadly roughly, on a rough basis this 6 MTPA the CAPEX would be per MTPA would be how much, 200 odd crores?

Management: 200 odd crores?

Shravan Shah: 200 crores per 1-million-ton grinding unit. So, I am just trying to understand the CAPEX.

Management: It should be well within that, yes.

Shravan Shah: And lastly…

Management: I'm not giving any numbers because the numbers have not been, we are only discussing certain theoretical numbers that yes you said 200 crores per million. You're talking about maximum up to 1,200 crores I say yes well within this is what we feel that it should be done within that.

Shravan Shah: The maximum peak debt if we factor that, how much maximum peak debt are we looking at? From here on can we see another 700-800 or 1,000 crores max increase in the peak debt?

Management: When we talk about peak debt today, we have standalone gross debt of 2,785 or net debt of 1,727. We are yet to draw about 800 crores has to be drawn from the bank and there could be some additional borrowing. Yes, I think the net peak debt should be around 3,300 to 3,400 maximum.

Moderator: The next question is from the line of Girija Ray from Systematix Group.

Girija Ray: These 2,970 crores of CAPEX, so that includes WHRS also, Panna?

Management: Yes 2,072 crores on Panna this includes and the project cost of 2,970 includes WHRS.

Girija Ray: We are setting up WHRS in Karnataka also? That also includes in that, right?

Management: Panna WHRS, there is a 22 MW WHRS which is included in the project cost. It is being installed at the Panna site.

Girija Ray: But in annual report you have mentioned in Muddapur Karnataka also we are setting up?

Management: That is not in this project cost. That will be the part of the normal sustenance CAPEX.

Girija Ray: That will be somewhere around 250 to 350 crores in that subsidiary?

Management: No. What is talked in the annual report is one this 22 MW is part of the Panna project then we have a plan to put up a WHRS at Muddapur the South plant at Karnataka where we do not have a WHRS so that details are being worked out. That would be an additional CAPEX of around 175 odd crores to 200 crores that would be separate.

Girija Ray: Regarding solar and wind power, 38.5 we are adding up so in which location we are adding?

Management: Solar and wind is across all our locations and it is more on a group power basis. It is not based on capital as on yet where we are only investing marginally in the equity of the group power provider. We only invest in the equity and we get that power. So, it is across all the locations we are working out.

Moderator: We will take our next question that's a follow-up from Rajesh Kumar Ravi from HDFC Securities.

Rajesh Kumar Ravi: First on the CAPEX guidance for FY24 across all projects on a consol basis?

Management: It will be 1,100 crores.

Rajesh Kumar Ravi: So that would primarily be towards the Muddapur WHR and 6 million tons grinding expenses.

Management: That is the spillover CAPEX of the Panna plus the normal CAPEX including the WHR then whatever is there for the grinding locations plus paints, everything.

Rajesh Kumar Ravi: What is the volume guidance for FY23?

Management: So, FY23 we have about 10% increase in the volume numbers.

Rajesh Kumar Ravi: This is on consol or grey cement you are looking at?

Management: Yes, this is consol.

Rajesh Kumar Ravi: Coming to this Panna expansions, we are adding 2.5 million tons clinker which obviously will increase to 3.3. This 22 million this WHR capacity is for this capacity or inclusive of future expansions?

Management: No. See the WHRS is linked to the kiln capacity. It is based on the present kiln capacity. There is only one kiln at Panna at this point of time. Unless we come up with Line 2 at Panna then there would be additional WHRS. Otherwise, there's no additional WHRS.

Rajesh Kumar Ravi: Why I'm asking, isn't the number too high from a kiln through put perspective 2.5 or 3 million tons we are yielding a 23 MW of WHR?

Management: It's not too high. This is the norm now.

Rajesh Kumar Ravi: Good to know that. This Muddapur again what sort of capacity you are looking at in terms of WHR because it's 200 crores CAPEX. Is it close to similar number, 18-20 MW.

Management: Close to 20 MW, yes.

Rajesh Kumar Ravi: Last question on the clinker capacity. You said these 6 million tons with this debottlenecking of 0.7 million tons you would be able to fund that. Because if I look at your total capacity, clinker capacity today this is around even with this Panna project getting commissioned, 13 odd million tons clinker capacity. If I take a blending of 1.5 times cement to clinker ratio so 25 million tons you would require around 16 million tons so still 3 million tons would be required. Are we looking at debottlenecking opportunities across all those three locations?

Management: No, I said we'll get an incremental clinker coming in from Panna at 2,000 TPD so that you will get and then when we talk about 25 million tons capacity you never see 25 million, you don't achieve your average capacity utilization unless you have that capacity. So, you have to take 85% of capacity as a target on a production within the clinker. You cannot take on a peak production. It doesn't happen, the plant doesn't run on that basis. The demand is also not there on that basis.

Moderator: We will take our last question from the line of Ram Chakravarthy, an individual investor.

Ram Chakravarthy: My question is very simple that with the rise in the fuel and other input cost on a percentage basis what do you think would be the effect on EBITDA for Q2 if you compare it with Q1?

Management: Our EBITDA in Q1 is 19% and if we see the effect of the cost increases and also some fall in the prices, there should be a deduction of about 6% to 7% on the EBITDA on this count.

Ram Chakravarthy: 6% to 7% from 19%?

Management: Yes, it would be the gross around 30%-35% to 40% would be the drop in the EBITDA.

Ram Chakravarthy: 30 to 35 basis points?

Management: Yes, 35%, so close to around Rs. 400 a ton the drop in EBITDA.

Ram Chakravarthy: And this will be temporary. By Q3 things would look up, right?

Management: Hopefully yes.

Moderator: Thank you. I would now like to hand the floor back to Mr. Vaibhav Agarwal for closing comments. Over to you sir.

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

Management: Thank you Vaibhav and thank you everyone for joining.

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