



“Star Ferro and Cement Q1 FY16 Earnings Conference Call”

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Moderator Ladies and Gentlemen, good day and welcome to the Star Ferro and Cement Q1 FY16 Earnings Conference Call hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the opening remark concludes. Should you need assistance during this conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference call is being recorded. I now hand the conference over to Mr. Vaibhav Agarwal of PhillipCapital. Thank you and over to you, sir.

Vaibhav Agarwal: On behalf of PhillipCapital India Private Limited we welcome you to the Q1FY16 conference call of Start Ferro and Cement Limited. On the call we have with us Mr. Sanjay Kumar Gupta – CEO and Mr. Dilip Kumar Agarwal – Chief Financial Officer of the company. At this point of time I hand over the floor to the management of Star Cement for their opening remarks which will be followed by interactive Q&A. Thank you and over to you sir.

Management: Good evening friends. I am Sanjay Kumar Gupta – CEO of Star Ferro and Cement Limited. I am having with me Mr. Dilip Agarwal – CFO of the company, we will like to welcome you all to this interactive session. Before we start the interactive session let me request Mr. Dilip Agarwal to give you an overview of Quarter 1 results for FY16 after that we can open the house for further interactions. So I will request Mr. Dilip Agarwal to give you a brief overview of the numbers. Over to you Mr. Agarwal.

Management: Good evening friends. I am Dilip Kumar Agarwal – CFO, Star Ferro and Cement Limited and we welcome all of you to this interactive session. I would like to clarify that we will be talking about historic numbers of Q1 earnings and this is not an invitation to invest. Having said that, I would like to take you through financial numbers.

So as far as Q1FY16 is concerned, our top-line has grown by 27% in terms of value terms by 86 crores. We have closed Q1 with 408 crores of top-line as compared to Q1 323 crores, so there is a growth of 27% approx. In terms of EBITDA, we have closed the Q1 with 123 crores as against 113 crores 2014-2015 first quarter, so there is a growth of 9.1%. PAT we have closed 41.53 crores as against 24.39 crores last year so there is a 70% growth on YonY basis. So these are the numbers so far as financials are concerned.

In terms of volume growth, we have achieved volume growth of 22% in this quarter as compared to same quarter last year. Now I would request Mr. Sanjay Gupta to give you business perspective.

Management: Thank you Mr. Agarwal. I think the opening remarks are already here. In terms of broad numbers had already been shared with you. What I will suggest that the floor can be open for more questions. In case of overall perspective let me add few words in terms of how the scenario was in Northeast and entire eastern side of it.

Northeast, as Mr. Agarwal has said the volume has grown at around 22%, 23%. What we have seen in Northeast, typically Northeast starts raining a little early than the rest of the country, we have seen rains starting from the month of May itself which actually increased in the month of June. So there was a recovery in terms of numbers in the month of June but in these two months Bengal and Bihar have done a little better. So overall these numbers **(Inaudible)** **4.19** as they set in early the rains also taper off a little early in Northeastern region, so what we expect is that the rains start tapering off somewhere in the first week of September itself, so we may see increase in volume from the end of second quarter itself. Overall on the price side of it, prices have been relatively stable, we have not seen any significant decrease in price either in Northeast or in eastern side of it and on Bengal and Bihar we have seen a deduction of around Rs.5, Rs.10 in the quarter. But overall we have seen there is a stable price environment. With the kind of rain which is happening what we expect is that this is since entire eastern region is a little monsoon is okay so we expect that the rainfall may have a first quarter under pain but I think that will be overall good for the entire cement industry in eastern region. We expect that the good rainfall will add to more of a retail demand in coming Quarter 3 and four, so ultimately it will be an overall basis we still maintain that both the regions will continue to grow as we expect them to grow at around 9%, 10% and Northeast should grow at around 9%, 10% and East should grow at around 6%, 7%. This is we still maintain our overall stance on the demand growth of both the regions.

I will request again that to open the floor for further interactions and I will be happy to answer any questions or numbers. While we are replying our query we will definitely take you through any other business perspective which the participants may request. You can start with the questions if you have any.

- Moderator:** Thank you very much sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from Rahul Veera of Edelweiss. Please go ahead.
- Rahul Veera:** Sir just a couple of questions. What is the volume in million tons for this quarter?
- Management:** See the total volume for the quarter is 652,700 tons. Do you need exact numbers?
- Rahul Veera:** No, no this is fine.
- Management:** And as against corresponding period last year it was 534,100 tons.
- Rahul Veera:** Okay, great. And sir one quick question, the capital subsidy that you are expecting to get from the government, have we received it yet?
- Management:** No, we have not received it, the dialogs are going on, all the processing has been completed at state level and the most of the papers are already there at central level. But we expect that to receive within FY16.

- Rahul Veera:** Okay. And also the transport subsidy?
- Management:** We expect some part of transport subsidy to be also received within FY16.
- Moderator:** Thank you. Our next question is from Sandeepan Pal of Motilal Oswal Securities. Please go ahead.
- Sandeepan Pal:** Sir last time you mentioned that there are a lot of government spending plan in Northeast, so how you are seeing the traction and what are the areas where you see demand or the execution to come maybe in this year?
- Management:** See definitely we are seeing a pickup in shift, it has not started actually getting converted into demand as of now because of the monsoon, onset of the monsoon season. But what we are seeing is that there are a lot of enquiries have started flowing into the most of the cement manufacturers, we have seen enquiries coming in from the railway side of it and we have also seen road projects enquiries have started flowing in. Even on power side some enquiries has some in. We are seeing people are coming and requesting us for supplies in starting from maybe Quarter 2 and Quarter 3. So what we are seeing is that there is some improvement as far as the projects are concerned, the allotment of projects has already started, we have seen a lot of these road building companies have already got few contract awards which have already been given to them, people like Gammon, Hindustan Construction, Simplex. these are the people who are also looking for getting some cement. So we are getting some enquiries coming in, so that gives us the confidence that once the monsoon season is over we will start seeing the demand flowing into the market.
- Sandeepan Pal:** Right. And what according to you will be the growth in the first quarter of FY16 for the Northeast market as a whole?
- Management:** See Northeast first quarter growth has always been I would say it was flat-to-little positive, it must be flat to positive, it has always been a trend like this. If you compare our last year, even the last year also and the Quarter 1 the growth was almost muted in the first quarter, it was always more or less flat to a little positive growth on that. But normally in northeast the second quarter it will also not be very good, again because of rains, but the Quarter 3 and quarter four normally picks up in terms of the most of the construction activity starts picking up mostly in Quarter 3 and quarter four. So it had been muted, I think the entire Northeast must have not grown more than 3% to 4%.
- Sandeepan Pal:** Right. And going forward I mean we are relatively more exposed to the trade segment as you always mentioned that you are more focused on the profitability, now given that going forward I mean quite a big portion of your demand will come from this infrastructure projects and we will be I think definitely participating in that. So incremental demand what you get here will have more exposure to non-trade side of the demand?

- Management:** See, we understand that yes the incremental demand will definitely come from infra side also but what we expect is that with the kind of monsoon we are getting and the overall money coming into the system once the project starts moving the money will flow into the system and will also expect, this will definitely lead to a better retail demand also. Our focus is clearly there on the retail side of it, definitely we will also participate in few tenders which actually suits us in terms of the way we operate in terms of our margins and operational things which we achieve from these. So in case we get those kind of definitely we are going to participate on that, but we are not looking at participating in tenders where there is a pricing competition and we will leave that space for our friends in industry. That's what will be overall strategy for us going forward.
- Sandeepan Pal:** Right. And last question sir, I mean what proportion of Northeast demand so far has been from the retail side?
- Management:** See, traditionally it will normally be around 70-30 has been the ratio but we expect that once the infra push is there it may go, the infra can grow up to maybe 35% and retail can be around still the 65%.
- Moderator:** Thank you. Our next question is from Ujwal Shah of Quest Investments. Please go ahead.
- Ujwal Shah:** Can you just throw some light about the Bengal market, how big it is, who are the prominent players and in terms of our size how much we do cater over there and going forward our strategies for Bengal and Bihar?
- Management:** Bengal and Bihar's overall market is big enough, Bengal is a 15 million ton market and Bihar as per our estimates approximately it will be around 10 million ton market. And the bigger players, most of the bigger players are already there, I think Lafarge is by far the leader in the market, it will have around 17%, 18% of the market share and then Ambuja is there, ACC is there and UltraTech is there. So in the Category-A these are the players and then in then in Category-B you have Birla Gold, you have Dalmia, you have Ramco, some cement also comes from certain part of Bengal also, we see some cement from Orissa and other regions, some cement from my home also comes from Bengal, the Konark is also there. So this is overall competitors of the market, we are penetrating this market very slowly and we are not penetrating, we are not opening up all the markets in a hurry in these states, we are slowly penetrating these markets, although we have a very small share in these markets as of now, but we expect that to grow in coming quarters. So overall as of now we will be in Bengal, I think we will be at a market share of almost 5% and I think in Bihar we will have a market share of around 3.5%, that is as of now, but we expect that to grow in coming quarters.
- Ujwal Shah:** Fine sir. Sir just wanted to understand, so if we enter newer markets parse and if we are not actually into that price war kind of a situation, how do we try and get a larger market share, so what is the policies that the company undertakes in order to create a market for itself in new markets?

Management:

See what we are trying to do is we will be concentrating on, see we are looking for the top-line growth of around, that is what we have set ourselves a goal of growing the top-line by around 20%, 22% and so what we expect is that some growth will definitely come from Northeast where we are the leaders. We will be focusing on these markets because Bengal and Bihar markets the focus is going to be again retail, it is not going to be again an institutional sale. So what we are trying to do is we are trying to create channel, we have been able to appoint at least a dealership network of around 1000 dealers in these two states already and we are putting up an very aggressive branding campaign in these markets because since we are pricing ourselves as a category A and presently we are selling at par with UltraTech's of the world in Bengal and Lafarge in Bihar, so we have undertaken a good amount of marketing initiatives so that we can command that premium what we are expecting from the market. And slowly granularly we are, because if we look at geographically there are areas which we feel are less penetrated and we are getting into those markets in a very deep sense. So we expect that we will be able to grow whatever volume we are there because ultimately these markets are too big a market, they are 25 million ton markets, since required share I do not see that there is going to be any.

Ujwal Shah:

Okay sir. Sir so just trying to understand, what is the kind of amount do we spend in terms of branding and how much time does it take to create a fresh channel in a new market?

Management:

See we are there in these market from last about a year, I think last year was the first year when we entered these markets. So almost a channel is already we are in the districts where we wanted to be, we are not getting into all the district as of now, so there we are just opening each district separately. So depending on whatever the penetration levels are until and unless we achieve a goodish amount of penetration level because we do not want to spread very thin into this entire Bengal, we will like to get a little more depth into it so that whatever spread we do that is a sustainable spread. So and in terms of spend what we are doing is, you can take it from that that even in this quarter itself we have done a good amount of spend on advertisement and this as compared to the spent we did last year, so advertising spend has really gone up in this quarter because we have embarked up on few more campaigns already, so there is a campaign already running in Bengal, Bihar and some part of Assam. So we are trying to create that pull for the brand as compared to which is already there for maybe Category-1 players of Ambuja and Lafarge.

Ujwal Shah:

Yes. The reason that I was asking this question is, basically we have seen JK Lakshmi also pricing their cement at competitive rates with the Tier-I players, but the off take their brand has not been that good. So even we are pricing it closer to the top players prices, I was just trying to understand how do we gain market share in that case.

Management:

See as of now we have not faced any problem in terms of achieving our numbers and whatever we are targeting. As far as the dealership network is concerned, see I will give you an example like how we are approaching a market a little different then what other six people are doing, I

will not know what JK Lakshmi Cement is trying to do. But in terms of volume let me confess to you that in Bihar market Shree Cement has launched this product this year only and they have already overtaken us in terms of volume, but the practical side of it is that I am quite low in terms of volume in Bihar market from Shree Cement, practical side is that they sell at least Rs.40 cheaper than that's what the market information says that they sell around Rs.30-Rs.40 cheaper than us. So we are actually, it is a very different game actually, most of the cement is getting sold as a commodity and there are a lot of people who are, its commodity but we are not treating it as a commodity, we are selling it as a brand and that is what we are trying to achieve. We will continue to grow our dealership base in each and every town, each and every village in the area where we operate and continuously we keep on upgrading in terms of to create a brand recall, we will be continuously keep on innovating in terms of branding. So we hope that whatever targets we have in terms of achieving the numbers will not be a problem.

Ujwal Shah: Right sir. Sir so what is our growth targets for Bihar and Bengal for this year and next two three years if you can just spell out what the management is thinking for this market?

Management: See our view is going forward the Bihar and Bengal market will grow more than the Northeast because in Northeast we are already a leader, so we expect that that our market share we will definitely grow from 23%, 24% in Northeast to around 30% in coming one or two years. But Bengal and Bihar will grow at a much faster pace so we will expect a growth of around because the base is very small for us, 3% or a 5% kind of a market, so base is really small. So we expect that that we will be growing these markets for somewhere around 30% to 35% on year-on-year.

Ujwal Shah: Fine sir. Sir and lastly just wanted to understand the cost dynamics, so we supply the cement from our Meghalaya plant to Bihar and Bengal?

Management: As of now we have a 0.4 million ton higher capacity also in Bengal just to cater to these markets, so some cement is definitely coming, it is not coming from Meghalaya plant, it is coming from Guwahati plant, the plant which is near to Guwahati, so some cement is coming from that region and 0.4 million ton is getting catered from these higher grinding units.

Moderator: Thank you. Our next question is from Sethil Manikandan of New Berry Advisors. Please go ahead.

Sethil Manikandan: Sir in the next two to three years do you see how many new capacities are coming in the eastern region?

Management: See, as far as our understanding goes, out of these three major markets Bengal, Bihar and Jharkhand, the total demand is as of now 30 million ton, if you look at the capacity which are already existent in these markets is around 12 million ton in Bengal and 2 million ton in Bihar and approximately 2 million ton to 3 million ton in Jharkhand. So in totality it will be on these three states, the total cement producing capability is around 16 million ton, 17 million ton, the

rest of the cement keeps on coming from other part of the country like Chhattisgarh and MP and these are the places where from the cement comes in. In Northeast there is no cement plant in pipeline as of now in Northeast, Northeast last year it had a demand of around 6.5 million ton, we expect that to grow at around 9%, 10% and so since there is no capacity in pipeline what we expect is the existing players will have a better capacity utilization in coming two three year because ultimately setting up a plant will take anything between three to five year for anybody who wants to set up a plant in Northeast. In Bengal and I think there is some capacity is getting added, I think 2 million tons, 3 million tons of cement is expected to get added in coming this year. I do not have a visibility of beyond this year that if there is anybody planning to set up another plant, but I think 3 million ton capacity with UltraTech coming up and maybe JK Lakshmi starting something and Shree will sending some material from Chhattisgarh plant. So our expectation is that approximately 3 million ton of capacity will be coming, supply is coming from these markets.

Moderator: Thank you. Our next question is from Amol Kotak of Principle Mutual Funds. Please go ahead.

Amol Kotak: Sir I just wanted to know your CAPEX plans for next two years.

Management: As of now, for next two years we have only one CAPEX plan, what we expect is to set up 1 million ton cement grinding unit at Siliguri that is a two year thing. We have a 3.4 million ton capacity as of now, so with this 1 million ton coming up it will be around 4.4 million ton, that is in two years perspective. But definitely in a five year perspective we will be definitely looking at adding more capacities only in these but we are very clear that we are only focused on East, we are not moving apart from East. So this 1 million ton which is coming up in next two years time will have a CAPEX of around 180 to 200 crores, so you can say that in next two years that will be the CAPEX which we will be doing.

Amol Kotak: Okay, fair enough. And sir what would be your maintenance CAPEX this year?

Management: It will be somewhere between 0.5% to 0.75% of the total asset batch which will be approximately 1600 crores to 1700 crores.

Amol Kotak: Okay. Sir and just I wanted your guidance on the tax rate for the company, what would be the applicable rate going forward?

Management: See most of our operations since they are based out of Northeast so we are having MAT applicable on us, so I think it will be approximately 22%.

Amol Kotak: Okay. So this would be from this year onwards?

- Management:** Yes, this will be from this year onwards. This is already there I think from last, even from the previous year also, as it is the Northeast operations are tax exempted in that sense but they are subject to MAT.
- Amol Kotak:** Okay. And sir what sort of pending capital subsidy and transport subsidy is left with the regulatory authorities?
- Management:** As on FY15 we had 200 crores of capital investment subsidy and 300 crores of transfer subsidy pending with Central Government to be received.
- Amol Kotak:** And you said transport some part of it would come in this year and the other part would come next year, so how much of it do you expect in the current year?
- Management:** See it is already overdue in that sense, even the capital and transport both is overdue. Everything is already been done, only we are expecting disbursement to happen. So maybe even if I do not expect entire 500 crores coming in, I will expect that maybe a 300 crores, 400 crores we must receive in this year.
- Amol Kotak:** Okay. So of that almost 75%, 80% would come in the current year only?
- Management:** That is what our expectation is.
- Amol Kotak:** Yes, yes should probably come in the current year. Sir and just one bookkeeping question, on the depreciation number for the quarter we have seen a drop, so how would that work out in the current year, so would it go down, would this be the number going forward?
- Management:** See I think this will be the number because last year what has happened is because of the change in Companies Act, the rate of depreciation was accelerated last year and there were certain assets which must have achieved their full life, that would have been charged also the depreciation for last year was higher. But I think this year the depreciations are going to be in line with the depreciation in Quarter 1.
- Amol Kotak:** Okay. So one more question, on the other expenditure this quarter we have seen a sharp jump versus your sales number, so any particular reason for that?
- Management:** See otherwise expenditures are mostly in line with it, the only difference which is there in terms of per ton basis, the only difference is what we find is that the advertisement and the sales promotion expenses which we have incurred in this quarter as compared to the last quarter they are a little higher, so that has also had an impact on our EBITDA margins also in Quarter 1.
- Amol Kotak:** Okay. So it is largely due to that?

- Management:** It is largely due to that.
- Amol Kotak:** Okay. And sir you have been outpacing the industry volumes, so you are confident of this to sustain in the next two three years?
- Management:** Yes, we are confident about that that we will continue to grow our top-line at around 20%, 22%. Again, we are just stepping in into the larger markets so I think since our base a little small and then the way that **we are cutting it 30.55**, which we are falling we think that we will be able to achieve whatever targets we have set in.
- Amol Kotak:** Sir so one question on the power segment, just wanted to understand, would you have some surplus power from the operations perspective?
- Management:** We do have some surplus power from the 51 megawatt of power plant which we have, we have around 10 megawatt, 11 megawatt of surplus power.
- Amol Kotak:** Okay. So you sell it to the grid?
- Management:** At times we definitely sell it to the grid and what we are doing is that wherever either we are also following a strategy of having banking with the grid again, with the state regulator normally what we do is we bank that power and then run that plant. So as of now we have also been sending some power earlier as the Ferro Alloy part of the company we were selling some power to ferroalloy division also. But this year we will also be trying to send some power to our Guwahati grinding unit which is there on a wheeling basis. So we are working on that and we expect to utilize the maximum capacity there in.
- Amol Kotak:** Sir so in turn there would not be any surplus power, I mean just to understand that?
- Management:** See if it is reasonable for us in terms of the price and in terms of cost of transferring that power to our Guwahati grinding unit because Guwahati needs power and we are sourcing that power from the state electricity or from the **IAF 32.34**. So it is a dynamic situation, it is not an hard and fast situation here, what we see is that if the prices are okay with us we will definitely try to reel it to the grinding unit, if the pressures are not okay and if there are better prices available in the market either on the bilateral side of it or on **IAF** side of it we will try to sell that power off. So it is a completely dynamic situation in terms of committing anything that where it will get utilized will be difficult.
- Moderator:** Thank you. Our next question is from Ritesh Shah of Investec Capital. Please go ahead.
- Ritesh Shah:** Sir would it be possible for you to break-up the sales state wise and if you could give some color on the realization differential across states?
- Management:** Can you go to another question, let me get these numbers in front of me.

Ritesh Shah: Okay. Sir second was on the demand side, you highlighted a lot of the road side, are there any other government schemes say something like affordable housing from the state government either in Bihar, West Bengal or specifically in Northeast that is finding some feet or anything happening on the airport side that you would like to highlight?

Management: No, in Northeast definitely we are seeing things which are happening such as rural development work has started in Northeast, some signs of that are already there and although the supplies have not started but I think the tenders have started flowing in from rural development RD stores and other side from few states that's what we have seen, we have seen some Oil India tenders also coming in, even Arunachal Airport projects are already continue to get supplies for cement. So in Northeast definitely these are there, I think the big driver as far as Bengal is concerned in Bengal also we are seeing the road doing a little better as compared to the other infrastructure projects but the road in Bihar is also attracting good amount of cement. And what we expect that over a period of time the road and the railway, I think railways will also because even in Northeast what you see is that the government has got an ambitious project of connecting all seven state capital, there is a lot of gauge conversion which is happening in Northeast also and in Bengal also in some part of Bengal the gauge conversions are happening. So what we expect is that even the railways will start giving us some demand of cement. And as far as power is concerned I think hydel power plants in Arunachal we have seen some enquiries from NHPC coming in, but I think in power it is a little early to comment but I think once the monsoon is over the picture will be more clear.

Ritesh Shah: Okay. Sir anything specific on the border roads which has been of prime focus for the government?

Management: I think the work is going on in BRO. A lot of work which is going on even in state like Assam and the roads projects which are already been awarded and also those are private players and also those are the BRO, even the BRO road projects in Arunachal have also been awarded. Although we have not seen the tender but the news which is there is going around that the projects are already been allotted. I think NHPC is another, we have seen sign that in certain projects which has got stuck because of certain disputes with people like NHPC and other they have started actually settling those disputes in a much faster pace. So that is a sign which also gives a confidence that they are trying to move ahead with the projects instead of getting into the old issues, they are trying to resolve old issues and move ahead. So these maybe green shoot but we have to wait for at least quarter to see some signs.

Ritesh Shah: Correct. Sir second question, forgive me for ignorance, the scheme basically of plants they attract a lot of incentives, so is the scheme still on, basically the scheme that we have of NEII so is it still applicable for any new investments in the region?

Management: See whatever investment has already come in that is applicable to those people who are already there. NEIIPP 2007, there is a hold has been put on by Nirmala Sitaraman, the scheme is on hold for any new thing which is going to come in as of now. But whatever our discussion

which are happening with the state government and at the center level we expect that that hold was put in as per when the budget was going on actually, at that point of time but what we expect that they will have to because it is a committed thing, the policy has been announced for a period of 10 years so it is already there till 2017 and it will be very difficult for the government to continue with that hold and there is a lot of representation which is going on from Northeast to Central Government for removing that hold on it.

Ritesh Shah: Correct. So is our incremental expansion that you said over next two years, 1 million ton in Siliguri...

Management: Siliguri is also getting NEIIPP in 2007.

Ritesh Shah: Okay, so it is already a part of that, we have already provisioned for that?

Management: No, I am saying Siliguri project, Siliguri any NEIIPP 2007 is not applicable in West Bengal.

Ritesh Shah: Okay, correct. Sir are there any similar schemes which either Government of Bihar or Jharkhand or West Bengal are notifying based on your knowledge?

Management: See, if you look at NEIIPP 2007, what is primary which has been put on hold is, see excise exemption is quite different from NEIIPP, so excise does not, so there are three things to be critical the most important part of these subsidies and benefits, excise is not the part of NEIIPP so that is outside NEIIPP right, but that is not getting effected with whether NEIIPP there or not, if you put a investment today you continue to get that excise exemption. Transport subsidy which again is a revenue contributor so that is outside it, even if you put up a plant today you continue to get your transport subsidy. The only thing which NEIIPP can the hold will have an impact is the capital, that is the only thing which is there in this scheme.

Ritesh Shah: Okay. And sir how about VAT exemptions?

Management: No, that is not the part of NEIIPP, any VAT which is there for the state people has nothing to do with NEIIPP. NEIIPP is a central scheme, nothing do with the state things.

Ritesh Shah: Okay, perfect. And sir if you could please help me with realization and the breakup region wise, state wise?

Management: See the total volume as far as NE is concerned last year we had around same quarter we had around 376,000 tons, this year we are around 392,000 tons. Outside it was 158,000 tons, it is 261,000 tons.

Ritesh Shah: Okay. And sir how much was the pricing differential?

Management: You will have to excuse me with that, I think I need to come back to you on this pricing thing. Let me give you a flavor of how the prices are behaving. I will give you a flavor of prices which are prevailing as of now in Northeast and as of now which are prevailing in market like Calcutta or in a Bihar market and Siliguri market that would help you to understand. So today the prices in northeast are around Rs. 390, that is our billing price to the dealers. In Bihar these are somewhere around Rs.370 approximately, in North Bengal they are around Rs.360 and in Calcutta it is around Rs.340. So this is how the pricing is there as far as these regions are concerned.

Ritesh Shah: Okay. And sir how do you expect the dealer discounts to move going forward given there is a set of new capacities which are coming up in the Eastern part of the country?

Management: See our view is a little different, even if these capacities come up for about 3 million ton of expectation, our view is a little different. What is happening in Bengal and Bihar there is a good amount of shift which is going to happen, if you look at it I think as what we understand there is about 5 million tons of cement which is Lafarge used to sell in this market, actually he is a Category-1 player right, and because these markets are very well-segmented, the Category-1 and Category-2, Category-A and B are clearly segmented actually. So a Category-1 player is vacating a space of around 4 lakh tons, our expectation is that they will be able to match it up about ramping up their existing other capacity of ACC and Ambuja even if the combined thing comes up they will be able to gain about 25% of that capacity they will be able to ramp it up. But the new player who is entering into this market is not a Category-1 player maybe anyone who gets into this market takes that capacity. So he is essentially a Category-B kind of a player. So our view is that there will be a space which is getting created in Category-1 and the Category-B maybe a little more tough, so maybe the gap will increase in that sense.

Ritesh Shah: Sir can you please explain me why do you say vacating space specifically for Lafarge?

Management: See, if the 5 million ton capacity of Lafarge goes out of this Eastern market then they have to compulsory divest that, right.

Ritesh Shah: Correct, but it will be still in operation, right?

Management: It will be in operation but it is going to somebody who is not a Category-1 player, that's what our understanding of the market is. So if it is going to somebody it is going to be a Category-B player and not a Category-1, because in Category-1 there is ACC, Ambuja and Lafarge and they are all together, only UltraTech is left out and UltraTech is not in fray that's what I understand from the market. So UltraTech is not in fray and then in the market place it becomes really difficult to translate exactly each dealer, each village, each sub-dealer, you won't be able to translate directly from a Category-1 player I think it hardly happens in the live market place, on the paper it can happen but I do not think it happens in live market.

- Moderator:** Thank you. Our next question is from Amol Kotak of Principle Mutual Fund. Please go ahead.
- Amol Kotak:** Yes, sir just for my, can you just repeat the volumes which you gave state wise?
- Management:** The Northeast is 376,000 tons, last corresponding quarter last year it was 392,000 tons this current quarter and outside Northeast was this quarter it is 261,000 tons, last year Quarter 1 it was 158,000 tons.
- Amol Kotak:** Okay. So in a way you have grown 5% in Northeast?
- Management:** Yes.
- Amol Kotak:** Okay. But this is because of the monsoon being...?
- Management:** Yes.
- Amol Kotak:** Okay. Sir if you could also give me the clinker volumes for the quarter?
- Management:** Clinker is around 35,000 in this quarter.
- Amol Kotak:** And what was it last year?
- Management:** 27,000 tons.
- Amol Kotak:** Sir actually I wanted clinker volumes for past eight-nine quarter, so if you could mail me or Vaibhav the clinker volumes?
- Management:** I think it is a demerged entity from CenturyPly so we will be able to share you the numbers which are already there from September 2012 that we will be able to share with you. I will ask my CFO, he will send you across all the volumes numbers.
- Moderator:** Thank you. Our next question is from Abhishek Ghosh of IDFC. Please go ahead.
- Abhishek Ghosh:** Thank you sir. Most of my questions have been answered, just wanted to get sense around have we booked any subsidy in the current quarter?
- Management:** I think I will ask Mr. Dilip Agarwal to take this one.
- Management:** Yes, as Mr. Gupta told you that we are receiving a transport subsidy and excise exemptions, this we are booking in our books on accrual basis so these are already taken care of.
- Abhishek Ghosh:** So it will be reflected in the receivables to that extent?
- Management:** Yes, excise is already received and fresh subsidy is reflected as receivables.

- Abhishek Ghosh:** Okay. So whatever the 300 crores kind of transportation subsidy you are referring to that will be reflected in the receivables but the excise part of it is already accounted for.
- Management:** Correct.
- Moderator:** Thank you. Our next question is from Rahul Veera of Edelweiss. Please go ahead.
- Rahul Veera:** Sir can you give the breakup of cement EBITDA please for the couple of quarters?
- Management:** I think current quarter it is 1884 as against last year the full year the EBITDA was 1850, last year Quarter 1 EBITDA was around 2100. Give me a little time I will come back with the two and Quarter 3 last year EBITDAs to you.
- Moderator:** Thank you. Our next question is from Girish Choudhary of Spark Capital. Please go ahead.
- Girish Choudhary:** Sir what is your fuel mix as of now?
- Management:** See we are only using coal so there is no other fuel which we are using, we are only using coal in the plant.
- Girish Choudhary:** And how have the prices moved if I have to ask you year-over-year and quarter-on-quarter?
- Management:** See, year-over-year I think there is price increase in the coal, the prices of coal have gone up a little bit, and I think this year the price of coal must have gone up by around Rs.500 a ton.
- Girish Choudhary:** It is on year-over-year?
- Management:** Yes, year-over-year.
- Girish Choudhary:** Okay. And the quarter-on-quarter prices are stable?
- Management:** Yes. I think quarter-on-quarter the prices were always stable.
- Girish Choudhary:** Okay. Sir I have another question, so basically in terms of competitive intensity in the Northeast markets with one of your competitor has just commissioned a clinker unit last quarter, so are we really seeing increased volumes from them and is prices are coming down or are you seeing some sort of actions like that?
- Management:** No, we are not seeing that, see ultimately the cement volumes have not gone up, they already had a cement unit, so to back that up we have started the clinker unit but the cement volumes are more or less same, the growth whatever is there, so if it is in line with the market, so we have not seen any additional volume push from the competitor.

- Moderator:** Thank you. We will take our last question from Devang Bhatt of ICICI Securities. Please go ahead.
- Devang Bhatt:** Just one clarification, the volume that you said that 652,000 does that include clinker volumes or clinker volumes is a discount?
- Management:** 650 to include that.
- Moderator:** Thank you. I would now like to hand the floor back to Mr. Vaibhav Agarwal for closing comments.
- Vaibhav Agarwal:** Thank you. On behalf of PhillipCapital is will like to thank the management of Star Ferro and Cement for this call opportunity and also many thanks to the participant for joining for the call. You may now conclude the call. Thank you very much.
- Management:** Thank you.
- Moderator:** Thank you. 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.