"JK Cement Limited
Q2 and H1 FY '24 Earnings Conference Call"
November 07, 2023

MANAGEMENT: **MR. AJAY KUMAR SARAOGI – DEPUTY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER -- JK CEMENT LIMITED**
MR. SUMNESH KHANDELWAL – DEPUTY CHIEF FINANCIAL OFFICER -- JK CEMENT LIMITED
MR. PRASHANT SETH – PRESIDENT BUSINESS INFORMATION AND INVESTOR RELATIONS – JK CEMENT LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to JK Cement Q2 H1 FY '24 Earnings Conference Call hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital. Thank you, and over to you, sir.

Vaibhav Agarwal: Yes. Thank you, Nirav. Good evening, everyone. On behalf of PhillipCapital India Private Limited, we welcome you to the Q2 and H1 FY '24 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 of Business Information and Investor Relations.

I would like to mention on behalf of JK Cement Limited, and its Sumnesh Khandelwal that certain statements that may be made or discussed on this conference call may be forward-looking statements related to future developments and based on current expectations. And these statements are subject to a number of risks, uncertainties and other important factors, which may cause the actual developments and results to differ materially from the statements made.

The JK Cement Limited and the Sumnesh Khandelwal 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 Sumnesh Khandelwal of JK Cement for their opening remarks, which will followed by interactive Q&A. Thank you, and over to you, sir.

A K Saraogi: Yes, good evening. I'm Saraogi from JK Cement. And the Board of Directors met on 4th November to review the performance of the company for the quarter ended 30th September and for the half year of the current fiscal. We have already circulated the investor presentation, giving the salient features of the performance during the quarter. But I will read out the key highlights.

The net sales during this quarter was INR2,476 crores as against INR2,541 crores. This was lower by about 3%. The revenue from operations was INR2,571 crores as compared to INR2,624 crores, a decrease of 2%. The operating expenses were also lower by 4% at INR2,124 crores as against INR2,222 crores. The -- however, the EBITDA during this quarter was higher at INR447 crores as against INR402 crores, an increase of 11%. The EBITDA margins during this quarter was 18% as compared to 15.8% in the previous quarter. The profit after tax during this quarter was INR179 crores as against INR126 crores and the EPS was INR23.10 as against INR16.03.

If we compare the information with year-on-year, then the net sales were -- was lower by about 1% at INR2,663 crores, while the EBITDA was higher by 14% at INR467 crores -- sorry, INR467 crores as against INR408 crores, an increase of 14%. The EBITDA margin was 18% as compared to 15.2%.

If we look at the performance regarding this quarter, the production of gray cement was higher by about 22%, and that is -- the production gray cement business was higher by 22% if we compare the same with quarter 2 of last year. And the combined operations was also higher by 22%. The net debt as on 30th September was INR3,036 crores, and the net debt to EBITDA was -- our net debt to EBITDA was 2.08%, and the net debt to equity was 0.63%.

The company's expansion plan is on stream, 1.5 million ton capacity at Ujjain is in advanced stage of commissioning and should get commissioned within this quarter. The Prayagraj 2 million ton greenfield plant is on stream and will be commissioned by quarter 2 FY '25. These are the major highlights. If you have any questions, please let me know.

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

Amit Murarka: So just a couple of questions. First on capacity. So, Panna, I think the clinker line debottlenecking was expected to happen with these maintenance seizes. I just wanted to confirm if that has been done.

A K Saraogi: So, the Panna clinker line debottleneck has already been more or less completed. It is under trial run. And we feel that within -- from next quarter onwards, we should get a regular production from the Panna debottleneck.

Amit Murarka: Sure. Also on capex, could you just highlight how much is done? And what is the target of capex this year and next year?

A K Saraogi: This year's capex target was INR1,400 crores, and we have already spent around INR500 crores till now. And the next year capex target is INR700 crores.

Amit Murarka: On the quarterly, like, I see that the logistics cost and the freight cost has fallen quite a bit Q-o-Q. So, could you just elaborate a bit on that? And how much of that decline is sustainable?

A K Saraogi: See, some of the decline is one-off as a seasonal thing. During this quarter, we had a railway freight discount which is an off-season discount. So, one that has definitely resulted in saving of freight. The other is, there has been some lead distance reduction. So, we have been -- after commissioning of Panna. And we have been working on that. So, there has been a lead distance reduction. So that has led to some freight reduction.

These are the 2 major areas which led to the freight reduction. The railway freight, again, now the lean season discount is over. And from October, we have to pay the normal freight. So, we would see a freight increase on account of the railway freight in this quarter. Lead distance will continue to work, and that will depend upon the customer requirement and some sales mix.

Amit Murarka: Are there some clinker arrangement also done in the quarter, I believe which helped freight as well?

A K Saraogi: No, that is -- what clinker arrangement?

Amit Murarka: As in some...

A K Saraogi: All quantity of clinker slag which is a normal thing. So that's a one-off thing. That's not -- it's not -- yes, some marginal reduction is there, but it is a one-off thing.

Amit Murarka: Got it. And lastly, on paints, could you just provide the 1H numbers on paint?

Sumnesh Khandelwal: 1H number is INR70 crores of turnover.

Amit Murarka: And EBITDA?

Sumnesh Khandelwal: EBITDA loss of around INR7 crores.

Amit Murarka: And what's the target that you have for FY '24, '25 in turnover?

A K Saraogi: For turnover, as we said, we should be doing anything between INR150 crores to INR200 crores. So now we started the new project range in this -- early this -- early April. So, we have been now trying to -- I mean more and more dealers are being attached. So, you will see a further -- quarter 3 and quarter 4 would definitely be better. So, we see a better number in H2. So, we should close minimum, I think, INR150 crores, and it may also -- our internal target is between INR175 crores to INR200 crores.

Moderator: Next question is from the line of Aman Agarwal from Equirus Securities.

Aman Agarwal: Congratulations on a strong set of numbers. Sir, my first question was regarding the Panna plus Hamirpur unit. I would like to know the utilization levels for that unit? And if you can just guide us how the profitability for that is differing from the overall profitability?

Sumnesh Khandelwal: No, utilization level for that unit was 75%. And profitability, say, with the ramp-up of the Panna means profitability is in line, mean whatever is the difference, the region-wise in the pricing that will remain. Otherwise, it is in line with the other existing operations.

A K Saraogi: And there is a continuous -- when you start a plant, there are some additional costs, but that is ramp-up is still going on at the plant level like we are ramping up the clinker production from 8,000 to 10,000. So once all this gets normalized, there would be further savings that we see a potential and we are able to use -- presently, we are not using AFR at Panna. So going forward, we shall start using AFR at Panna. The Waste Heat is -- we could not get the full advantage of the Waste Heat plant to commission in this quarter. We will get the full benefit now from third and fourth quarter. So, there will be further cost reduction at Panna.

Aman Agarwal: Understood, sir. And sir, secondly, on the white business. While the volume growth was pretty strong, we have seen a realization base of around 5% on a sequential level. If you can just explain about that? And how should we look at this business going ahead in terms of volume growth and profitability?

A K Saraogi: So, see the volume growth, I mean, as we see the putty business, there is a growth in putty market by about 10%. So, our growth in putty should be in line with the industry growth. We are confident that we will be able to grow the business. But having said so, since there is a lot of competition in the putty, so that's why the margin has dipped. We feel that it has come to its optimal level. I think there should not be any major drop in the pricing, but still, we have to see how the paint companies because they are very aggressive on putty.

So how they behave and whether they give further additional discounts. And then if it is so, then we will definitely have to match with the market. But we do feel that now there should not be any major dip, maybe 1% or 2% may be there, but not beyond that.

Aman Agarwal: Understood, sir. And sir, you mentioned about the lead distance reducing during 2Q. So, if you just quantify what was the lead distance?

Sumnesh Khandelwal: 418 kilometres.

Aman Agarwal: Okay. And lastly, on the net debt levels, we have seen some increase from the March '23 level. Are we near the peak net debt number currently or...

A K Saraogi: Yes, yes. So, we are at the peak level of net debt. We should not see the net debt to further increase. There would be some small borrowing which may come up for Ujjain and Prayagraj, but again, to that extent, there will be some -- certain repayments. So, the net debt, I feel is that's already peaked out.

Aman Agarwal: Understood, sir. And many congratulations again on good set of numbers, sir.

Moderator: Next question is from the line of Navin Sahadeo from ICICI Securities.

Navin Sahadeo: Congratulations on a good set of numbers. Sir, a couple of questions. First, I would request a capex update. So, what is the status of the Waste Heat recovery we were planning at Karnataka?

A K Saraogi: So, the Waste Heat recovery at Karnataka is also at advanced stage of completion. And within this quarter, this will get commissioned.

Navin Sahadeo: That is 18 megawatt, right?

A K Saraogi: Yes.

Navin Sahadeo: Okay. Okay. And sir, after -- once we complete the clinker debottlenecking at Panna, which you said is more or less done, what is our total clinker capacity? Total gray cement clinker capacity will be how much?

Sumnesh Khandelwal: It is around 15 million tons.

Navin Sahadeo: Around 15 million tons.

Sumnesh Khandelwal: Yes.

Navin Sahadeo: Okay. So then in that case, is it safe to say that we can easily, without expansion, we can easily go up to 20 million, 21 million tons?

A K Saraogi: No, around 22 million tons. We see that our capacity FY '25 should be 24 million. So, we can see -- safely see 85% capacity utilization can be achieved from the clinker which we have on an average.

Navin Sahadeo: Understood. Sure, sure. Would you also help us with the Toshali update because the acquisition -- I mean, some transaction was there and we were waiting for CPs to be completed. So, what is the update there, sir?

A K Saraogi: So, as we entered the agreement, it was a condition precedent was allotment of the mining lease. So, it is still under consideration and once that is -- that gets cleared, we will execute the formal agreement.

Navin Sahadeo: Understood, sir. So, sir, a slightly broader question here because I believe as we speak, Panna utilizations are nearly full in the sense, almost 85%, 90% kind of a utilization Panna I think is scaled up. So, in the scheme of things, what is the priority expansion capex for us? Will it be Line 2 at Panna? Will it be Toshali? Or we are looking at something in Karnataka, how should one look at capex? And by when announcement can we expect?

A K Saraogi: So, I think see we are already reviewing various options. And the Board, I think, should shortly take -- will get back to you very soon what are the next course of action. The Board, the Sumnesh Khandelwal is aware that, yes, we have reached a reasonable level of capacity utilization. We have about 3.5 million tons, which is already -- I mean out of which 1.5 million gets commissioned this year -- in this quarter and balance will get in by April before we will -- by the time we will be ramping up that capacity, we should be able to submit our next plan.

Navin Sahadeo: Understood. But if I may just again slightly build more on this, between Toshali and the Panna Line 2, what would be a priority for us or we can take both of them together?

A K Saraogi: See again, you also know the business. Why do you want to put some words in my mouth and I say, no, this is what -- I mean see again, it's a natural thing. At this stage, for me to comment anything which the Board has not decided yet or taken taking a call will not. But definitely, in all probabilities, as you say -- I mean there should -- it could be because, again, new mining lease, you think Panna could be the first option.

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

Sumangal Nevatia: Sir, joined the call late. So, I just want to get the pricing trends, what we've seen in the last couple of weeks, both October, early November and end of 2Q versus average in our key regions?

A K Saraogi: So yes, we have seen some increase in pricing in the latter part of Q2 or so in the North, and then we have seen some price increase also in the southern regions in the month of October. And -- so these 2 regions have definitely seen and the marginal increase is there in the central but not very significant. So, there is an increase in price across all of our major markets.

Sumangal Nevatia: Okay. And sir, based on what we are picking up, I mean, any -- 4%, 5% price increase in North and South is that ballpark right? Or lower than that is what we're seeing?

A K Saraogi: Yes, around that.

Sumangal Nevatia: Versus 2Q average?

A K Saraogi: 3% to 4% should be average for us.

Sumangal Nevatia: Got that. And central, you said is more flattish, did I miss...

A K Saraogi: That is an improvement trend, but...

Sumangal Nevatia: Okay. Okay. And then on our coal cost, sir, what should we consume in 3Q? What sort of cost change do we expect in the coal cost in 3Q versus 2Q?

A K Saraogi: So, the coal cost what was in Q2? The fuel cost in Q2?

Sumnesh Khandelwal: INR1.90.

A K Saraogi: INR1.90, the Q3 should see some marginal dip, but the coal pricing as we are contracting, there is a lot of fluctuation in the petco pricing. And it really depends on which consignment gets -- so we also have a consignment with -- where the cost is higher. We also have a consignment which is lower. So, I think it could range between anything between INR1.80 to INR1.85. It should not be higher than Q2.

Sumangal Nevatia: Okay. Understood. And just one last question, sir, on the freight cost, the busy season surcharge, I mean, what sort of delta did we see benefiting 2Q? And what could reverse in 3Q? If you could just quantify a little bit?

A K Saraogi: So, you see around 13% to 15% of our dispatches are by rail. So, the rail dispatches, there is a 15% busy surcharge. So that gets -- that was only available in Q2. And it will not be -- it is not available now. So that 15% of the volume fee freight increase of 15%.

Sumangal Nevatia: Roughly maybe around INR25, INR30 on a per ton basis is...

A K Saraogi: Around, yes. Between INR20 to INR25 a ton.

Moderator: Next question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Congratulations on good set of numbers. So, sir, as you mentioned, 13% to 15% rail mix. So, for this quarter Q2 would be the same, what was the last quarter of 14% rail, sir?

A K Saraogi: So Q2, the rail mix was around 11%. Q1, it was 14%. And see, again, it depends on the season, monsoon and other things. So -- and one thing more, even the road freight also gets varied between monsoon and non-monsoon. It's a peak business time. I mean there is a lot of -- I mean see business and movement of various materials from different items. So, it affects the...

Shravan Shah: Secondly, sir, in terms of the profitable -- last time we have talked about gray cement, we are looking at close to INR900 kind of EBITDA per ton. But considering this quarter, is it fair to assume that this quarter should be our gray EBITDA per ton should be closer to INR1,000. And now given, as you are mentioning, 3% to 4% average price increase in the third quarter versus 2Q average? And then also at the same time, we should be seeing per ton cost should be reducing in the third quarter. So INR1,100 plus kind of a gray cement EBITDA, is it fair to -- one can look at in the third quarter.

A K Saraogi: No, yes, you see. Again, as we see that definitely, if we -- if this price increase which has taken place sustains the whole quarter, we -- I mean we have seen only around 40 days in the quarter so far. So, we have to see the remaining 50 days how the pricing, there's a festival, which will have some impact on the business. And if the prices do remain and -- yes, we should also get some operational benefits. So, there should be an increase in the EBITDA per ton.

Shravan Shah: Okay. But combining, as you are mentioning, we will be seeing a marginal dip in the fuel cost of 1.8, 1.85 versus 1.9 and plus some increase in the freight. So, net-net on the costing front, broadly, if everything remains the same what we are looking at fuel cost? On the costing front, how much one can look at further savings, considering the green share, WHR coming at Karnataka everything. So broadly from maybe third quarter or fourth quarter compared to the second quarter, how much more savings one can look at on the cost front?

A K Saraogi: So sequentially, as we see, we definitely see cost saving of maybe about INR50 or so in this quarter. And sequentially also, in the coming quarter, around the same amount.

Shravan Shah: Okay. Okay. Okay. Got it. And then in terms of absolute level Prashant sir, in terms of the power and fuel average cost would be last quarter, we mentioned INR11,000-odd. So, this quarter would be how much?

Prashant Seth See, there is a reduction of around INR100 per ton.

Shravan Shah: Okay. Okay. Okay. Okay. Got it. And the paint business though we mentioned the INR150 crores, INR200 crores revenue that we are looking at, but EBITDA last time we have talked about INR7 crores, we have done EBITDA loss, so full year we were looking at INR20-odd crores EBITDA loss.

A K Saraogi: It would be -- this 20 numbers -- INR20 crores should not increase within that number.

Shravan Shah: And next year onwards, one can look at the breakeven or maybe positive EBITDA in paint also?

A K Saraogi: No. Yes. So hopefully, maybe by exit of next year, we could see that, not average, but definitely as an exit, we could.

Moderator: Next question is from Prateek Kumar from Jefferies.

Prateek Kumar: Sir, my question is on demand trends. So, with regards to safety actions in some of your operating states. So, is there any particular demand impact which has now started to be visible because of some levered average towards election purpose or otherwise?

A K Saraogi: So, see, as of now, there is no major dip in the demand. But having said so, the November month maybe a bit low because one of the festival and because in 2 states, we have election. So, election itself may have some disruption in supplies and some demand. So, we may see some dip in the month of November, but again, we -- it should bounce back in the month of December.

Prateek Kumar: And one related question on -- regarding the sharp price increase, which we saw in South India. So, is there an impact on demand post the price hike, which was taken?

A K Saraogi: No, no, not really. I mean in the areas where we have upgrade because we do not cover the entire deep south.

Prateek Kumar: Sir what was the range of price increase in your operating markets in South?

A K Saraogi: So, in our operating market, it was around 5% to 7%.

Prateek Kumar: That would be like INR30 kind of increase per bag?

A K Saraogi: From INR22 in certain pockets it maybe INR30, or otherwise, INR20 average, you could say.

Moderator: The next follow-up question is from the line of Rajesh Ravi from HDFC Securities.

Rajesh Ravi: Congrats on good set of numbers. My first question pertains to incentives. How much was booked in Q2 sir, in P&L?

A K Saraogi: Yes. So, our total incentive -- annual incentive is in the range of about INR250 crores. So INR65 crores was the -- INR69 crores was the total incentive in this quarter.

Rajesh Ravi: Okay. And sir fuel costs, you mentioned 1.94 for this year in Q2, a similar number for last year, Q2 was how much?

Prashant Seth It was 2.4.

Rajesh Ravi: 2.4, okay significant savings. And sir, just on the paint revenue. I see the wall putty realization is down 4% Q-on-Q. So consolidated basis, what could have driven that? And also, the UAE business numbers, volume number seems to have significantly improved. Any specific changes in the business over there?

A K Saraogi: So, as I said earlier, the white cement revenue numbers are lower on account of -- mainly on account of the lower pricing of putty. So, there is a putty market is quite competitive and balance is through mix. As far as UAE is concerned, yes, we have been -- the entire markets have normalized. There's an easing out of the availability of containers and other things. However, during this quarter, we had some one-off big orders which are not -- so we had a big shipment to Australia. That was a 40,000 tons shipment to Australia.

So, all that has -- again, so there has been some -- I mean one time, so it is not going to -- these volume numbers would not be -- will not have same numbers in this quarter. Having said so still, yes, as we have been working out on the turnaround of the UAE business, so now there has been a lot of easing off due to abnormal circumstances, the fuel prices have eased out, the container freights have eased out. So as a result, we will see an improved performance of the UAE operations.

Rajesh Ravi: That heartening to know sir. Sir, clinker capacity you mentioned 15 million tons. So, could you split out among the 3 regions how is the capacity now? Because in my understanding, Panna capacity clinker post bottlenecking was 3.3 million ton, or is it more than that?

Prashant Seth No, no, fine. It is 3.3.

A K Saraogi: Yes, 10,000 TPD per day.

Rajesh Ravi: Okay. And Rajasthan and Karnataka how much, sir?

A K Saraogi: See, we have around 2.5 million in this house, balance is Rajasthan.

Rajesh Ravi: Karnataka is 2.5 because my understanding was it is 2.1, okay. Sir, lastly, in the capacity expansion project of Toshali Cement, just what is the guidance you have said that this is still work under process in terms of closing the timelines?

A K Saraogi: So Toshali Cement is -- it is a condition precedent on allotment of the mining lease. Once the mining lease gets allotted to us, then we firm up the agreement and buy out that company. And at -- after buying out the company we will work out our strategy, then the next step, what steps to be taken to do an expansion at the site because ultimately that's a mini cement plant.

It is not that we will be able to stay -- we may continue to operate that for feeding the local market till we finalize all the other parameters of expansion, which itself will take -- finalizing what needs to be done after a formal takeover is done. See, again, any takeover of company also takes time. So, once we are able to takeover everything, it will take us about 1 years' time to finalize the action plan for implementing the expansion over there. And then only we can come up with the timeline for the expansion over there.

Rajesh Ravi: Okay. And lastly, just realizations you said is 4% improvement in which quarter, on an average versus your Q2 realization so far?

A K Saraogi: Q3, we said.

Rajesh Ravi: Q3 versus Q2, you're looking at 4% improvement which is current prices.

A K Saraogi: We will definitely look at that price increase.

Rajesh Ravi: Okay. Because 4% will be...

A K Saraogi: Yes, yes, please.

Rajesh Ravi: INR400 means, you are almost INR200 per ton incremental realization you're looking at, and costs sequentially may not go up because we will have operating leverage gain quarter-on-quarter and sales and freight cost will set off. So, are we looking at close to INR200 if the current prices were to sustain, margins to look up by INR200 quarter-on-quarter?

A K Saraogi: So as per your calculation, it looks like that. If the prices do sustain and everything remains, it would definitely be.

Moderator: Next question is from the line of Ritesh Shah from Investec India.

Ritesh Shah: A couple of questions. Sir, first is, can you help us with the UAE volumes? And what percentage of volumes come to India, if it is for Q2 or first half either the number [inaudible 0:36:35]?

Prashant Seth: Yes, UAE volume in this quarter was 193,000 tons. And the last quarter, it was 121,000. So overall, we have done like 314,000 tons in the 6 months. And in India, you see we are bringing material in 2 forms. One is the direct billing from the UAE. And second is what is -- what material is coming to India and build in the -- build from the Indian company. So, the overall material in the first 6 months which has come up is around 60,000 tons in both the forms.

Ritesh Shah: Okay. That's roughly one third. Sir, is there any risk of potential import duties of both gray as well as white cement large clinker coming from UAE to India. Have you heard anything of the sort?

A K Saraogi: No, no, see, again, except for the white clinker, which is coming, there is no other clinker which is coming from the UAE, and we have not heard for any import duty or anything.

Ritesh Shah: That's helpful. Sir, second is on the prior question, you indicated a price increase of 3% to 4%, but I think you did indicate cost price increases could be up by 3% to 4%. Sir, would you be -- can you please give some number on a pan-India basis, at least for the regions that we operate in at a blended level?

A K Saraogi: So, see, again, when we say blended numbers, there are -- when I said total award increase and you come to a retention number, it has a combination of both trade, non-trade and we've to see what is the increase in trade? What is the increase in nontrade? What are the pending orders of nontrade. So non-trade also has many other things that you may have pending order of nontrade at a particular price for a period. So, all those things do play a role in an overall increase in the retention. So, on that basis, we said about 4% should be the net increase if we take off trade-off between trade and nontrade, then it may be -- trade prices may be different, nontrade is different.

Ritesh Shah: Sure, sir. And sir, lastly, on the demand, you indicated that you expect a pickup in demand, say, in December because of election in a couple of states. Sir, how should we look at this particular variable given Lok Sabha elections are not very far, that is one. And secondly, in the near term, because of winters solution, I think the government is going after a lot of bidders halting construction. Is it having any bearing on the near-term demand because of that? So, one was basically Lok Sabha, just prior to Lok Sabha and near-term because for the winter setting in Northern India?

A K Saraogi: So, for as far as we are concerned, there is election in 2 states, MP and Rajasthan, which definitely affect us. So, these are the 2 states where we have elections where we are serving today. And winters also do affect our northern markets. There's already -- but is not very strict, some construction ban in New Delhi. It could be if that is -- becomes stricter, it will lead to some reduction in the volume numbers.

However, I mean all these restrictions do not decrease the overall consumption, it is deferring the same, because it is only you're stopping our construction activity. And as soon as the situation improves, it will again come up. So, it is a timing difference. I don't see it is a loss of cement, which is there. So, you may see a temporary some dip in volume numbers, which will subsequently get -- we can ramp it up subsequently.

Ritesh Shah: Sure. And sir, with respect to Lok Sabha elections historical trends versus how do we see right now because the code of conduct comes in. I'm not sure whether we have seen working capital become a bit tight when contractors do their work. Sir, any colour over here?

A K Saraogi: As far as the current fiscal year is concerned, what happens is the election are -- Lok Sabha elections will be sometime in the month of May. There are already budgetary -- budgets which are already approved for the whole fiscal. So, this year, budget or -- does not get affected in any case. Ongoing projects do not get affected in any case. It is only sometimes the new projects which are announced and which may need approval till you form -- even suppose a project is announced by the government today and it needs certain approvals, subsequent approvals which are not done before the elections.

Then that may only get firmed up once the election are over and new government is formed. The departments are allocated and then the budget proposal is -- even the budget itself will come later, there will be a vote on accounts in February for 2, 3 months. But real budget proposal will come sometime in June, July.

Moderator: Next question is from the line of Marson Luis, Individual Investor.

Marson Luis: Yes. You mentioned that during Q2, we have received some like off-season discount from railway. So, what is the percent of that discount? And what is in absolute volume -- like how much amount did we receive -- this will be discount in the freight?

A K Saraogi: So, railways normally do a 15% discount -- off season discount, which is in the July-September quarter. That is a lean period for the railways, the main monsoon period. So that is on all railway dispatches, but -- which is withdrawn from 1st October.

Marson Luis: Yes. So how amount like did we receive as a discount?

A K Saraogi: No, it is not received. It is -- the freight is reduced.

Marson Luis: No, no. I understand, but how much lesser freight you have paid for the Q2 due to this discount separately.

A K Saraogi: There is an impact of around INR20, INR25 a ton on that count, on our freight cost.

Marson Luis: INR20 to INR25 ton, so how much did we ship or like -- what is the average said cost?

A K Saraogi: So, we have done -- our rail dispatches were 11% of the total dispatches. Our dispatches were close to 4 million. So, it's about 4.5 lakh tons. You can say on that way whatever average rail freight for that. So, we may get about say about INR200 a ton impact, about INR7 crores, INR8 crores.

Marson Luis: Okay, not much, not much. Okay. And then regarding Panna this ramp-up, like currently, what is the capacity utilization 2.6 or 2. I think...

A K Saraogi: 75% is the current capacity utilization. The capacity of Panna is 4 million tons, 75%, so on a quarter, it is 7.5 lakhs tons.

Marson Luis: Right now, we are taking it to 4 million.

A K Saraogi: It is already 4 million.

Marson Luis: But you mentioned something during the call that they were ramping up, we target to reach to 4 million by the end of next quarter or what?

A K Saraogi: No, no, no. Panna capacity is 4 million tons.

Prashant Seth: Already -- already ramped up.

A K Saraogi: There was a proposal that what is the situation of ramp-up of the clinker capacity at Panna plant, so that we are already ramping up from 8,000 TPD to 10,000 TPD.

Marson Luis: Okay. Okay. Okay. Fine. Fine. And you mentioned this incentive, the INR250 crores, we are getting so INR1,600 crores was received during this one. So, like was it a capital subsidy or...

A K Saraogi: INR69 crores is the subsidy, which was accrued during this quarter.

Marson Luis: And the remaining will -- like 181 has already been accrued in the past or will be accrued in the coming quarters?

A K Saraogi: It is quarter-on-quarter. It has subsidy. It depends on the sale of cement in that state and then only the subsidy is approved.

Marson Luis: Okay, okay, so the subsidy lasts for next few years.

A K Saraogi: Yes, the subsidy is there for that.

Marson Luis: Okay. Okay. Okay. Great. And like how do you see this like overall performance like demand and kind of thing during this quarter as compared to last quarter?

A K Saraogi: So last quarter, we saw a dip as compared to the -- this quarter was a dip as compared to last quarter.

Marson Luis: In terms of dispatches?

A K Saraogi: Yes, because this is a lean period, as monsoon is a lean period.

Marson Luis: No, no. So, you mentioned that you are saying that like during Q2, there were lesser dispatches, right.

A K Saraogi: Yes, yes.

Marson Luis: Because of monsoon, right. So, like now the dispatches are picking up because like now normal, right?

A K Saraogi: Yes.

Moderator: We will take the last question from Navin Sahadeo from ICICI Securities.

Navin Sahadeo: Sir, in paints, I just wanted to check, what are the revenues that get booked in the stand-alone entity?

Prashant Seth: INR21 crores.

Navin Sahadeo: Understood. But that is on account of what? Because it's paint -- I mean Acro is a step-down subsidiary and J.K. Max is a wholly owned subsidiary, so how can -- just trying to understand the incidence of revenue...

A K Saraogi: What happens there is a direct billing, which is done by Acro to -- Acro has its own client customer base. So that billing is done directly in Acro books as in the step-down subsidiary, because the counters for paint and putty assets as we said, the reason for our entering the paint business was the synergy, and we have the common counters. So, it becomes difficult for -- to do a 2 billing to the same customer. So, the JK Maxx paints, we do lend out the platform to JK Maxx. And it is putty counter, so it's the same customer. So that building is done in JK Cement books of paint on behalf of JK Maxx paints.

Navin Sahadeo: Understood. This is helpful. And sir, last question. Have we paid Acro promoter the balance 40% of the...

A K Saraogi: 20% as per the agreement has already been paid. The last instalment I think is due in the month of December. So, at that point of time, we acquired -- JK Maxx acquires 100% of the equity. And then as a next step, we propose to initiate merger of JK Acro with JK Maxx.

Moderator: I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.

Vaibhav Agarwal: Sir, just one question, sir. Did you also highlight any one-offs in your maintenance costs in the Q2 quarter. I just want to reach upon that.

Sumnesh Khandelwal: Yes, it is actually normal for this quarter because the scheduled maintenance is planned looking to the lower clinker requirement. There was around, say, INR30 crores, INR35 crores of additional expenditure on that account in this quarter.

Vaibhav Agarwal: So, these recurring maintenance expense or is the one-off in the maintenance is what I was asking.

A K Saraogi: We can say additional increment maybe about INR15 crores, INR20 crores. There are some maintenance because now we are -- a number of kilns are so many, so there is maintenance comes up actually in -- but most of the maintenance has been done in the first half. Second half will see very few maintenance. So yes, the maintenance cost has been a bit high in the second quarter. There were some maintenance also in the first quarter, but going forward, we will see less maintenance in Q3 and Q4.

Vaibhav Agarwal: Understood. But from a one-off perspective you are saying this INR15 crores to INR20 crores is a one-off.

A K Saraogi: Is the additional one-off.

Vaibhav Agarwal: Thank you, sir. On behalf of PhillipCapital India Private Limited, I'd like to thank you for the call opportunity, and also many thanks for participants joining the call. Thank you very much. Nirav, you can conclude the call. Thank you..

A K Saraogi: Thank you, everyone.

Moderator: Thank you very much. On behalf of PhillipCapital, that concludes this conference. Thank you for joining us. You may now disconnect.

A K Saraogi: And happy Diwali to all.

Moderator: Thank you, and wish you the same.