



“Star Cement Q1 FY2018 Earnings  
Conference Call”

August 04, 2017



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**Moderator:** Ladies and gentlemen, good day and welcome to Star Cement Q1 FY18 Earnings Conference Call, hosted by Centrum Broking 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 presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajesh Ravi from Centrum Broking. Thank you and over to you!

**Rajesh Ravi:** Good afternoon everyone. We welcome you all to the Star Cement Q1 FY18 concall. We have with us the management of Star Cement represented by Mr. Sanjay Gupta, the CEO and Mr. Dilip Agarwal, the CFO. I now hand over the call to the management of Star Cement for their opening remark followed by which the Q&A would start. Thank you and welcome everyone. Over to you Sir!

**Sanjay Gupta:** Good afternoon everyone. I am Sanjay Gupta, CEO of Star Cement Limited. I would like to welcome you all in the earning call for Q1 FY18. This is the first I will say conference call for Star Cement Limited as you all are aware that earlier the listed company was Star Ferro and Cement Limited, which got merged with Star Cement Limited. I have with me Mr. Dilip Agarwal. I will request Mr. Dilip Agarwal to take you through Q1 financial numbers. After that we will open the floor for an interactive session where you all will be able to ask questions to which we will be happy to reply. I will request Mr. Dilip Agarwal now to brief you about Q1 FY18 numbers. Over to Mr. Dilip Agarwal!

**Dilip Agarwal:** Good afternoon friends. This is Dilip Agarwal, CFO for Star Cement Limited. I will take you through performance of Q1 FY18. Before I say the numbers, I would like to inform all of you that we will be discussing historic numbers and this is not an invitation to invest. So far as performance is concerned on the production side we have produced 610000 of clinker as against 648000 same quarter last finance year. Cement production wise 658000 as against 749000. On the sales side, we have sold 662000 tonne of cement as against 755000, so this is on the quantity side. On the number side our gross revenue from operation is Rs.450 Crores. I would like to inform you that we have adopted IndAS Indian Accounting Standard this quarter and so numbers are regroup for the same quarter last financial year, so you will need to read the numbers accordingly and accordingly results have been published, so based upon Indian Accounting Standard the gross revenue from operation is Rs.450 Crores as against Rs.408 Crores during last financial year. The net profit is Rs.109 Crores as against Rs.37 Crores during the same quarter last financial year. On the EBITDA side, EBITDA is Rs.159 Crores as against Rs.92 Crores and PAT number we have already shared, so these are the broad numbers on the financial and quantitative side. The floor is now open for interactive section. Thank you very much.

**Moderator:** Thank you Sir! Ladies and gentlemen we will now begin with the question and answer session. The first question is from Anshuman Atri from Haitong Securities. Please go ahead.



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**Anshuman Atri:** Thank you for the opportunity. My question is regarding the demand in the area of operation. How is the industry demand growth in this quarter versus the performance of Star Cement?

**Sanjay Gupta:** Q1 in northeast the total growth and demand is around 5% to 5.5% and as far as the rest of the area is concerned, which is involved Bihar, Jharkhand the demand is more or less flat as compared to the market as shared by Mr. Agarwal our total volume as far as including cement and clinker is down by around 6% as compared to corresponding quarter last year.

**Anshuman Atri:** As per you the industry has grown around 5%, so can you throw some light as the reason behind the decline in volumes for the Star Cement?

**Sanjay Gupta:** The volume for Star Cement is not in our core area of operation it is outside the core area of operation. Northeast we have almost done the same numbers and outside northeast because the volume is flat even the industry has not grown outside northeast in our area of operation especially Bengal, Bihar and Jharkhand and yes in northeast there is a growth of around 5% and we have a flattish thing. This is primarily because of the reason for us because what we do is 75% to 80% of our volumes come from retail. Demonetisation had an impact of destocking in the month of June that has impacted us a lot than anybody else. The other people actually operates at around 50:50 kind of a mix, which is 80:20 in our case, so that had an impact and we have also realigned some of our volumes in terms of rationalizing the low cost realization areas from a high cost inflation areas, so that has also had some impact on the volumes.

**Anshuman Atri:** How do you see the second half and next year for Star Cement and the area of operations in terms of growth?

**Sanjay Gupta:** The entire region is still facing problem of GST because July has not been good there are hiccups in taking the entire network into GST network, so that is becoming some kind of a challenge, 80% to 85% of our dealer network is already on GST, and the balance is slowly migrating to GST. The retail and sub dealer side there the migration is slow, so we hope that there will be some hiccups again in Q2, but for a full year thing I think once everything is in place and all the transition to GST has happened we hope that the entire demand will also pickup and that will also be true for Star Cement. For a full year perspective, we are looking at a volume wise growth of around 10% to 12% for FY2018.

**Anshuman Atri:** Sir last question is on the pricing how are you seeing the pricing environment currently in the area of operation?

**Sanjay Gupta:** The pricing environment continues to be stable we have seen some price improvement in Q1. Till now the month of July has seen a stable pricing environment. In the month of July what we have done is that we have already passed on the GST benefits, which have accrued in terms of lower taxes to the consumer and the northeast amongst first to pass on these benefits to the consumer. So we look forward that there may be some price correction looking at the rainy season, which is



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undergoing in northeast and entire eastern segment, so we are looking that there will be some corrections, but I think on an overall yearly perspective we are looking for a stable price environment.

**Anshuman Atri:** Thank you Sir and all the best.

**Moderator:** Thank you. Next question is from Madan Gopal from Sundaram Mutual Fund. Please go ahead.

**Madan Gopal:** Congrats on good set of numbers Sir! First question on the cost front can you take us through what has happened during the quarter and how do you see the remaining of the year from the cost front particularly power and fuel and say freight?

**Sanjay Gupta:** Basically if you look at the cost in the quarter, the power and fuel cost has actually gone down. It has gone down by around Rs.55 a tonne. Seen some reduction in freight outward, but not to a great extent that is also very marginal reduction in the freight, which is somewhere around Rs.40 a tonne, so these are two significant cost reductions, which have happened. Otherwise, most of the cost remains stable. We see that there will be some cost pressure is going to ease in the coming quarters because of there were certain cess, which used to get levied by Meghalaya Government on cement and clinker, so those cess have already been subsumed into GST, so we are expecting some benefits coming from that, but that will be from Q2 onwards, but till Q1 I think these are two significant cost changes.

**Madan Gopal:** You are saying benefit from this cess being subsumed into GST?

**Sanjay Gupta:** This is a bit withdrawn actually because they had already been subsumed into GST.

**Madan Gopal:** How much will be this per tonne?

**Sanjay Gupta:** They are around Rs.20 on cement and Rs.20 on clinker.

**Madan Gopal:** So you will pass it down completely or some can be retained?

**Sanjay Gupta:** We have just got the notification from the government, so we are still working on it. We will decide because we have already passed on all the benefits of GST in terms of taxes to the consumer and we calculate everything and what is the impact completely on us, we will take a decision on that.

**Madan Gopal:** For the full year the volume growth guidance that you are giving 10% to 12% given the first quarter has been weak, so you are expecting a good rebound where east or northeast region?

**Sanjay Gupta:** We are looking at some rebound after the GST our view is that there will be a good amount of rebound in all around even in northeast and also outside northeast and outside northeast have been flattish as I said right. This region has been historically growing at around 6% at least right



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and northeast had been growing at 8% if not more. So we hope that may be second quarter of this financial year should be better than and there will be some demand the destocking, which has taken place may be the restocking will also happen in quarters to come and we hope that will definitely boost the volumes.

**Madan Gopal:** The pricing is stable and that should be moving to the remaining quarter also we can expect to be?

**Sanjay Gupta:** We are hoping that the pricing environment will be stable.

**Madan Gopal:** Thanks for taking my question.

**Moderator:** Thank you. Next question is from Nitesh Jain from Axis Capital. Please go ahead.

**Nitesh Jain:** Can you share your net debt as at June end?

**Sanjay Gupta:** I will ask Mr. Dilip Agarwal to reply to your question.

**Dilip Agarwal:** So as of June 30, 2017 the long term borrowings are around Rs.425 Crores and short term is around Rs.130 Crores, so these are the broad numbers so far as debt is concerned.

**Nitesh Jain:** Is there any cash on the balance sheet?

**Dilip Agarwal:** Not much.

**Nitesh Jain:** Secondly can you also share the subsidy receivable amount as of June end?

**Dilip Agarwal:** As of June end the subsidy receivable amount remains around Rs.700 Crores to Rs.750 Crores in terms of transport subsidy, it is around Rs.750 Crores to be precise.

**Nitesh Jain:** Sir compared to March say like in the last three months or say even compared to last year June is there any reduction in the subsidy receivable or it is same number?

**Dilip Agarwal:** We have received around Rs.162 Crores this financial last quarter the quarter, which we are discussing as of now. Last financial year we had received around Rs.25 Crores and then it keeps on adding on account of recurring operations. This financial we are expecting around Rs.200 Crores to Rs.250 Crores subsidy to come, so this may happen in the next two to three quarters.

**Nitesh Jain:** Lastly if you can allow me to ask one more question. Are there any capacity expansion projects, which you are witnessing in northeast region?

**Sanjay Gupta:** No, we are not witnessing any capacity additions in northeast there is no capacity in pipeline as far as the northeast is concerned.



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- Nitesh Jain:** Alright Sir! Thank you very much for this clarification and all the very best.
- Moderator:** Thank you. The next question is from Ujwal Shah from Quest Investment. Please go ahead.
- Ujwal Shah:** Thank you for taking my questions Sir! Can you just give a more brief about the other markets, which have been more of flattish this quarter, so if you look at West Bengal or Bihar or Jharkhand what is actually aiding the demand right now is it only the GST portions so we might see pent-up demand in the entering quarters or is it that the competition is so high or where is the demand lacking and in terms of pricing I wanted to talk about the competition aspect how is the competition intensity and where do you see the pricing in the other markets especially?
- Sanjay Gupta:** See I think the east last year also it has grown at around 6%, so this quarter the flattish growth is attributable largely on account of GST implementation and again most of the dealer segment was all organized only, so there were no issues on that, but I think sub dealer segments were still a lot more was not organized to that extent, so I think since June there was a destocking, which has happened. There was a significant amount of degrowth. July I think the destocking has still not started, so I think we largely see that there has been problems as far as the project is concerned even the nontrade side of it there is still confusion on certain aspect of GST that what GST will be levied on them basically the construction projects. Different construction projects have got different rates of GST, so that is also delaying and then the kind of I think in northeast there has been a severe flood situation, which is already persisting even there is a lot of rain in Bengal and Bihar, so I think coupled with all this we hope that after a month of GST initial hiccups are over and the monsoon is over we hope there will be a pent-up demand coming up.
- Ujwal Shah:** Sir in terms of competition and pricing if you may?
- Sanjay Gupta:** I think I have already said that in northeast there is no new capacity, which has come up. In east yes there is some capacity, which has come up I think Emami Cement has started its plant, JSW Cement has started its plant, although much of the volumes are not coming out, but they have already started their plant, but I think overall the demand supply gap of this region should take care of the incremental supply, which is going to come in. East also there is some amount of price improvement in the quarter has been seen and which as of now is steady.
- Ujwal Shah:** So what would be the quantum if you may just?
- Sanjay Gupta:** It will be hard for me to actually put a quantum to it, but there has been price improvement in the month of April and May and they are continuing.
- Ujwal Shah:** Fine. Thank you Sir!
- Moderator:** Thank you. Next question is from the line of Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.



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- Abhishek Ghosh:** Thanks for the opportunity Sir! Can you please repeat the sales volumes number?
- Dilip Agarwal:** The cement sale was Rs.662000 and we have sold clinker around Rs.48000, so these are the sales number for the quarter we are discussing.
- Abhishek Ghosh:** And clinker we have sold about Rs.48000 right?
- Dilip Agarwal:** 48000 right.
- Sanjay Gupta:** The total number is 709000 tonnes.
- Abhishek Ghosh:** What would be the corresponding number for last year Sir?
- Dilip Agarwal:** 758000.
- Abhishek Ghosh:** What would be the clinker in that?
- Dilip Agarwal:** Clinker was very insignificant it was around 3000 tonnes.
- Abhishek Ghosh:** So this time while our cement sales will be down it is because of clinker we have kind of made it up, otherwise our volumes would have been down more than 10% right?
- Dilip Agarwal:** Yes, our cement sale was 662 as I told you against 755.
- Abhishek Ghosh:** So what I am trying to understand Sir if you look at the decline in that manner it is close to double digit kind of a decline vis-à-vis the underlying markets have not seen so much of a decline, so it is only because of that we have consciously stayed away from going into the northeast market that is the reason or is there any other change in the way we are looking at the core markets, so how should we read it?
- Sanjay Gupta:** See basically as I said clearly that there are certain markets, which are unremunerative for us because of the pricing environment prevailing in those particular markets right, so there has been a shift in overall dispatch patterns. The clinker realizations were much better than even in going into those markets, so there is a conscious effort towards this particular thing that we will be continuing to realign our dispatches to more profitable markets. I think your reading is right that you see that there is a conscious effort towards that and that has lead to this clinker sale also.
- Abhishek Ghosh:** Sir just one more thing in terms of the total what will be the subsidy element on a pertinent basis in this current quarter?
- Sanjay Gupta:** It will be somewhere around Rs.300. On an overall basis it is still Rs.700 may be Rs.725 something and the transport out of it is around Rs.325.



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- Abhishek Ghosh:** This is an overall volume right?
- Sanjay Gupta:** This is an overall volume correct, this is global numbers.
- Abhishek Ghosh:** So a total of 0.71 right?
- Sanjay Gupta:** Yes.
- Abhishek Ghosh:** Thank you for answering my questions and all the best.
- Moderator:** Thank you. The next question is a followup from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.
- Madan Gopal:** Debt numbers you mentioned I missed it can you repeat sorry?
- Dilip Agarwal:** Sure, 425 were the long term and 130 short terms.
- Madan Gopal:** What is the capex target for the year?
- Sanjay Gupta:** The capex we had completed 1.5 million tonne expansion in last March, which we had a capex of around Rs.50 Crores that is already complete. This year as of now apart from the regular capex expenses we do not have any specific capex plans.
- Madan Gopal:** Maintenance capex would be how much?
- Sanjay Gupta:** Regular capex will be somewhere around Rs.10 Crores to Rs.15 Crores.
- Madan Gopal:** What was the debt number at the end of March?
- Dilip Agarwal:** At the end of March the debt number was around Rs.500 Crores long term and around Rs.300 Crores short term, so total wise it is Rs.800 Crores.
- Madan Gopal:** Thank you.
- Moderator:** Thank you. Next question is from Shekhar Singh from Excelsior Capital. Please go ahead.
- Shekhar Singh:** I just wanted the consolidated sales number you mentioned, but I could not note it down?
- Dilip Agarwal:** Quantity?
- Shekhar Singh:** Yes quantity.
- Dilip Agarwal:** So we had sold 710000 cement and clinker taken together.



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- Shekhar Singh:** The EBITDA per tonne on toto almost like Rs.2240, is this sort of profitability sustainable or was a one-off in this quarter?
- Sanjay Gupta:** No, I think if you look at it historically also the total if I look at it my EBITDA numbers for the last two to three years, if you look at it debt will always be in the range of Rs.1400 to Rs.1800 a tonne, so I think Rs.1800 to Rs.1900 a tonne is a sustainable EBITDA margin.
- Shekhar Singh:** Just taking this quarter's number they basically shows that the EBITDA is almost like Rs.2200 per tonne if my calculation is correct?
- Sanjay Gupta:** This quarter EBITDA is definitely Rs.2240, which is definitely higher than that, but this is again Q1, which is so far normally people say that obviously the Q1 is always a better quarter for cement industry, Q2 to come in and then Q3 should come in because ultimately most of the demand actually there is a lumpiness in cement demand, which is in Q4 and Q1, so taking that into account I am saying that overall EBITDA should be somewhere around Rs.1900 kind of thing, Rs.1800 to Rs.1900.
- Shekhar Singh:** For the year as a whole basically you are saying?
- Dilip Agarwal:** Year as a whole.
- Shekhar Singh:** Great Sir!
- Moderator:** We will move to the next question from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.
- Sachin Kasera:** Good afternoon Sir and congratulations for a good set of numbers. Sir just one question on the volume front can you bifurcate the volume for us from what was the volume from northeast and what was the volume from eastern India and the corresponding number last year?
- Sanjay Gupta:** I do not have these numbers in front of me as of now. I will come back to you. You can send us a query on that we will reply to this.
- Sachin Kasera:** Sure and secondly Sir if I got the data point right Agarwal mentioned that the debt was around Rs.800 Crores as of March and it has come down to Rs.550 Crores as of June is that number correct that I have understood?
- Dilip Agarwal:** These numbers are correct.
- Sachin Kasera:** So primarily this is a combination of internal generation and receiving of subsidy from the government it is a combination because our cash profit is some Rs.150 Crores to Rs.160 Crores for the quarter, where the debt reduction is much more than that or is it because of squeeze off from working capital?



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- Dilip Agarwal:** You are right in your understanding.
- Sachin Kasera:** I just missed the subsidy number for the quarter. You mentioned how much did you receive for the quarter Sir?
- Dilip Agarwal:** We have received around Rs.62 Crores in this quarter.
- Sachin Kasera:** For the full year you are expecting around Rs.200 Crores to Rs. 250 Crores?
- Dilip Agarwal:** Rs.200 Crores to Rs. 250 Crores.
- Sachin Kasera:** Sir just a question you mentioned that you have around 75% sales from the retail and 25% is only B2B whereas for the industry it is more like 50:50, so in this specific segment was the growth in line with market in the sense I am just trying to understand did we lose any market share either in B2B or in B2C or as far as market share is concerned you are more or less intact in northeast?
- Dilip Agarwal:** In the overall market share still remains to be around 25% right give or take about 0.5% or 1% here or there, but it is 25% as of now also. See there has been a better stable price environment as far as northeast is concerned, so there is some restoration of dispatches are also there on that account, so if I look at market-to-market we have not lost any market shares in any region significantly. I am not talking of fraction of percentage points.
- Sachin Kasera:** Sure Sir and you indicated that for the full year you are looking at almost 10% to 12% growth and you said that July has been also not that good, so if we do the math that indicates for the remaining eight months of the financial year we are looking more like 15% to 20% volume growth, which looks like a very ambitious number, so Sir you think number is little too ambitious or you think it is very much achievable?
- Sanjay Gupta:** See Sachin I think we have been doing if you look at numbers, which were before demonetisation of November 2016 numbers and quarter-after-quarter we have been doing 20% volume growth I am not talking of the price growth, so we have been consistently doing there, but I think what is upsetting that this consistent bouts of so much of bigger policy changes, which is happening in terms of first demonetisation and then GST that is having an impact on the overall market also and because of the large share of trade signal there, but we are very hopeful that I think Q4 has always been the best quarter for us. So we hope that Q3, Q4 will bring back thing and then even if it amounts to a strike rate of 15% to 20% that does not seem to me an unachievable event.
- Sachin Kasera:** Sir last question regarding EBITDA pattern you indicated that for the full year we should look more like 80, 90, 100 versus 2200 plus in the first quarter, but next year when the subsidy goes away you think this number is sustainable or this number should then come down to more like Rs.1500 to Rs.1600 a tonne when you look at FY19?



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- Sanjay Gupta:** See Sachin what happens is today the EBITDA is at 22 right, so I am conservative and moderating it to Rs.1800 to Rs.1900 depending on what happens in second quarter and also in the corresponding quarters ahead. Overall, if I look at it the only subsidy, which is there is transport, which is going away from January 2018 so from FY19 and first quarter of FY19 the impact will be around Rs.325, but I think what happens is we hope that the impact will not be Rs.350, it will be around Rs.150 to Rs.200 at the max because we will rationalize a lot of dispatches because of the location of the plant. There are certain markets, which are nearer to another plant even if the freight cost is higher and then transport subsidy is higher you still continue to dispatch from there. Once the subsidy is over we will rationalize these dispatches that will save us at least Rs.150 to Rs.200 for us, so there will be an impact, but the impact will be around Rs.150 to Rs.200 at the max.
- Sachin Kasera:** Finally Sir in terms of future growth capacity we are already generating so much of healthy cash flow and we are expecting more subsidy to come in, we should be almost like closer to net debt free by the end of the year, so we are looking at any growth plans going ahead Sir?
- Sanjay Gupta:** We are looking for some capacity addition as far as the Bengal and Bihar market is concerned. We are also looking for something in northeast right. The overall plan for the next five years still remains at taking the capacity to around 7.5 to 8 million kind of thing, but as you know that we have only done 2.8 million tonnes last year and our capacity is already at 4.5 million tonne as of now, so we do have capacity to grow even if the topline goes at around 20%, so we still have two to three years of capacity available with us with that kind of growth, but on a larger canvas definitely we are looking for certain opportunities in expanding capacity in the entire east.
- Sachin Kasera:** Thank you very much Sir and wish you all the best for the future.
- Moderator:** Thank you. Next question is from Naveen Sahadeo from Edelweiss Securities. Please go ahead.
- Naveen Sahadeo:** My first question is on your cost because if I am comparing sequentially there has been a dip in realizations of course. Roughly if I look at just on a blended total basis realizations are down by about 11% odd sequentially, but total cost has also been down by a significant number and that is where the EBITDA per tonne is flattish. Now my question is on your cost in the sense that your total other expenses, which are roughly around Rs.160 odd Crores for the quarter compared to around Rs.210 Crores in the previous quarter. If I do this simply on a per tonne basis the cost is actually amongst the lowest in as many quarters as I can see actually at least last eight quarters this cost is amongst the lowest, so just trying to understand is there anything specific to this particular quarter? Is there any since the volumes and realizations were a challenge, so was it a focused approach, just trying to understand how sustainable is this cost or what is the way to look at this particular cost on a per tonne basis?
- Dilip Agarwal:** Naveen we need to realign the number. As I told you in the presentation itself that this quarter we have drawn the numbers on the basis of Indian Accounting Standard. This we have adopted for



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the first time, so the numbers have been realigned accordingly. So far as other expenses is concerned this quarter the number is Rs.161 Crores as against Rs.191 Crores same quarter last finance year on apple-to-apple basis. If you compare the numbers, the major differences you will find you do not have other expenses breakdown, so there is some saving in freight, there is some saving in power and fuel, so these are the two numbers. Since you are looking at absolute numbers it has play of volume also, so there is some efficiency and there is some impact of volume, so a display of both the things taken together. We have been able to save on power and fuel by sourcing better quality of coal at a much-improved price and similarly because as Mr. Gupta rightly said that we have realigned the dispatch matrix, so it has resulted into some saving into carriage outward also and that is why overall price realization has improved.

**Naveen Sahadeo:** The prices that we realized in this quarter, so are the current prices as we speak in July and August are they largely same or there has been some change there in prices in the key markets?

**Sanjay Gupta:** No, the prices have been more or less stable. I am not talking of specific markets where they may have corrected broadly, but more or less they are stable and they are remaining at the same level as they were in Q1 right now. Till now there is no stable pricing environment.

**Naveen Sahadeo:** Just one thing to confirm. You mentioned EBITDA per tonne in the last few years has been around 1800 or is it more like 1400 to 1500 as I see it?

**Sanjay Gupta:** The peak EBITDA was 1850 if I am not wrong.

**Naveen Sahadeo:** The average for the year is around 1400 to 1500 correct?

**Sanjay Gupta:** I think 1400, 1500, somewhere around 1600 to 1700, so the peak EBITDA, so I am talking of that three years the peak was 1850. That is where the number is coming from.

**Naveen Sahadeo:** But there are lesser, last two quarters very amazing EBITDA per tonne Sir! Congratulations for that and all the best.

**Moderator:** Thank you. The next question is from the line of Ronald Siyoni from Sharekhan. Please go ahead.

**Ronald Siyoni:** Sir just wanted sale volume numbers for Q4 FY17?

**Sanjay Gupta:** For Q4?

**Ronald Siyoni:** Yes.

**Sanjay Gupta:** Sales volume for Q4 was 759000.

**Ronald Siyoni:** Which includes the clinker?



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- Sanjay Gupta:** Which includes clinker, clinker was very insignificant in Q4.
- Ronald Siyoni:** Thank you very much.
- Moderator:** Thank you. We will take the next question, which is a followup from the line Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.
- Abhishek Ghosh:** Thanks for the opportunity again Sir! Just wanted to know what is our fuel mix currently?
- Sanjay Gupta:** We are using mostly normal steam coal.
- Abhishek Ghosh:** So that will be largely your actual mix and Sir in terms of our PPC, OPC, and PSC mix?
- Dilip Agarwal:** PPC was around 71%, rest is OPC and a bit of PSC.
- Sanjay Gupta:** The PSC is absolutely insignificant it is around 4%, 72% will be PPC, and the balance is OPC.
- Abhishek Ghosh:** Any thought process in terms of increasing our proportion of PSC going forward?
- Sanjay Gupta:** See most of our manufacturing facilities are in northeast. The slag is not available as far as the northeast is concerned. So whatever PSC volumes, which we are doing, we are doing it from our higher grinding units in Bengal. So as soon as we adapt capacities in these markets definitely the PSC volumes will be better.
- Abhishek Ghosh:** Sure, but are we kind of seeing a lot of escalation in terms of the slag prices are concerned because a lot of capacities in the eastern market are coming up slag based, so is that kind of putting a lot of pressure on the slag prices?
- Sanjay Gupta:** I think the slag prices have moved up from what they were earlier. That is definitely there and we got most of the grinding units are coming in West Bengal, so slag prices are under pressure. You are right on that.
- Abhishek Ghosh:** Sir just lastly one understanding. In light of this GST now does it anyway impact subsidy that we can enjoy for the excise part of it, does it in anyway impact or what is your reading on the same?
- Sanjay Gupta:** There is no impact on the subsidy as far as the GST is concerned. They have all been grandfathered and completely passed on.
- Abhishek Ghosh:** Thanks for answering my questions and all the best.
- Moderator:** Thank you. The next question is from Dheeresh Pathak from Goldman Sachs. Please go ahead.
- Dheeresh Pathak:** Sir for FY17 what was the total consumption of the northeast market?



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- Sanjay Gupta:** Can you be a little louder?
- Dheeresh Pathak:** The industry demand in the northeast region for FY17 can you just share that number?
- Sanjay Gupta:** It is 7.5 million tonne.
- Dheeresh Pathak:** What is the clinker capacity of the northeast region for the industry?
- Sanjay Gupta:** It will be around 7 million tonne.
- Dheeresh Pathak:** 7 million tonne is clinker capacity?
- Sanjay Gupta:** Yes.
- Dheeresh Pathak:** Can you break it between yours and other players? Yours is about 2.5 right?
- Sanjay Gupta:** We are at around 2.6 million tonnes. Dalmia is around 2 million tonnes, 0.8 million tonnes is there with Tucson and the balance of around 1.5 million tonne will be there with the other three, four players, which are there.
- Dheeresh Pathak:** What is the life of our limestone reserve?
- Sanjay Gupta:** See we have limestone reserves of more than 600 million tonnes reserves are there in the company. Today clinker capacity is 2.6 million tonne, if I double the clinker capacity I have got at least 80 years of reserves in that.
- Dheeresh Pathak:** Can you also highlight because you are seeing single digit to high single digit growth you highlighted in northeast right, so what are the main demand drivers for this region?
- Sanjay Gupta:** See northeast basically one of the major retail demands. Primarily on account of it has been again very underdeveloped state. Earlier people in northeast because most are rain prone areas they used to make those Assam type house having GIC at the top of it and then the wood at the base of it. In the last 10 to 15 years of stable governments in northeast especially Assam, Assam is around 60% to 65% of total demand of northeast, so people have started converting these houses from their traditional houses to one storey, two storey houses, so ISB segment is a big segment that is contributing. There has been an overall infra demand also. There are a lot of road projects, which the government has been implementing for over the last so many years. Present government is also implementing a lot of road projects. There are railway connectivity projects, which are going on. There is a hydro power, which is driving some demand in northeast, so there have been military airport, there is a military establishment work, which is going on in Arunachal and parts of other bordering states, so there are the factors, which is actually keeping the demand at higher single digit.



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- Dheeresh Pathak:** Also you said that there is no incremental clinker capacity addition that you are seeing in the northeast region is it correct?
- Sanjay Gupta:** Correct. That is correct.
- Dheeresh Pathak:** Thank you.
- Moderator:** Thank you. The next question is from Rajesh Ravi from Centrum Broking. Please go ahead.
- Rajesh Ravi:** This was regarding this IndAS adjustment basically one of the participants was asking like you have readjusted the Q1 numbers is there any adjustment, which we need to do in our Q4 numbers for like-to-like comparison of our revenue and cost because from March reported numbers to June reported numbers there is a dip in realization cost, but I think the cash discounts and all dealer discounts would be netted off in revenue and cost?
- Dilip Agarwal:** Rajesh we are already working on, as per requirement we have done two quarters this quarter and same quarter last financial, so far as QoQ comparisons are concerned we are working. At appropriate time we will see the numbers.
- Rajesh Ravi:** Great Sir and on this coal situation what is the current scenario now the low cost coal would continue or you see some inflationary trend there Sir?
- Sanjay Gupta:** No, we are still having that same low cost coal continuing. There is still a lot of coal outside, which is available. The government and the administrative authorities are slowly allowing that coal to getting consumed, so the situation may be the same there is no change, but we do not foresee that there is going to be any significant change as far as the coal availability or the cost difference.
- Rajesh Ravi:** Any efficiency matrix, which you see further improving or going for the next few quarters?
- Sanjay Gupta:** See Rajesh we are looking at few projects, which are primarily the cost on the energy side of it. Practically we are looking at WHRD. There is a possibility of putting up a WHRD plant there. It is 10 to 11 megawatt. We are looking at some of may be solar thing to fulfill our obligation for nonconventional energy. So there are certain things, which we are working. We are working on some other raw material mixes also. So these are all ongoing projects, which any industry has and their impacts are normally taken into whenever they are implemented.
- Rajesh Ravi:** Great Sir! Thank you and all the very best Sir!
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Ravi for closing comments. Over to you Sir!



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**Rajesh Ravi:** Thanks everyone for joining the call and Sanjay Sir would you want to make any closing comments?

**Dilip Agarwal:** Thanks a lot to all the participants who interacted with us in respect of quarterly performance of Star Cement Limited. We will keep on interacting more on the numbers whenever we get opportunity to interact with you and on quarter-on-quarter basis. Thank you very much.

**Sanjay Gupta:** Thanks everyone. Jade you can now conclude the call.

**Moderator:** Thank you Sir! Ladies and gentlemen, on behalf of Centrum Broking that concludes today's conference call. Thank you all for joining us. You may now disconnect your lines.