



**“Star Ferro and Cement Q4 FY2016 Earnings
Conference Call”**
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Moderator: Ladies and gentlemen, good day and welcome to the Star Ferro & Cement Earnings Conference Call, hosted by Centrum Broking Limited. As a reminder, all participants' 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 any assistance during the conference call, please signal an 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 Sir!

Rajesh Ravi: Good evening everyone. On behalf of Centrum Broking, we welcome you all to the call of Star Ferro & Cement Q4 FY2016 earnings results. Today, we have with us on the call, Mr. Sanjay Gupta, the CEO of the company and Mr. Dilip Agarwal, the CFO of the company. Now I hand over the call to the management. Over to all Sir!

Sanjay Gupta: Good evening friends. I am Sanjay Gupta, CEO of Star Ferro and Cement Limited. I have with me Mr. Dilip Agarwal, CFO of the company. We would like to welcome to you this interactive session on Q4 number and on the full year FY2016 numbers. Mr. Dilip Agarwal will take you through the entire number of FY2016 and Q4. Once Mr. Dilip Agarwal is through with his number penetration, we will open the floor for the interactive session. So that if you have any queries we can reply to the queries. I will now hand over the floor to Mr. Dilip Agarwal to let you know about numbers, which we have reported in Q4 and FY2016.

Dilip Agarwal: Hi friends, very good afternoon. I, on behalf of Star Ferro & Cement welcome you all for this interactive session to discuss the earnings for Q4 and FY2016. I would like to clarify that we will be more discussing historical numbers and this is not an invitation to invest. Having said that now I will take you through Q4 numbers and then FY2015-2016 numbers.

Starting from clinker production during the quarter ended March 31, 2016 we have produced 6.04 lakhs of clinker as against 5.74 lakhs, same quarter last year. In terms of capacity utilization it is close to 96% in this quarter as against 91%, same quarter last year. So far as cement production is concerned we have produced 9.12 lakhs this quarter as against 7.27 same quarter last year. In terms of growth it is 25% plus and in terms of capacity utilization of cement it is almost 100% of the capacity utilization during the quarter as against around 88%, 89% same quarter last year. This is on production and capacity utilization front.

Now I will take you through sale numbers sale figures. During the quarter we have sold 8.89 lakh tonne of cement as against 7.34 lakh tonne of cement same quarter previous year and growth is 21.2%. This is the sale of cement. Then I will give you breakup where we have sold as you all know that we are operating mainly in Northeast and now we have entered around 15 or 18 months back in the geography of Bihar and Bengal.

Northeast we have sold 6.15 lakh tonne as against 4.85 lakh tonne during same quarter last year and the growth was 27% approx. Outside Northeast we have sold during this quarter 2.74 lakh

tonne as against 2.49 lakh tones same quarter previous year. It is almost 10% of growth. So this is what geography wise sale is concerned.

In terms of blend we have sold the blend is same almost 25% is OPC and rest blended cement PPC. It is almost same for the same quarter last year. These are the quantitative number.

I will take you through now financial. The total revenue figures this quarter is around 561 lakhs as against 505 lakhs last year. There is a growth of 11.2% and on EBITDA front this quarter EBITDA is 127 Crores as against 154 Crores last year. There is a dip in EBITDA.

PAT is 39.75 Crores as against 55 Crores last year 54.97. There is a dip here also. On per tonne EBITDA front it is 1360 during the quarter as against 1902. This is what our quarterly numbers are.

Now coming back to YoY number for YTD. In terms of clinker production we have produced 21.21 lakh during the financial year of 2015-2016 as against 18.79 last year so growth is around 13% and on capacity utilization front we have utilized around 84% of capacity as against 74% last year. So this is no clinker production and capacity side.

On the cement side we have produced 26.7 lakh tonne this year as against 21.72 lakhs last year, this is a 23% growth and on capacity utilization front this year is around 78% against 71% last year. This is what capacity utilization is.

Now coming to sales. We have sold 26.30 lakhs tonne of cement during this financial year as against 21.69. Growth is again here 21.2% in terms of cement sale.

Now I am coming to EBITDA. The full year EBITDA is 399.31 as against 435 Crores last year. This financial year it is 399 Crores. PAT is 92 Crores this financial year against 83 Crores last year. So these are the broad numbers gentlemen so far the Q4 earning and FY2015-2016 full year basis is concerned.

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

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

Dharmesh Shah: Thank you Sir for the opportunity. Sir I have two questions, first thing on the capacity side which are the new capacity are coming in the key operating regions and second on the pricing side how the prices has behaved in the fourth quarter and how the prices currently from the margins?

Sanjay Gupta: This Sanjay Gupta. I will take the capacity thing first. The existing capacity as of now we have almost 3 million tonne capacity is there in Northeast and 0.7 million tonne is outside Northeast.

We are debottlenecking some capacities in Northeast. So with start of this year I think our capacities in Northeast will be around 2.3 million tonne and outside (inaudible) 9.33. So that will take our capacity to around 4 million tonne in totality. As Mr. Agarwal has already stated in terms of capacity utilization, the utilization has been around 78% this year as compared to 71%, 72% last year.

Dharmesh Shah: Sir I am talking more from the industry perspective?

Sanjay Gupta: Industry I think most of the on an all India basis the numbers, which we have would be somewhere around 70%, 71%. That is the number, which we have. I will not know the breakup in which part of the countries but I think overall what numbers we could get these are the numbers and what was your second question Dharmesh.

Dharmesh Shah: Sir second question on the pricing side. How the prices behaved in the fourth quarter and how is in the current quarter from the March adjusted?

Sanjay Gupta: The price in Q4 has come down by almost Rs.15 a bag the entire Northeast and also in Eastern side of it. There has been a volume growth achieved by most of the players. Top players have achieved a lot of volume growth but that has been achieved at the expense of prices. That is there. In terms of when you say that what is the future thing say in the month of April we have seen those prices of March is still prevailing. There is no further pressure on the prices as of now, which we have seen in April and even entering into May. The one part, which is to be understood, is that in Northeast specifically in Northeast since we are already operating at 78% and most of the top two, three players who are there they must be operating at the similar capacity levels. There is no fresh capacity coming in pipeline in Northeast except a 0.5 million tonne plant, which may come up. What we see is that the major players are already achieving a significant amount of capacity utilization going forward the same kind of pressure will not be there to ramp up the capacity utilization and that will support the prices. Our view is that we will have at least if not positive at least the stable pricing environment in FY2017.

Dharmesh Shah: One more question if may I ask Sir if you can give the absolute prices and how the demand is panning out in the current quarter?

Sanjay Gupta: In terms of absolute prices they will definitely defer market to market each market will have different prices but just to give you glimpse of what the retail prices which are prevailing in Guwahati presently the retail prices will be somewhere around Rs.340 approximately and if you come to Bengal normally Northeast will be VAT will be represented kind of a price so you can consider that. In place like Siliguri, which is mostly North Bengal and East Bihar side of it, you will get prices of Rs.325. If you come to Calcutta even in Bihar the prices will be some around Rs.330 prices will be little better in Bihar and in Calcutta if you come there will be somewhere around Rs.315 to 320 a bag. So these are the retail prices, which are prevailing at the moment.

Dharmesh Shah: Sir light on the demand side?

- Sanjay Gupta:** Q4 has seen a goodish amount of demand. Northeast we have seen a demand of around 15%. That is the traditionally it always used to happen when Northeast the quarter three and quarter four always the best quarter. So we have seen a demand jump of around 15% in this quarter outside Northeast in Bengal and Bihar we have also seen good growth. I think Bengal has seen around 6%. I think Bihar it has suffered because of lack of sand. The sand is not available in Bihar. So there has been it has got moderated. As I said it was growing at around 11%, 12% but on a full year basis it has become moderated to around 7%. So overall entire Northeast full year basis it has grown at 7.5% and rest of it go to around 8%. That is what the combination is.
- Dharmesh Shah:** One more question Sir the demand growth we are seeing from which segment especially from the housing, road or hydel power if you can?
- Sanjay Gupta:** As I see the demand is there from both the segments yes the rural demand is little weak but what we expect that that is the scenario I think across India so rural demand is little weak but we are seeing a good amount of demand coming from especially from housing. The ISB there is some demand, which is, we have seen in last quarter. We have seen good amount of demand coming from infrastructure side of it, which is road, on hydro demand, is also there. So that has contributed to large extent as far as but Q4 is always in that sense even in other areas of institutional demand, which you say is practically the demand, which comes to the urban demand. So urban demand is still there that is helping the overall retail demand but rural demand is still weak. So we expect that after the good monsoon, which everybody is hoping across India. There will be a rural pickup also.
- Dharmesh Shah:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Ujval Shah from Quest Investment Advisors. Please go ahead.
- Ujval Shah:** Thank you for taking my question Sir. Basically I wanted to know why did we see a fall in EBITDA levels this quarter mainly because of pricing or is there any some other expense that has short up?
- Sanjay Gupta:** Ujval you are asking for the quarter gone by or entire FY.
- Ujval Shah:** Quarter as well as the end of the year.
- Sanjay Gupta:** Primarily because of the drop in the prices that is the prime thing. In the quarter the EBITDA had gone from somewhere between Rs.500 to Rs.550 that is the significant part of around Rs.350 to Rs.400. Rs.350 would have been contributed by primarily the price on the quarterly basis. There is a certain increase in the freight cost, which is normally we are a split location grinding unit. The split location the clinker sites have gone up a little. So that has impacted the margins by it have been gone Rs.150 because of the quarter four is normally a very as everybody wanted to push more materials that has created a demand for more vehicles and we are almost 80% on road. So that has impacted the cost. So these are primarily two costs. There is an increase in coal cost

also but not for the quarter the full year basis the coal cost has also gone up about Rs.100. So in full year basis the prices impacted around Rs.10 to Rs.12 a bag also around Rs.220 to 240 on price side of it. Around Rs.100 is on coal and you will see some freight additions also. So full year basis EBITDA has gone down by Rs.400 a tonne because 1850 it has come down to 1450. So primarily it is reason for the lower EBITDA.

Ujval Shah: Sir in terms of your outlook on the eastern side of the market so Bengal and Bihar how do they see the things shaping up and the sand mining issues have been lingering for quite sometime. So are we seeing those issues improving going forward. Are we seeing resolving the issues are?

Sanjay Gupta: Yes what are seeing Bihar was unprecedented actually it was not start of I think whole of the industry would not have thought of such a bad situation as per the sand situation is there but I think in last month in April it has improved then whatever it was there in March. So there is some movement in the month of April. The government is also willing to work through that and then I think there will be working of certain policies in terms of how to regulate the sand and you can say it is a normally riverbed sand and also there are trying to regulate it. So there are shortly going to come out with the policy and then looking about putting of some permit thing so that sand mining can be allowed. So we hope that that is going to get sorted out but this will not get sorted out in a month or so. I think it will take about a quarter or two to get it resolved. What was your earlier there was one question Ujval.

Ujval Shah: Also on the Bengal market Sir how do you see the demand shaping up?

Sanjay Gupta: Overall our view is that if you look at it in total demand almost it is around 50 million tonnes that is what the demand is entire east including Northeast. So if I look at Bengal, Bengal you will have around demand of 14, 15 million tonnes and the supplies are somewhere around same levels 14, 15 million tonnes but you can understand that most of the plant operate at 100% capacity. So there is still a gap there and I think that demand will continue because the overall east growth has been better from the rest of the country. With the coal thing getting settled I think once this auctions which had already happened I think that will help the Eastern states with the little more money in their hand which will be I think they will be spending on infra some amount of infrastructure buildup at least the state highways and things like that. So we are expecting that whatever additional growth is coming in east I think Bihar was showing really very good growth. That was growing around 13% growth and we are very hopeful. The only moderation happened in the month of February; March in this last quarter otherwise we are seeing a really good growth. So at Central Government we did not place and the once the elections are out of way in Bengal we hope that growths to continue and the east our view is it is still outperform the rest of the country.

Ujval Shah: Sir in terms of growth rate what kind of growth have we seen from Bengal market over last two years, three years.

- Sanjay Gupta:** As per our numbers are concerned what we are seeing last year we are seeing around 6% that is what we have seen in Bengal. That is the growth we have seen and Bihar even if it the moderations we have seen around 8%. Jharkhand is more or less stable but Odisha is showing a good sign of improvement with the things like there is a housing scheme, which has been done by the Biju Patnaik Housing Scheme and things like that. Odisha has seen a significant amount of around 15% of growth. So put together it will be around 8% kind of a growth on overall basis, which is I think is very good by far the best growth we have seen in last at least five years effort our numbers.
- Ujval Shah:** Lastly in terms of players entering the eastern markets has been a good jump with JK Lakshmi Plant coming in and other players as well. So how do you see the competition over this? Is it going to be on the pricing side we might see some subduedness going forward or how do you see the pricing scenario especially on the Eastern India?
- Sanjay Gupta:** What happens in the rest of the East, I am leaving Northeast out of it rest of it has got around 40 million tonne of capacity as of now and then if you look at it the demand is also is on 42 million tonne kind of a demand which is there. So still there is a gap and this plant does not operate at that level. So even if they operate at 70% the available capacity is somewhere around 27, 28 million because this also includes lot of smaller grinding units which are already there in West Bengal which is mostly in Durgapur and these places right. Effective capacity is not more than 30 million tonne in rest of East. Bihar does not have the capacity only one plant of Sri was there and then I think UltraTech has started a plant right. So that is there but again the Bihar the demand is almost around 11 now it must be around 12 to 12.5 million tonnes. So as it is from some 30 million tonne and then 41, 42 million tonne of demand so demand is still 12, 13 million good amounts 12, 13 million ahead of what the supplies are. So our view is that at least these three, four states which are there in Orissa, Bengal, Bihar and all they will definitely be giving a good amount of growth. So even if two, three plants JK Lakshmi and may be I think Sri is also talking about we are also talking about setting up a plant. So I think even if these things come up I think still it is a little away and we thing there is a time that capacity will catch up by demand. So that will persist that is what our view is.
- Ujval Shah:** Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Sanjay Nandi from Ratnabali Cap Market. Please go ahead.
- Sanjay Nandi:** Good afternoon Sir. I just want to confirm one thing Sir even still right now the demand from the East is 50 million tonne per annum right Sir?
- Sanjay Gupta:** Yes almost you are talking 50 million is entire east.
- Sanjay Nandi:** Entire east okay and effected capacity in the east Sir is 30 million tonne right.
- Sanjay Gupta:** No that is you are taking a rest of East. If I add northeast it will become around 50 million tonne.

- Sanjay Nandi:** 30 is only for northeast vertical right.
- Sanjay Gupta:** 39 is for rest of East.
- Sanjay Nandi:** Okay 39 is for rest of East and Sir one thing we came across your annual report that you get a subsidy from the government right Sir can you please throw some light on the subsidy what kind of subsidy is it exactly and what is the quantum that will be there in the coming years in FY2017 and 2018 onwards?
- Sanjay Gupta:** We have two primary subsidies one is transport subsidy which we get another is the excise duty exemption which we have and which are additional to any other player. These are two subsidies, which are additional. On a full year basis the subsidies will be somewhere around Rs.650 to Rs.700 a tonne and those subsidies are so excise is something we can see in every month so there is no outstanding on that side and transport subsidy is available for a period of five years. Excise revenue for period of 10 years.
- Sanjay Nandi:** Excise for period of?
- Sanjay Gupta:** 10 years.
- Sanjay Nandi:** 10 years and transport is for Sir?
- Sanjay Gupta:** Period of five years.
- Sanjay Nandi:** Sir counting from 2016?
- Sanjay Gupta:** No in our case excise is now left for I think seven years and transport is three years have already lapsed and two years are left.
- Sanjay Nandi:** Sir can you please tell me what is exact transport subsidies?
- Sanjay Gupta:** It will take a long time in terms of explaining it what it is but just brief about it, it is a subsidy, which we get from Central Government for transportation of raw materials and finished goods inside within northeast and outside northeast.
- Sanjay Nandi:** Okay for transport of some raw materials.
- Sanjay Gupta:** Raw materials and finished goods both.
- Sanjay Nandi:** For transportation raw materials and finished goods and Sir from the debt front in FY2015 your debt numbers by 83 Crores right and FY2016 I think if I am not wrong it 940 Crores inclusive of current maturity?
- Dilip Agarwal:** What you are talking is including short terms.

- Sanjay Nandi:** I am talking total debt Sir including short term and current maturity as well Sir is 940. So Sir what is the reason because we have not expanded any capacity in the year and this can you please justify that thing Sir.
- Dilip Agarwal:** Let me explain first we should discuss about the long terms right. We had 691 long terms at the end of last financial. So long terms has got reduced to 575 as of last March 2016 end. So in terms of long term we have reduced and repaid around 116 and so far the short terms are concerned this is mainly dependent upon our operational requirement from time to time. Long term might gone down that is what it is.
- Sanjay Nandi:** Sir I think the short terms is mainly for funding the working capital requirement right Sir?
- Dilip Agarwal:** Right.
- Sanjay Nandi:** In your debtor days it was 79 days in FY2015 and if we come across the debtor days for FY2016 is 96 days. So it has just gone up. So is there something like that why the thing is gone up if the debtors are not paying something or you are giving much more liberisation to them to making some collections or something like that Sir?
- Sanjay Gupta:** These are all normal debtors. These are all absolutely normal debtors. There is nothing that debtors are not paying up the credit cycle since what normally happens is when you try to put the material the credit cycle actually elongates right so that is what has happened but these are all regular debtors. You can see the quarter three our volumes have gone up substantially. So our quarter four normally so if you look at total growth quarter three, quarter four the growth is always very high in terms of because most of the growth comes in these two quarters right. So always the debtors will get elevated to that level.
- Sanjay Nandi:** Okay that thing got amounted I mean that is what you push that amount right Sir and Sir what is the capital working progress. There are 50 Crores roughly. Sir what is exactly this for any maintenance purpose or something making others?
- Dilip Agarwal:** Capital was work-in-progress basically we have a split location in terms of grinding unit, one grinding unit at Guwahati and then three, four units including power plants at our Meghalaya plant. So the 50 Crores or whatever number you are able to see these are all taken together which is in normal course of business, there is nothing new kind of CWIP.
- Sanjay Nandi:** Okay there is basically for the maintenance of all those things right?
- Sanjay Gupta:** There are two more things I will add it on. One is that we have been making certain investment in our Siliguri plant also right.
- Sanjay Nandi:** Modernizing it right.

- Sanjay Gupta:** Siliguri we are going to set up a plant right. Capital expenditure is happening on that account buying of land and all that, working and all those things are there. We have set up a new packer in another grinding unit that is there and there are other normal capital capex, which happens in most of the plant. So these are things includes from 50 Crores.
- Sanjay Nandi:** Sir in Siliguri a plant is coming so what is the expected capacity from that plant Sir?
- Sanjay Gupta:** It will be around a million tonne.
- Sanjay Nandi:** Around a million tonne and Sir when is that is expected to come Sir?
- Sanjay Gupta:** It will take around 18 months from now. We are just waiting for some more final clearances because of the elections in Bengal it got stuck with the government department. We are expecting this clearances after the elections are over and after the results are announced. After that we will be it will take around 18 months from them to start production.
- Sanjay Nandi:** Sir right now you are having a capacity of 3.7 MTP right in Northeast it is 3 and 0.7 in the outside Northeast.
- Sanjay Gupta:** As I said I have already answered this question that it is a debottlenecking of capacities, which will become 3.3 in Northeast and 0.7 in outside Northeast.
- Sanjay Nandi:** Sir the 0.3 expansion will be in which area Sir.
- Sanjay Gupta:** 0.3 is we are having a grinding unit on which we have certain things, which we are modifying and that will give us a higher grind ability at Guwahati. We have a grinding unit at Guwahati right. There we able to debottleneck at around 0.3.
- Sanjay Nandi:** Right now Sir presently four units in Meghalaya, Assam, Guwahati are one unit and West Bengal you have actually higher units right.
- Sanjay Gupta:** Yes.
- Sanjay Nandi:** Sir what is exactly the higher unit can you please tell me something regarding that Sir.
- Sanjay Gupta:** These units are least unit which we have taken on least basis and we are getting our clinker from Meghalaya and.
- Sanjay Nandi:** Sir you are just explaining me that least and higher unit Sir you have least some unit and that you transport the clinker from Meghalaya you held that point Sir.
- Sanjay Gupta:** So we are so that is it we are getting the clinker from our unit. It is grounded there and sold in the market.

- Sanjay Gupta:** So that is right we are getting the clinker from our units, which is grounded air and sold with the market.
- Sanjay Nandi:** Means you have the leister unit you are transporting the clinker from Meghalaya and just manufacturing the grinding there and just transporting it to the local markets right.
- Sanjay Gupta:** Yes.
- Sanjay Nandi:** Right now don't you have any capex plan as of now apart from that new plant in Siliguri.
- Sanjay Gupta:** Correct.
- Sanjay Nandi:** You know extra Capex plan and sir going forward do you feel that the prices going to sustain because if we have seen that in the March in this quarter due to you have a increase in that volume the prices have dropped up but, and going forward sir if such kind of demand sustain there so do you feel the purchase will be still on a downward move or it will take up to catch the demand.
- Sanjay Gupta:** Sanjay with respect to earlier question I have already replied to this that our view is that the prices are going to be stable because of no capacity addition technique with the North-East and we also expect that entire East the prices will be stable going to the reason that the demand actually over risk is the supply as far as Bengal, Bihar is concerned, I think I have already explained that in my earlier question.
- Sanjay Nandi:** I apologies, I must have missed that thing sir, I apologies for that sir and sir one thing last question is like sir do you get imported coal you used or used a local domestic coal.
- Sanjay Gupta:** Only use domestic coal.
- Moderator:** Thank you. The next question is from the line of Sumangal Nivetia from Macquarie. Please go ahead.
- Sumangal Nivetia:** Just one clarification, sir you said transport and the various tax subsidy amounts to Rs.650 to Rs.700 and freight subsidy is expiring in two years so is it possible to breakup how much of Rs.650 to Rs.700 is freight?
- Sanjay Gupta:** You can take around I can say 50-50 it is almost around Rs.350 to Rs.325 would be transport and the balance should be excised almost 50-50.
- Sumangal Nivetia:** Sir just one last question that 1 million ton plant in Siliguri, what is the expected capex there and in how much time we will start spending it?
- Sanjay Gupta:** The capex approximately capex is around 150 Crores but I think we are into a regulatory log jam and somehow we have been talking about this project for at least for last two, three quarters, but

somehow the clearances could not come in time going to the fact that what how the clearances come in this part of the country so that is there, but we are mostly believe that once the elections are over we will get this clearances after that, once I get the clearances I think it will take around 18 months to start that operations.

Sumangal Nivetia: Thank you sir and all the best.

Moderator: Thank you. The next question is from the line of Manish Valecha from Anand Rathi. Please go ahead.

Manish Valecha: Sir my question was on the status of the subsidy, so any update on that Sir, have we received anything or any intimation from the longer term?

Sanjay Gupta: Manish, we have not received any subsidies in this, but as there are primarily the only subsidy which are outstanding is transport and the capital which is there, which were there already what we are getting we asking that there is a clarity emerging in the government, about the payment of the subsidy that this will be paid from the nonflexible pool for the North-Eastern region which is there it has got around 15000 Crores of balance fund which is available. We have been given to understand and this is there is no official confirmation of it but whatever discussions we are having that is the internal consensus in the government to pay, because these have been recognize as a liability which has been committed liability by the government and I think that we will be able to get this in a quarter also.

Manish Valecha: What will be the cumulative account till date sir, still FY2016?

Sanjay Gupta: This will be somewhere around 700 Crores.

Manish Valecha: But obviously we will be receiving it in tranches or we will get probably in domestic?

Sanjay Gupta: Bulk of it even if I receive up to FY2015 I will somehow receive around 550 to 575 so that is up to FY2015 only, so that money is absolutely due for coming even if I do not consider for this year accumulation which have taken place from transport subsidy, I will definitely get 575 Crores almost that.

Manish Valecha: Also wanted to understand with 0.3 million ton how much we will be spending on that debottlenecking?

Sanjay Gupta: Not much, we already had that in the last March we have utilized a lot of capacity in till last March in our plant we have putting so already 195000 tonnes so that is not a much of it what we are doing is there are certain internal we are trying to add fly ash in a different level in the mill so we expect that we will be able to get that benefit so not much of capex on that comfort.

Manish Valecha: Sir for next year what kind of volume growth are we looking at?

- Sanjay Gupta:** We are looking at around 20%, 22% kind of a volume growth what we had achieved this year so the same volume growth will be targeting for next year?
- Manish Valecha:** By FY2018 we will not be probably having enough capacity if we are looking at 20% volume growth and we are not seeing the Siliguri plant coming at least till end of FY2018 right, so will it mean that FY2018 will more be a flattish kind of year for volume growth?
- Sanjay Gupta:** See we are also looking at that, our view is definitely once we will keep on doing you are right on that but only question is that what we are finding as of now is that this hard model is actually working out very well for us, it is really good, it is a very asset like model and clinkerization expanding clinkerization is not a problem for me because we are sitting on a huge amount of limestone reserve as far as the Meghalaya is concerned and the units which are available for hiring they are all available so we will continue ramping up our capacity with this route till such time we have the our own grinding unit. That is the model, which we have adopted. We still feel that FY2018 also we will be able to grow beyond FY2018 with this model and then the new unit coming up.
- Manish Valecha:** Sir lastly the market mix for Q4 and FY2016 if you could give us?
- Sanjay Gupta:** Market mix for Q4 and FY2016 is we are almost 65%, Q4 around 66% today, north-East 33%, outside North-East and employee is around employees around 64% and 36% so on this is what.
- Manish Valecha:** That is it from my side Sir. Thank you and all the best.
- Sanjay Gupta:** Thank you. The next question is from the line of Abhishek Ghosh from IDFC. Please go ahead.
- Abhishek Ghosh:** Thanks for the opportunity Sir. Sir I just wanted to get some sense around that our freight subsidy will be expiring in about two years so whatever debottlenecking and other things that we are doing with that increase our trade subsidy or will it get renewed just wanted some view on that?
- Sanjay Gupta:** No that debottlenecking will increase the trade subsidy and but what is happen is the debottlenecking will give me more of an excise on that right, excise this for a period of ten years so we have still seven years to go. So we will keep on continuing to get the excise benefit on that.
- Dilip Agarwal:** I will like to add one more thing here Abhishek that once we will do the bottlenecking and as Mr. Gupta rightly said that there is not much of capex involved in to this so even if this there are two years left for our transport subsidy so this debottlenecking resulting into increase in capacity of that so this will give some leverage on our fixed cost also so that I would like to add here.
- Abhishek Ghosh:** Sir I was just coming from the view point that today we have about out of the Rs.650, Rs.700 per tonne about 50% of that is about Rs.300, Rs.350 per tonne kind of a freight advantage which will see it going away in about two years time from here on so does that concern us and what is that so I just wanted to get some sense around that?

- Sanjay Gupta:** See Abhishek what happens is, freight is around 350 and around that Rs.325, Rs.350 now what will happen is yes in two years time definitely it is going away and it will have an impact on EBITDA and what will happen you can understand that we are trying to ramp up our capacities also, but if you look at it that we were operating at around now 78% we have been historically operating our plants at around more than 100% also, so there is still a good amount of capacity utilization still to go up, it will give some economies of scale there so I hope to cover a lot of it on that if not fully maybe half of it I think we will be able to cover on that. So that will be there and since in terms of other things which are there in margin front, we are closely working on lot of cost workings which we are doing. We are working on certain energy if you can think which we do not have a double way academy as of now in our plant we are trying to we have a good potential of hydel in our plant so we are working on that also energy is one thing which we are closely working on we can produce around 7, 8 megawatt of hydel power and then 7, 8 megawatt of WHRB so these are the cost economics with us we have we hope that over a period of time we will be able to sustain these things and we will be able to manage this transport subsidy.
- Abhishek Ghosh:** Just one more thing coming in this rural market just correct me if I am wrong I think you mentioned for the North East the utilization level of the industry would be closer to about 78%?
- Sanjay Gupta:** 75%, I am talking of Abhishek when I say 75% these are the top guys, I am not talking about lower.
- Abhishek Ghosh:** Yes, I am talking largely the guys who control the market?
- Sanjay Gupta:** Correct.
- Abhishek Ghosh:** So what would be this corresponding number for the eastern market, is it a fair assumption to make that the industry utilization for eastern market would be in excess of 90% today?
- Sanjay Gupta:** No, see our view is that it will be somewhere around today around 70% it will be somewhere around national average kind of a thing. Nationally, I think they are at around 70 so east market will be somewhere around 70% that is what our number suggests.
- Abhishek Ghosh:** The utilization level?
- Sanjay Gupta:** Yes.
- Abhishek Ghosh:** And sir just one more thing I think the Emami plant was Q4 commissioning just wanted status on that so that will impact pricing in East as well?
- Sanjay Gupta:** Yes, there Emami is setting up there but I think it still it is at least about a year to 15 months away from at least about a year to go.
- Abhishek Ghosh:** So nothing in the near-term?

- Sanjay Gupta:** No, nothing is there.
- Abhishek Ghosh:** Sir you mentioned about one setting up a million tonne of unit near Siliguri and which will be post regulatory clearances as we mentioned but that plant once it gets commissioned will be largely catering to the Eastern Bihar market am I right?
- Sanjay Gupta:** It will to be primarily on North Bengal and East Bihar market that is what the prime focus is.
- Abhishek Ghosh:** Because Bihar it has already seen ultra tech commissioning the Pataliputra unit Shree is slated to put up a unit very soon so will Bihar market not get launched clutter in say 12 to 18 months from here on because we are looking to put up one more million tonne there so just wanted some views on that?
- Sanjay Gupta:** Our view is see the Bihar is already a 12 million ton approximately 12, 13 million tonne demand market right so even if we partly put the Ultratech coming up around I think the 1.5 and Shree is also 1.5 so it is 3 million tonne and even if we put up about a million tonne there so even if you count because it is Siliguri so we will not be entirely towards Bihar, it will be some part in North Bengal also so even if you consider that about a million tonne it is only 5 million ton right and please note that the demand in Bihar is actually growing fastest I guess suppose and as far as the entire east is concerned. It was growing at around 12%, 13% till last quarter and Q4 it has got a hit because of the mostly the sand problem which has come up but I think being and owing to the stable government which is already there I hope the demand will be again pickup it is just a very underdeveloped state and overall demand growth is going to be there in Bihar for quite some time so I think capacity a decent it will be still a long way when the capacity will catch up with the demand.
- Abhishek Ghosh:** Sir lastly we have hearing lot of media reports sometime back suggesting that North-East cement demand will move up because of concretization of road any development there any pickup that we are seeing any tenders that have been put out?
- Sanjay Gupta:** There are few road projects where the concretization tenders are there but they have not started seeing the inflow demand from there. The inflow demand has to there from the normal roads as such. There is a lot of four laning work which is going on, so even if I can share with the few fact that there is a National Highway 40, the 44 was already become two lane or four lane because NH40 between Shillong and a place called Silchar, between Shillong and Silchar it is actually place called Kalain so till that it is approximately 125 kilometer is which is there. So that is also waiting converter so there is lot of work as far as the road project is there so we are seeing good amount of demand coming from that road and hydel demands have also started seeing we have seen tenders coming in from hydel, we are seeing tenders coming in from (inaudible) 48.54, and rural development side of it. So there is a demand, which is there, I think that is once this complete concrete road comes up that will further give fillip to the demand.
- Abhishek Ghosh:** Thank you so much for answering my questions.

- Moderator:** Thank you. The next question is from the line of Dewang Bhatt from ICICI Direct. Please go ahead.
- Dewang Bhatt:** Thank you for providing the opportunity. Sir I wanted to know the employee expense has increased sharply can you help me out with that?
- Sanjay Gupta:** I will ask Mr. Dilip to reply for this.
- Dewang Bhatt:** Sir I wanted to know the employee expense has increased sharply can you help me out with that.
- Sanjay Gupta:** I will ask Mr. Dilip to reply for this.
- Dilip Agarwal:** Dewang, Dilip here how are you.
- Dilip Agarwal:** Dewang can you repeat the question please?
- Dewang Bhatt:** Sir there was a sharp increase in employee expenses sir what led to that?
- Dilip Agarwal:** A sharp increase in employee expenditure, these are normal see as there are two things one is normal increase and one increase annual high quarterly offer to the employees and then the way we are expanding in other geography of East so there maybe some costs to it otherwise I do not think that there is sharp increase in quarter.
- Dewang Bhatt:** So can you break it out like what was the annual increase and what was the because of the expansion?
- Dilip Agarwal:** Dewang, that breakup as of now would not be possible to give you, but we can work it out and if required we can always discuss this.
- Dewang Bhatt:** Sir in case of your traded volume what kind of EBTIDA per tonne do you make is it EBITDA accretive?
- Dilip Agarwal:** Dewang so far as trading units are concerned so as Mr. Gupta rightly told that we are using our clinker from our Meghalaya units and then getting it converted into cement to this higher units so if you see only on so far as it is hired branding units EBITDA so it should be in the range of 1100, 1200 per metric tonne.
- Dewang Bhatt:** What was the volume of trading cement this quarter?
- Dilip Agarwal:** This quarter.
- Dewang Bhatt:** Yes.
- Dilip Agarwal:** Traded volume would be around I will get back to you, any other questions.

- Dewang Bhatt:** Sir what is the capex for FY2017?
- Dilip Agarwal:** As we discussed that so far as future capex is concerned majorly will be in for Siliguri for which we are expecting this regulatory compliances to take place after elections are over and a stable government comes here so that would be the major capex and it all depends upon that and we get the regulatory issues.
- Dewang Bhatt:** Sir this increase in your working capital like in debtors as well as inventory is it this for this particular quarter and what would be the normalized debtor days like your debtor days have increased to 95 when your inventory days also have increased to 40 from 95?
- Dilip Agarwal:** As we explained earlier Dewang that cement is a cyclical industry you know and last two quarters as usual remains that this quarter for cement industry so we sell more than we have to, if the debtors gets accumulated at that point of time and they slowly they get tapered off over a period of time.
- Dewang Bhatt:** What is the normalized kind of days for you like in a year's time?
- Dilip Agarwal:** Around 40, 45 days, 48 days depends.
- Dewang Bhatt:** Even inventory is for 20 days.
- Dilip Agarwal:** Inventory depends see like inventory if you say coal then coal is again in Meghalaya we are using local coal so in rainy season there is no coal then there is season so we have to when the coal is available we have to be stock it otherwise if on normalized basis you see 30, 35 days of the stock is required to be kept but when there is no season of coal then it may go up.
- Dewang Bhatt:** Thank you Sir.
- Moderator:** Thank you. Next question is from the line of Rajesh Ravi from Centrum Broking. Please go ahead.
- Rajesh Ravi:** Could you give the breakup of the power and freight cost for the quarter?
- Sanjay Gupta:** Rajesh, you are looking for absolute number.
- Rajesh Ravi:** Yes.
- Sanjay Gupta:** You are looking for per ton Rajesh?
- Rajesh Ravi:** No sir absolute number.
- Dilip Agarwal:** Power and fuel for the quarter so far a absolute number is concerned it is around 57 Crores.

- Rajesh Ravi:** 57 Crores this was similar to what we did in December quarter.
- Dilip Agarwal:** December quarter we had around same number around 57 Crores.
- Rajesh Ravi:** Sir this one freight expenses?
- Dilip Agarwal:** Our freight was around 109 Crores this quarter and last quarter Q3 was around 66 Crores, you are asking for Q3 and Q4.
- Rajesh Ravi:** Yes Q3 is 66 Crores so Q4 is now you are saying 109 Crores?
- Dilip Agarwal:** Right.
- Rajesh Ravi:** Sir this year FY2016 has been largely oil prices have also been not been favorable we have also seen our total operating cost going up so now here on because we are more or less stabilized in eastern market also, also North-East how do you see cost improvement shaping out in FY2017?
- Dilip Agarwal:** Rajesh, I think we discussed this part at so far our cost is concerned we are working towards that in terms of energy cost and all so cost we do not expect any significant increase on the cost side.
- Sanjay Gupta:** Rajesh, two things let me put this cost first into respective. Two three things which are happening you will find that in terms of raw material cost we are really competitive so we do not, there will be some improvement when we start utilizing raw material we are trying to utilize the different amount of sale which is there, which is available, which is much cheaper, which is available so we are working on raw material side of it and power we talked about it that we are looking at WHRB we and looking at an hydel which is available because there are good amount of the stream which are flowing within the plant so we can generate a lot of power from there if you looking at around 10, 12 megawatt of power getting generating from there so these are two things in terms of power and fuel. The other cost area we think that will over a period of time will get moderated because of fact that whatever volumes which were getting outside North East and the expenditure which we were including as far as the advertisement and branding is concerned, we are spending very heavily on branding and that is going to get moderated over a period of time. This year margin, this year profitability has got impacted that we spent around Rs.10 Crores in one single campaign with the largest Durga Idol in the world so that campaign we took up. We were seeing the benefit of that coming up in terms of volume generation, which is happening as far as the Bengal market is concerned. Today whatever volumes we have sold in the market will come up with 1 million tonne plant, I do not need to wait for at least by the time I start with the unit, I think I will be almost about a million tonne only in Bengal. So it will not take me time to consume that entire quantity, so those things will moderate over a period of time because once we start establishing a brand this expenditure are helping us in terms of even putting up prices in terms of where we are being setting up our prices and at the higher end of the market so that is those things are helping in that front but they will moderate over a period of time.

- Rajesh Ravi:** From a near-term perspective on the coal are you seeing any negotiation scope for reduction because ex in overseas to all other markets we have seen benefits of lower fuel cost and second in terms of your total ad spend that we have done FY2016 versus FY2017 do we see any absolute reduction in this absolute amount or it will be just be flattish in volume growth driven operating leverage?
- Sanjay Gupta:** We have two things coal definitely we have seen this year we have almost like revenues we can already picked up so we have already accumulated lot of coal and that is a power it is a better price then I can only say it is a much better price than what it was in last year, so the benefit of it will be seen in the quarter coming FY2017 that will get respect that is one, second is in terms of you said about the advertisement and the earning cost yes definitely there will be absolute number wise I do not think there will be much reduction but we feel that they will mostly largely the volume growth.
- Rajesh Ravi:** How much was the total cost is this FY2016 ad spend?
- Sanjay Gupta:** If I take advertisement and sales and promotion the entire will be somewhere around 65 Crores that was expenditure in totality.
- Rajesh Ravi:** Which was like 46 Crores in FY2015?
- Sanjay Gupta:** Correct 46, 47 Crores.
- Rajesh Ravi:** So that is around 65 Crores and then you are expecting to remain at there is not at least you do not expect this to go up now?
- Sanjay Gupta:** No we do not expect this to go up in absolute number.
- Rajesh Ravi:** Other than that any other like freights segment are you seeing any efficiencies which can help you in terms of lower your cost pressure?
- Sanjay Gupta:** Again as we say freight is again is a market driven thing. We do not have anything we do not have much of leverages there to actually work towards that but yes I think only whatever the volume part of it and whatever volume negotiation which we get right that is the only thing which I think will be able to they were also be volume driven not anything to be specifically there.
- Rajesh Ravi:** Sir coal what sort of benefit you are targeting in FY2017 if you were able to share some numbers in terms of per tonne any improvement?
- Sanjay Gupta:** It will be difficult for me to say that number now but I think as I told you that we have significantly stocked the coal and that is at a quite amount of load than last year we will see but I do not have exact number.

- Rajesh Ravi:** When we are talking of 20% volume growth in FY2017 we would be almost we would utilizing our clinker now because we are already at around 82%, 83% in clinker utilization so we will be picking out in clinker utilization in FY2017 itself so for FY2018 where would we be sourcing our clinker for we are expecting to grow at 20% how that any clinker expansion plan that we have in pipeline?
- Sanjay Gupta:** I think we still have a clinker expansion plan there are certain things, which are at the drawing board. At this point of time I am not ready in terms of until now they come off to drawing board and then become a reality, going up with that it will be not right on my part to say those details but definitely we have an eye on clinker requirement which the company is going to have and there is a possibility of debottlenecking at the clinker level which were closely working with our technical guys and I think we will definitely shortly come out with something in clinker as well.
- Rajesh Ravi:** So this debottlenecking is possible before FY2018 or FY2018 you will have the benefit of this debottlenecking driven capacity?
- Sanjay Gupta:** We think so.
- Rajesh Ravi:** So that should help you grow in FY2018 also?
- Sanjay Gupta:** Yes.
- Rajesh Ravi:** So that debottlenecking led clinker we would be the freight subsidy would be applicable because we have the freight subsidy till FY2018?
- Sanjay Gupta:** Whatever we do up to FY2018 there is a possibility of having once we do it within that period yes definitely it is for a small period but definitely that will be small period.
- Rajesh Ravi:** Lastly on your working capital Sir we understand because of the delays from the government end working capital is got stretching your receivables from the government is bloating up so now with this coming up the we should be you are targeting that at least 500 to 570 Crores which is filed up till FY 2015 a large part of it should come through in FY first shop of this year right?
- Sanjay Gupta:** Yes.
- Rajesh Ravi:** In your debtor days also do we expect some moderation in inventory already explained that you have piled up some coal and hence that number has gone up so in case of debtor days is that something which is because you have been expanding also in market has not been kind in terms of competitive pressure so will that ease out on debtor days?
- Sanjay Gupta:** What happens is Rajesh, normally because of the increase with the volumes in the quarter four only one and a half times than whatever they are. So that is an impact but definitely the quarter one and quarter two most of the volumes actually moderate and there is always a collection

pressure on the sales team because so we definitely see that those things will debtors will also moderate in coming quarter.

Rajesh Ravi: Basically why when we compared this operations of newer company vis-à-vis all other companies their debtor days is as you may because of your monsoon coming ups slightly earlier you may have the volume sale period is relatively lower for you January to may be May and hence you would be in a way debtor days go up and later on it cools off whereas so the other companies there are still two to three months after March and hence their debtor days number do not look that much higher for them. So is it the right reading Sir?

Sanjay Gupta: Definitely that is how see what happens is that since you are correct when you say that the in terms of total rainfall and the rainy season yes it is an elongated rainy season but I will not say that sort, by far very elongated the rains have already started in our future things put it like that and we have the rest of the county is already dealing with a lot of droughts and so it is already raining and the goodish amount of rains are there in the north east and we expect them to continue till maybe September in that list and the taper of guide so that is how they behave and the demand in, in case of north east it is definitely lumpy because the quarter three and quarter four if you look at it they are where we sell almost maybe 60%, 65% of the material than the rest of the quarter. So that is definitely there and that impacts later.

Rajesh Ravi: Lastly on the tax rate what sort of tax rate we should model in on the book numbers at least like last two years we are doing at just 4% of tax rate at PBT so going forward for FY 2017 and 2018 would that number significantly changed?

Sanjay Gupta: No there is no reason that that will significantly change because all our plans are there on that, so I do not think that there is any sign neither there is a change in income tax position and the plans are they continue to be where they are so I do not think there is any reason to come that rightly.

Rajesh Ravi: That is all from my side. Thank you.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Rajesh Ravi from Centrum Broking for closing comments.

Rajesh Ravi: Thank you everyone for participating in the call. We also thank the management of Star Ferro & Cement for giving out their time and answering queries on the Q4 results and guiding on the future course of the business. Thank you everyone. I hand over the call to management.

Sanjay Gupta: Thank you Rajesh. Thank you every one.

Moderator: Ladies and gentlemen, on behalf of Centrum Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.