



“Star Cement Q3 FY2018 Earnings  
Conference Call”

February 07, 2018



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**Moderator:** Ladies and gentlemen, good day and welcome to Star Cement Q3 FY2018 Earnings Conference Call, hosted by Centrum Broking 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 the operator by pressing “\*” then “0” on your touchtone phone. I now hand the conference over to Mr. Rajesh Ravi from Centrum Broking. Thank you and over to you!

**Rajesh Ravi:** Thank you Lizaan. Good afternoon everyone. We welcome you to the earnings call of Star Cement to discuss the Q3 FY2018 results. Today, we have with us Mr. Sanjay Gupta, the CEO of Star Cement and Mr. Manoj Agarwal, the CFO, Star Cement. I now hand over the call to Mr. Sanjay Gupta for his opening remark followed by Q&A session. Thank you and 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 this earning call for Q3 FY2018. I have with me, Mr. Manoj Agarwal, the CFO of the company who will take you through Q3 numbers in detail. After that we will open the floor for interactive session where you will be able to ask questions and we will be happy to reply to those questions. I will now request Mr. Manoj Agarwal to take you through Q3 numbers. Over to Mr. Manoj Agarwal!

**Manoj Agarwal:** Friends, very good afternoon. I on the behalf of the Star Cement Limited welcome you all in the interactive session to discuss the earning for Q3 and the YTD December numbers. I would like to clarify that we will be more discussing the historical numbers and this is not an invitation to invest. Having said that now I will take you through Q3 number and YTD December 2017 numbers.

Starting from clinker production during the quarter ended December 31, 2017 we have produced 5.49 lakhs metric tonne of clinker as against 4.72 lakhs same period last year. In terms of capacity utilization it is close to 86% in this quarter as against 74% same quarter last year. As far as cement production is concerned, we have produced this including the purchase from hydro unit, it is around 12.57 lakhs this quarter as against 6.33 lakhs same quarter last year. This is on production and capacity relation front. Now I will take you through sales volume. During the quarter, we have sold 5.63 tonnes of cement and 0.57 lakhs tonne of clinker as against 6.36 lakhs tonne of cement and 0.20 lakhs tonne of clinker same quarter last year. This year as far as cement and clinker sale is concerned.

The geographical distribution of cement is as follows, northwest we have sold around 4.18 lakhs tonne as against 4.11 lakhs tonne during same quarter and outside northeast we have sold around 2.02 lakhs as against 2.4 lakhs tonne same quarter last year. In term of blend mix, it is almost 30% of OPC and 3% of PST and the rest is PPC. These are the quantity number.



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I will now take you through the financial. The total revenue figure this quarter is around 376 Crores as against 342 Crores last year, a growth of more than 10% over same quarter last year and on EBITDA front this quarter EBITDA is 141.6 Crores as against 88.2 Crores last year with the growth of more than 60% in EBITDA.

PAT after MI is 89.6 Crores as against 32.2 Crores last year. There is growth of more than 175% in PAT. On per tonne EBITDA front, it is 2284 during the quarter as against 1345. This is what our quarterly numbers are.

Now coming back to Y-O-Y number for TYD, in terms of clinker production we have produced 14.41 lakhs till December 2017 as against 15.83 lakhs last year and on capacity utilization front we have utilized around 75% of capacity as against 52% last year. So this is the numbers of clinker production and its capacity side.

On the cement side, we have produced 16.62 lakhs tonne till December as against 19.42 lakhs last year. This is after considering debottleneck of 0.4 million tonnes cements running capacity. Now coming to sales, we have sold 16.62 lakhs tonne of cement and 1.40 lakhs tonne of clinker up to December 2017 as against 19.91 and 3.37 lakhs respectively.

Now coming to EBITDA, the total EBITDA till December is 378.5 Crores as against 239.7 Crores last year for the same period. PAT till December 2017 is 22.8 Crores as against 68.8 Crores last year till December. There is a growth of 58% and 224% over last year same period. So these are the broad number for Q3 earning and YTD December 2017 is concerned.

Now request you all if you have any query you can ask the same and I would ask Rajesh to moderate the query wherever if queries are coming.

**Moderator:** Thank you Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Ritesh Shah from Investec. Please go ahead.

**Ritesh Shah:** Sir, thanks for the opportunity and congratulations on a good set of numbers. Sir, my first question is if you could please update in the subsidies outstanding and if can could you give brief on how much you have received in nine months and if you could just break it up subsidies between capital and basically excise and freight it will be quite useful?

**Manoj Agarwal:** Ritesh, see the total subsidy received till December in this year it was around 230 Crores. This also includes the last of 160 Crores, which we have received that is the total subsidy received. Large part of the subsidy is towards capital investment subsidy. I do not have the breakup for capital and transport separately, but mostly it is towards capital, if you can send a query we will be able to reply to that query. As of now, the total transport subsidy outstanding because till December and everything included is around 680 Crores, which is still left after this 230 Crores, so 680 Crores is still left and we have only one month to go, which is already over with January



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31, 2018 and January 30, 2018 were the dates we have the subsidy already ended. So this is the total outstanding 680 Crores as of now.

**Ritesh Shah:** Sir, by when do we expect this, I think earlier you have given a guidance of incremental 250 Crores, which was expected by March, so do we still stand to it or how should we look at the timeline Sir?

**Manoj Agarwal:** See Ritesh, I have always been seeing that in this year we will be receiving somewhere around 300 Crores to 350 Crores, so 230 Crores we have already received. We are still expecting around 100 to 150 Crores within these two months, next two months because when the budget is over and we have also seen that there is a lot of budget provisions has in fact the revised budget estimated have actually been increased by the government towards the disbursement of subsidies. If you look at the budget documents you will find that the previous budget estimates revised budget estimates has come as increased number side and there is 2018-2019 there is also a increased provision for disbursement of subsidy. So we hope that whatever expectation we have around getting 150 Crores in the next two months, we should get that. I think substantial part of the outstanding subsidy because there will be no accrual hereon after this. Substantial part of this we are expecting it to come in 2018-2019.

**Ritesh Shah:** That helps. Sir my second question is on what is the capex that we should look at for the next two years and do we have incremental expansion plans?

**Manoj Agarwal:** There are one capex, which we had of grinding unit, which we have already completed as on March 31, 2017. This year we are debottlenecking some capacity as far the clinker is concerned at Meghalaya and we are working on a Siliguri grinding unit, so these two will have, earlier we were thinking of putting up a Siliguri unit at one around of million tonne. We are looking for now setting up around 1.5 to 2 million tonnes, so that will have a capital outlay of around 350 to 400 Crores including that the debottlenecking, which we are doing at Meghalaya.

**Ritesh Shah:** Sir, what you indicate for debottlenecking at Meghalaya is it for clinker or is it for grinding Sir?

**Manoj Agarwal:** No, today the clinker capacity is 2.6 million tonnes, we are trying to debottleneck it and take it to 3 million tonne.

**Ritesh Shah:** And grinding capacity will increase from 4.4 plus 1.5?

**Manoj Agarwal:** Correct.

**Ritesh Shah:** Sir, I will come back in queue. I have more questions. Thank you.

**Moderator:** Thank you. The next question is from the line of Nalin Shah from NVS Wealth Manager. Please go ahead.



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- Nalin Shah:** Good afternoon and congratulations for excellent results Sir. I would like to just know if you could give us the figures of installed capacity of the current year and next two years and what is the capacity utilization during this three years we are planning to have?
- Manoj Agarwal:** See the presently capacity utilization is 4.3 million tonne.
- Nalin Shah:** 4.3 million installed capacity Sir?
- Manoj Agarwal:** This is installed capacity as of now. Going forward in next two years we are looking for setting up for about 1.5 to 2 million tonne grinding unit at Siliguri that will take our installed capacity of cement to 6 million tonnes, 5.8 million tonnes to be precise and the clinker capacity will be 3 million tonnes.
- Nalin Shah:** Currently as against 4.3 million tonne, current year how much we are going to produce in self you have said 16.60 lakhs you have already produced?
- Manoj Agarwal:** We are expecting this year total volume to be somewhere in line with the last year so it will be around 2.8 million tonnes.
- Nalin Shah:** Next year and year after Sir what are we planning to target?
- Manoj Agarwal:** We are expecting at least volume growth of 15% two years to come.
- Nalin Shah:** Okay Sir currently what is the per bag realization in that area?
- Manoj Agarwal:** The Guwahati per bag cement prices are somewhere around Rs.375 per bag. So you can take Guwahati as a benchmark for northeast, Bengal and Bihar per bag realizations are around Rs.360 as of now.
- Nalin Shah:** Okay and going forward you feel that this trend to remain and some additional infra projects are coming up where there would be further demand picking up will be there?
- Manoj Agarwal:** We expect that the prices will be at this level only. We are not expecting the prices to increase from here. For next six to 12 months we are definitely looking for some demand improvement owing to the general elections and general uptick in the overall infra spending by the government, but we do not expect the prices to be to move from here on.
- Nalin Shah:** Okay. Thank you very much. Thank you.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Sanjay Ji, I had question our freight subsidy was get extinguished from January so I think it is for all the players in the region so how should one look at actual impact are we looking at some



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cement clinkers swaps within the facility that we have so if one I had to model the impact how should we look at it?

**Sanjay Gupta:** I think plain and simple modeling can be it had an impact of around Rs.350 a tonne on my EBITDA so and if you are extrapolate it you can straightaway take it that there will be an EBITDA, it will have an impact to EBITDA for around Rs.350 a tonne but it will not be that straight because what happens is there will be realignment of dispatches which we are doing in the current year so you have seen that there has been a volume dip in this year that is also because of certain realignment of dispatches which is happening within outside northeast and within northeast right and there are different units in Meghalaya, we have unit in Guwahati so are we hope that we will be able to at least recoup around Rs.150 from there and there will be at least Rs.200 kind of impact on EBITDA going forward.

**Nalin Shah:** This helps and Sir freight subsidy it goes for all the players in the region is that correct?

**Sanjay Gupta:** Yes it goes for all the players. It is already gone for most of the players. Most of the players do not have it. I think we were last one to have for the year.

**Nalin Shah:** How should we look at it? Should we expect the cost to move up for all the players or can one expect that the prices will move up because I was looking at the balance sheet of unlisted players in the region and they are quite leverage so should one assume that the prices will go up here or should one expect the cost to go up and EBITDA to compress?

**Sanjay Gupta:** See the normal trend is that whenever there is some perfect terms on subsidy most of the corporate suppose we are getting subsidiaries, there is some pass through which always happens, does the normal tendency because in the competitive market, there will be pass through which happens but once the subsidy goes for everyone it is expected that the price was firm up and the trend which have already seen in this quarter also, you have seen this quarter overall numbers, the prices have been firming up right. So our view is that this is firming up because of the subsidy thing going away and there has been an uptick in the overall freight cost in the region and that is reflecting in the prices also.

**Nalin Shah:** Okay so good part of this could be absorbed right incrementally the prices firming up?

**Sanjay Gupta:** I will still not be able to comment on it. I will definitely say that it was we are beginning to wait and see what happens.

**Nalin Shah:** Okay and Sir can you please detail about tax rate, it has been quite volatile over the last couple of quarters so how should one look at it say from till to 2023 and after 2023 till then we have tax breaks right?



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**Sanjay Gupta:** As of now we have said very clearly the tax is further around 20% to 22% and it is going to continue at the same level up to 2023. That is going to continue 2023 at the same level.

**Nalin Shah:** Sir last question on demand driver Sir how are you seeing demand in the region. Are border projects coming through or anything specific on the hydro projects that we are looking at?

**Sanjay Gupta:** As I was saying that the Q3 has seen some improvement in demand. There are projects, which are under implementation. We are seeing some demand coming from there but still it is the same range of 6% to 7% right so overall three quarter numbers are somewhere around 6% and we hope that once the fourth quarter is over it will still end up at somewhere around 7% to 8% kind of growth, which the region has been clocking from the last three to four years so on an overall footing I will not say that we have not seen much of the demand which has not moved to 10% contouring to our expectation or moving to that level, but again we can only hope that in future whatever projects have been allotted there is a better offtake of cement and overall demand move to 10%.

**Nalin Shah:** Sir are you seeing any new projects in the region like specifically border road projects or any projects, which you like to highlight or focus of the government and can help us to take 10% demand growth?

**Sanjay Gupta:** There are road projects what the government is implementing. There is lot of that Bharatmala project where that works have been allotted to few contractors which is starting from somewhere in Manipur so we are expecting a lot of demand to come from there. There is tunnel work, which is starting smart cities, affordable housing we are looking at something which is happening in affordable housing, few projects are affordable housing are getting approved so I am not saying that things are not happening but I think the real demand is yet to come.

**Nalin Shah:** That is helpful Sir. Last question is there any movement of materials from east to northeast historically we have seen this numbers to be at around 8% to 10% so how should one look at this number Sir specifically there is demand supply mismatch in east?

**Sanjay Gupta:** I think east to northeast the moment has been in the same realm of 7% to 8% and that is being continued. There is no notable change in the dispatch from east to northeast. Outside region to east yes we have seen some changes in dispatch patterns. There has been more material moving to eastern belt that is primarily because of the demand that we are prevailing in Bihar and Bengal regions.

**Nalin Shah:** Okay Sir last question are there any new incremental capacity expansions besides this for any other players in the region like Dalmia or any other companies from that?

**Sanjay Gupta:** There is no other company planning to as of now there is no single window clearance available with any cement company, which is already operating or the new plant which right now, do you



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need single window to do that kind of working, small debottlenecking anybody can do that I cannot deny but I think overall the big projects people will go have to go single window which is not there as of now.

**Nalin Shah:** Thank you.

**Moderator:** Thank you. We have the next question from the line of Prateek Kumar from Antique Finance. Please go ahead.

**Prateek Kumar:** Good afternoon Sir. Sir just wanted some clarification on numbers stated in the opening remarks so as cement sales was around Rs.563000 for the quarter and outside clinker sales how much I just wanted to double check again?

**Manoj Agarwal:** Around Rs.57000.

**Prateek Kumar:** Rs.57000 and Sir the same number in year-on-year basis?

**Manoj Agarwal:** Again Rs.20000.

**Prateek Kumar:** Rs.20000 and Sir as I understood correctly so northeast sales was around Rs.418000 versus Rs.411000 so we have grown around 2% in northeast and there is still large decline in northeast so large decline in east operation while at 2% growth in your northeast core operations so the decline in east is again due to the rationalization you were mentioning?

**Sanjay Gupta:** Basically there are certain markets which we rationalized so probably then market like Jharkhand which has been far of from our places we have rationalized lot of dispatches almost were not there in Jharkhand and in certain markets which are far off in Bihar and Bengal. There is rationalization, which has happened that is impacting the volumes.

**Prateek Kumar:** Okay but previous quarter we were also saying that because of our less presence and non-trade segment we have lost out somewhere in northeast operations also so as that pattern I mean as their catch up in volume and retail volumes in this quarter?

**Sanjay Gupta:** See if you look at it overall retail volume, the trade and non-trade percentage I will say has improved overall. Earlier trade used to be corresponding quarter last year was 77% and 23% was non-trade. Now it is 76% and 24% overall on nine-months the trade volumes are somewhere around 22% to 23% so there is definitely a focus more on non-trade volumes and earlier number of 23% quoted is for non-trade so definitely we are focusing more on non-trade that will help us in terms of maintaining EBITDA. These are all EBITDA margin business as compared to some of the markets where we have been rationalizing dispatches, so we will continue to do that you will continue to see these things are happening in the subsequent quarters.



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- Prateek Kumar:** Sir you mentioned Guwahati cement price benchmark at around Rs.375 what would be the non-trade prices same market?
- Sanjay Gupta:** See non-trade prices will some around Rs.15 to Rs.20 lower than that the trade prices. So there has been significant catch up by the non-trade cement prices in northeast.
- Prateek Kumar:** Okay. That is because the demand is more in that segment. Okay they have been stable I guess for last four quarters and expect it to remain similar moving forward?
- Sanjay Gupta:** We expected the prices to be at least we stable if not move up from here.
- Prateek Kumar:** Sir you mentioned about your increased outlook on Siliguri grinding unit from 1%, 1.5%, 2% now and you mentioned about capex of Rs.350 Crores to Rs.400 Crores, Rs.350 Crores and Rs.400 Crores includes Meghalaya debottlenecking of clinker as well as or it is separate?
- Sanjay Gupta:** It will be debottlenecking including. So debottlenecking of clinkers will be having a capital outlay of around Rs.50 Crores only and the balance will be for grinding unit.
- Prateek Kumar:** Okay and Sir what is the timeline of this clinker debottlenecking and Siliguri grinding unit?
- Sanjay Gupta:** Siliguri grinding will be at least 15 months away from here and debottlenecking, I hope that may be in this at least by the second quarter of FY2018 we should be able to complete it.
- Prateek Kumar:** Second quarter of FY2019?
- Sanjay Gupta:** FY2019.
- Prateek Kumar:** I will get back to the queue. I will ask more questions if I have.
- Moderator:** Thank you. The next question is from the line of Devansh Lakhani, an Individual Investor. Please go ahead. The next question is from the line of Ayush Sharma from Investor Capital. Please go ahead.
- Ayush Sharma:** Thank you for giving me opportunity. Sir just a followup on tax rate you mentioned that the tax rate will be around 20% but if I do the computation as tax upon PBT it comes to 3% for this quarter and 16% for previous quarter am I missing something?
- Sanjay Gupta:** I will ask Mr. Manoj Agarwal to reply to this question.
- Manoj Agarwal:** Ayush what Sir has told you about that cash outflow because we are paying MAT so 22% is effective MAT rate after taking consideration, credit is coming and reversal of pass MAT adjustment where this is coming to around 7% to 8%.



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- Ayush Sharma:** Sir on our excise subsidy would be continuing right so will be getting accrual on that part?
- Manoj Agarwal:** No excise is now accrued normally. Excise is we receive it earlier we used to receive it before the GST regime we used to receive it every month, so there were no outstanding on excise and now will be going to receive it every quarter so there is hardly any receivable as far the excise is concerned.
- Ayush Sharma:** Sure Sir by the end of quarter we do not have anything accruing, which is not received?
- Manoj Agarwal:** Last quarter definitely we will have some outstanding because of the GST, which is now being new setup has come. There are certain workings which we are doing but we are already hopeful, we are already filed our claims we hopeful that within this month or will get all the outstanding quarters and after that it will be every quarterly receivables.
- Ayush Sharma:** Sure Sir. I need to confirm the mix of the products I had missed it out?
- Manoj Agarwal:** Mix of the product is PPC is around 68% and 2% is PSC and 30% is OPC.
- Ayush Sharma:** Sure Sir. Thank you Sir. That is it.
- Moderator:** Thank you. We take the next question from the line of Rajesh Ravi from Centrum Broking. Please go ahead.
- Rajesh Ravi:** Sir first of all on the cost front what sort of cost saving we have seen in this quarter on sequential basis which is reflected in the numbers?
- Sanjay Gupta:** The cost wise if you look at it as of now there will be some cost savings which has happened may be on fly ash front and clinker freight front but overall on quarter-on-quarter basis there is an impact of higher costs in power and fuel that has the price of coal has increased in the region.
- Rajesh Ravi:** By how much Sir?
- Sanjay Gupta:** This has almost gone up by around Rs.800 to Rs.1000 a tonne so that has increased so that is having an impact on the overall power and fuel cost that is most significant cost increase, which has happened.
- Rajesh Ravi:** This is happened in midway Sir means impact is already there or we will see the power and fuel cost numbers further going up in last quarter?
- Sanjay Gupta:** See normally what happens is that because the season time normally during the season time will keep on it happens that in northeast October to March is the season for extraction of coal during that time depending on what is the demand in supply the coal prices actually tend to go higher but after that we procure lot of cold during this particular season and keep it for the off season



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right for that averages out so as of now the prices are higher as compared to whatever we have been buying in the earlier period so I think this will have impact on us even in the coming quarters because we are buying that coal at this particular price at this point in time.

**Rajesh Ravi:** Okay additionally cost savings that you are seeing in addition to that freight realignment you talked about that could offset around Rs.100 per tonne out of Rs.350 loss that may have been any other cost improvement measures that you are seeing?

**Sanjay Gupta:** At this point of time, we are utilizing certain different category of raw material, which is ferruginous soil as compared to the metal, which we were using so there will be some impact of that in overall raw material prices. We said actually if you look at in nine-month period the raw materials prices have actually raw material price for the company has come down, raw material is come down so that is having an impact. We are still working on replacing certain iron content which we used to buy, will scale now we are trying to do it through another material which is having niche material so those improvements are definitely there and they will continue to contribute to the bottomline of the company.

**Rajesh Ravi:** Okay Sir on the volume front that you guided that you may close the year with flat volumes so in last quarter are we targeting on Q-on-Q basis 60%-70% sort of volume recovery?

**Sanjay Gupta:** As I said overall we are down around 10%-11% at this point of time, so I am saying that if the volume can be at best flat or may be 5% negative on a full year prospective as compared to the last year. We are seeing some improvement in January. We may see these things continue in April and May but I think it will be somewhere either at best it will be flat or may be 5% down from the previous year.

**Rajesh Ravi:** Lastly around this capex Siliguri the earlier some clearances which were pending from the state government are they all through and hence we are targeting 15-18 months execution timeline?

**Sanjay Gupta:** I guess we have been given go ahead by the government saying that you start setting up and do not wait for the plant to be there and I think there are certain approvals which were pending so we have been given go ahead although I have not received things in writing as of now but we are pretty hopeful that all those commitments that the government has made will be honored and hence we expect that we will be able to immediately starting the work and that is where optimism come from.

**Rajesh Ravi:** That is all from my side. We will come back in queue. Thank you Sir.

**Moderator:** Thank you. We take the next question from the line of Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.



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**Abhishek Ghosh:** Thanks for the opportunity. Sir just wanted to understand what you will be the utilization levels for east and northeast for the industry for Q3?

**Sanjay Gupta:** In northeast utilizations will be somewhere around 65% to 70% for the business overall and east we are looking at somewhere around 75% utilisation.

**Abhishek Ghosh:** Sir just one more thing in terms of we were earlier talking about a 10% kind of volume guidance for the year which is now being toned down may be at best flat or may be decline so what is change exemption because of GST or there is underlying demand not coming through and how does that change for FY2019 any number would you want to put?

**Sanjay Gupta:** As I said right the whole year, I see the realignment of dispatches getting into a market and coming out of the particular market because freight cost does not suite us and is a long drawn process it does not happen in day, you cannot add network in a day and then come out from network in a day, it takes a lot of time so this year there has been an impact of even GST and demonetisation because we are actually more of retail based company because 75% of our material sold in retail right so GST had a more impact on us. There is no denying that fact but definitely we are trying to rationalize lot of this facility in the market, which are unwarranted market which is goes out of our reach once the transport subsidy goes away. Once this realignment is complete I think next year onwards we will be definitely able to clock the volume growth which are talking we have been saying that we will be definitely getting volume growth at least 15% for the next FY2019.

**Abhishek Ghosh:** Sir just one more thing wanted to understand with the debottlenecking capacity and whatever we are doing will there any subsidy element along with that or how will that look like debottlenecked capacity?

**Sanjay Gupta:** There are certain subsidies, which are getting announced actually so actually debottlenecking we will get some incentives in Bengal because Bengal policy has got 75% VAT exemption and there is Assam has announced a policy recently, which has got 150% to 200% of VAT which they are talking so we are again looking at may be will add some grinding capacity in Assam also but that is under our drawing board space and I am not commenting on that but existing debottlenecking at Meghalaya will not have any subsidy benefit.

**Abhishek Ghosh:** Sir just lastly if you can just help me with if I missed the capex numbers for both 2018 and 2019 what kind of numbers we are looking at?

**Sanjay Gupta:** We are looking at somewhere around Rs.400 Crores on total capex front.

**Abhishek Ghosh:** Over the two years?

**Sanjay Gupta:** Over the two years correct.



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- Abhishek Ghosh:** That is very helpful and all the best.
- Moderator:** Thank you. The next question is from the line of Kamlesh Jain from Prabhudas Lilladher. Please go ahead.
- Kamlesh Jain:** Thanks for the opportunity Sir. Sir just one question on this subsidy part like say over the next two to three years, how much subsidy is still left and what are those components if you can elaborate on that part?
- Sanjay Gupta:** As I said the subsidy outstanding was Rs.680 Crores after we have received Rs.230 Crores. So Rs.680 Crores is still left around December. We hope to get around Rs.150 Crores in this year further Rs.150 Crores will get so there will be outstanding of around Rs.530 Crores as on March 31, 2018 we hope to get as far as budget provision which we have seen and provisions of the budget allocation which have been done towards the subsidy we hope to get substantial part of this subsidy in FY2019.
- Kamlesh Jain:** So Rs.680 Crores over and above that we are not going to get for subsidy?
- Sanjay Gupta:** So subsidy has already, this is transport subsidy, which has already expired from January 30, 2018, and January 31, 2018 the last and subsidy already over so there is no other subsidy we are going to get. The transport subsidy will not be available to the company.
- Kamlesh Jain:** And Sir apart from that those excise duty and which all?
- Sanjay Gupta:** We will continue to get excise duty. On one plant it is up to Rs.2023, other plant it is up to Rs.2027 so we will continue to get that excise benefit.
- Kamlesh Jain:** And that VAT part like 100% to Rs.275 Crores, which used to get?
- Sanjay Gupta:** VAT exemption are not there in Meghalaya and these are future plants if you set up the plants definitely we get them.
- Kamlesh Jain:** So that excise component or subsidy component could be how much Sir per year basis like I said at one plant, which you have?
- Sanjay Gupta:** In two plants we have excise subsidy this is somewhere around Rs.350 a tonne.
- Kamlesh Jain:** Great Sir. Thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Antique Finance. Please go ahead.



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- Prateek Kumar:** Thanks for the followup. Sir just clarifying on the subsidy part so this excise subsidy is same as capital subsidy I guess capital subsidy is to Rs.350 per tonne?
- Sanjay Gupta:** Not capital, it is transport used to be around so I am saying you this Rs.350 per tonne is a global number. Just for simplicity I am saying this is going to be number so overall subsidy used to be around Rs.750 for the company in totality taking everything into account, sometimes it is Rs.380, sometimes it is Rs.350, sometimes it is Rs.330 depending on where we are dispatching what we are dispatching. So now the transport is out so Rs.350 is already gone and the balance is Rs.350 is left as far as excise duty is concerned. That will continue till 2023 one plant and 2027 in another plant.
- Prateek Kumar:** Sir, what was this subsidy receivable as at the end of FY2017, if you remember?
- Sanjay Gupta:** FY2017 would have been somewhere around 600 Crores.
- Prateek Kumar:** Sir, you mentioned about this recent increase in Meghalaya coal prices generally they remain more stable than the price in rest of India. So, recently there has been more offtake because of different industry in that region or what led to the price increase from the Meghalaya coal unit in general?
- Sanjay Gupta:** Basically as I was saying that this is a season time and the season draws to an end by the end of March and April, so most of the companies actually stock the metal, so this time the extraction has been a little lower at whatever used to be and earlier this compensation cess of Rs.400 was not there, so that has come. So that is having an impact on it. So overall there is a compensation cess of Rs.400 and beyond that the rest is price that is because of the lower extractions that had happened so these two have led to the price increase.
- Prateek Kumar:** Sir, what would be the price as of now after the increase?
- Sanjay Gupta:** The prices will be somewhere around Rs.5000 to Rs.5500 a tonne depending on what we are buying.
- Prateek Kumar:** Sir, last question. Recently there was a couple of investor summits in Assam and one in West Bengal. So has there been any more interest by cement companies or other industries in terms of putting industrial capex in these respective regions?
- Sanjay Gupta:** Last investor advantage Assam expo was just concluded on February 3 and 4, where Prime Minister was also there. There has been a general interest from the industry to setup the plant in northeast and there has been a lot of announcement, but again, we have seen a lot of global business summits happening all across the country, still whatever comes on ground we will need to see that. As of now yes there has been a good amount of announcement in that area.



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- Prateek Kumar:** Anyone from cement industry as well who had interest?
- Sanjay Gupta:** We have announced something and Dalmia has announced something.
- Prateek Kumar:** We have also announced, which is a part of the current liquidity, which you were mentioning?
- Sanjay Gupta:** That will be part. These projects need to be implemented within a period of five years, not today, so we have made certain announcement of using clinker capacity in the next five years and also the grinding capacity in Guwahati.
- Prateek Kumar:** That it is from my side. All the best.
- Moderator:** Thank you. The next question is from the line of Romil Jain from JM Financial. Please go ahead.
- Romil Jain:** Thank you for the opportunity. Sir, I think, I just missed if you can just give me the fuel mix that we have and in the overall cost of raw materials, which we have seen, we have seen some fall on a YOY basis. So, I am just trying to understand if you can clarify on this?
- Sanjay Gupta:** We are only using coal. We are not using pet coke and other fuel. The coal is the only fuel. So we are not using pet coke.
- Romil Jain:** So entire fuel mix is only coal and nothing else.
- Sanjay Gupta:** The entire fuel mix is only coal.
- Romil Jain:** In terms of the raw material the YOY drop that we are seeing, was there something on the base quarter that I just missed if you can clarify that?
- Sanjay Gupta:** The raw material prices are almost same. They are tad less. It may be at Rs.20 a tonne kind of a thing, but that is primarily because of as I was saying that user from ferruginous soil replacing some material and using laterite as against iron ore site. That has led to this small impact.
- Romil Jain:** Some impact on that account.
- Sanjay Gupta:** Correct.
- Romil Jain:** Sir, secondly in terms of the power and fuel cost is it clubbed? It would be clubbed in other expenses?
- Sanjay Gupta:** Yes, it is clubbed in other expenses.
- Romil Jain:** So where we have seen the power and fuel cost go up but your overall expense has gone up by about 17% to 18%, so any other major expenditure which has come down for you?



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- Sanjay Gupta:** I do not have that number in front of me. So, if you mail the query we will reply to you.
- Romil Jain:** Last question, if you can just give us the price per bag which was there in the last year same quarter?
- Sanjay Gupta:** I will say today the benchmark price at Guwahati is around Rs.75. Earlier it used to be around Rs.330 or Rs.340 kind of thing.
- Romil Jain:** Sir, some increase has been there?
- Sanjay Gupta:** Yes.
- Romil Jain:** Thanks Sir. All the best.
- Moderator:** Thank you. The next question is from the line of Pradny Ganar from Motilal Oswal Securities. Please go ahead.
- Pradny Ganar:** I just want to clarify the benchmark price of Rs.375 is as of today, right, January or February, so just wanted to know what was the average price for the quarter ended December 3Q FY2018 for northeast and east?
- Sanjay Gupta:** If you want these separate numbers, I do not have these numbers in front of me.
- Pradny Ganar:** Sir, whatever will be the increase? Are we seeing any increase in January or this quarter compared to the last quarter?
- Sanjay Gupta:** We have seen some increase in January month also.
- Pradny Ganar:** What would that be?
- Sanjay Gupta:** We have seen the price increase of Rs.5 to Rs.10 in both the markets.
- Pradny Ganar:** In both northeast and east?
- Sanjay Gupta:** Yes.
- Pradny Ganar:** That is all. Thanks a lot.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Rajesh Ravi for his closing comments.
- Rajesh Ravi:** Thanks everyone for participating in the call. Sir, do you want to make any closing remarks?



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**Sanjay Gupta:**

I am fine with this.

**Rajesh Ravi:**

Thanks everyone. Lizaan now we can now conclude the call.

**Moderator:**

Thank you. Ladies and gentlemen on behalf of Centrum Broking that concludes this today's conference. Thank you for joining us. You may now disconnect your lines. Thank you.