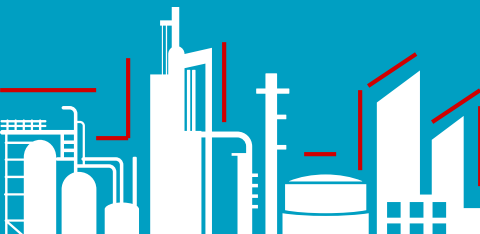




# Star Ferro and Cement Limited (SFCL)

Investor Presentation

Cementing growth.  
Branding success.



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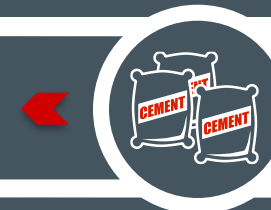
From North East to East



From Growth to Efficiencies



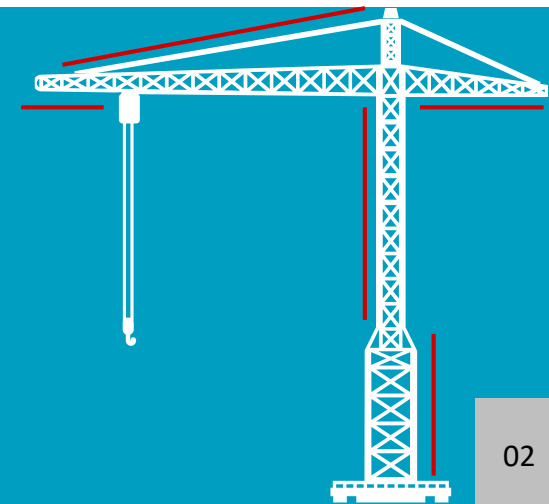
From Commodity to Brand



From Capacities to Capabilities



We are expanding the growth horizon and creating a differential.



# The Birth of a Star

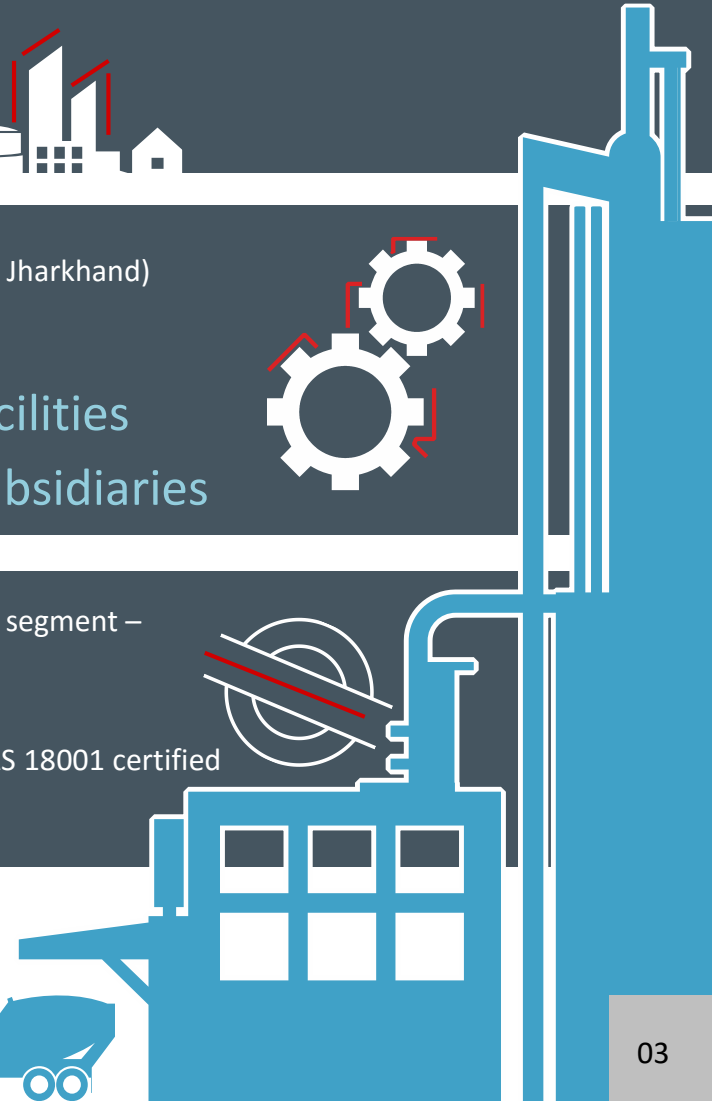
- ★ 2001 The Star was born
- ★ 2005 Operations commenced
- ★ Largest Cement manufacturer in **NER**



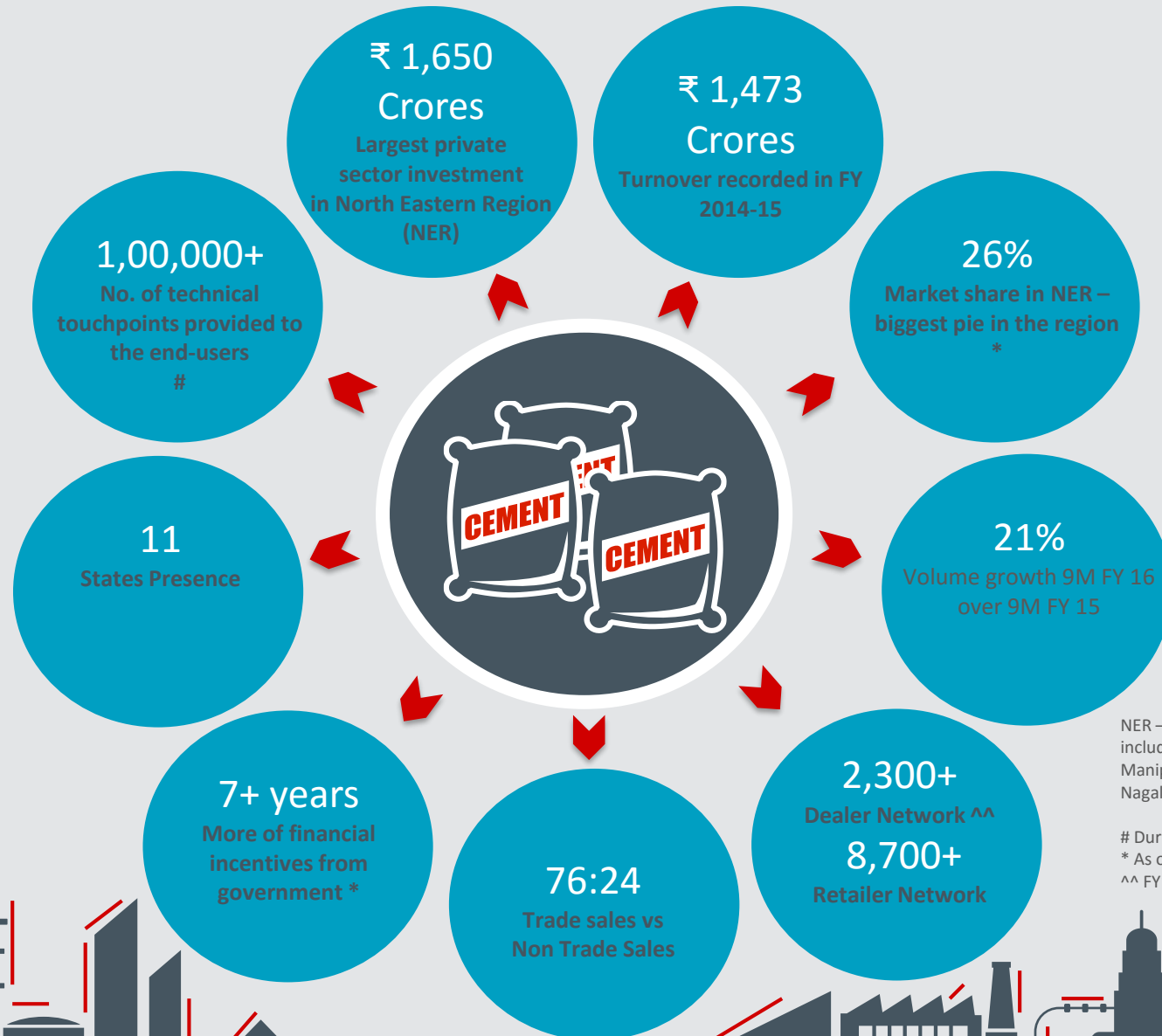
- ★ Emerging market player in Eastern India (WB, Bihar & Jharkhand)
- ★ Star Ferro and Cement Limited (listed on BSE & NSE)
- ★ Strategically located Cement Manufacturing Facilities
- ★ Cement Business operates under CMCL & its subsidiaries



- ★ Star Anti-Rust Cement is a marquee product in the value-added segment – sold in **NER, West Bengal & Bihar**
- ★ Quality endorsement ISO 9001:2008, ISO 14001:2004 and OHSAS 18001 certified
- ★ Launched **PSC Cement** in West Bengal, Bihar & Jharkhand in Oct 2015



# Counting the Stars



NER – North Eastern Region includes Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim

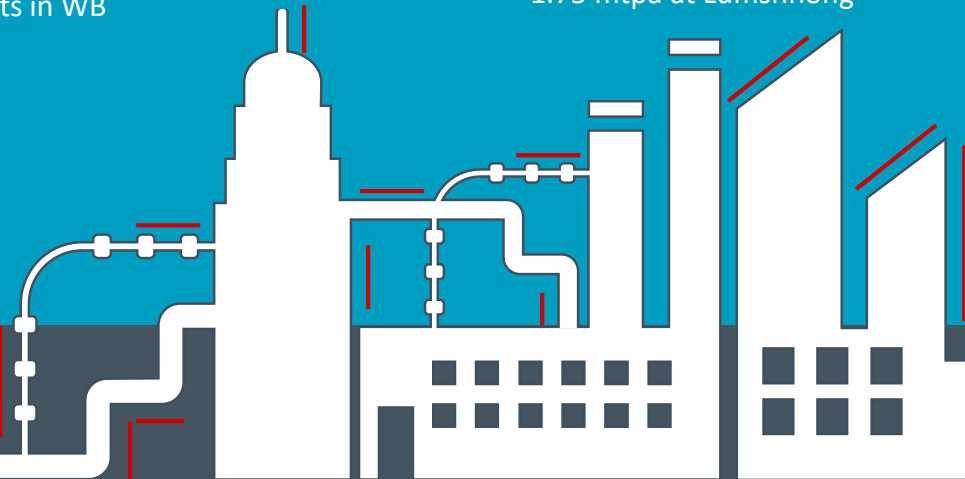
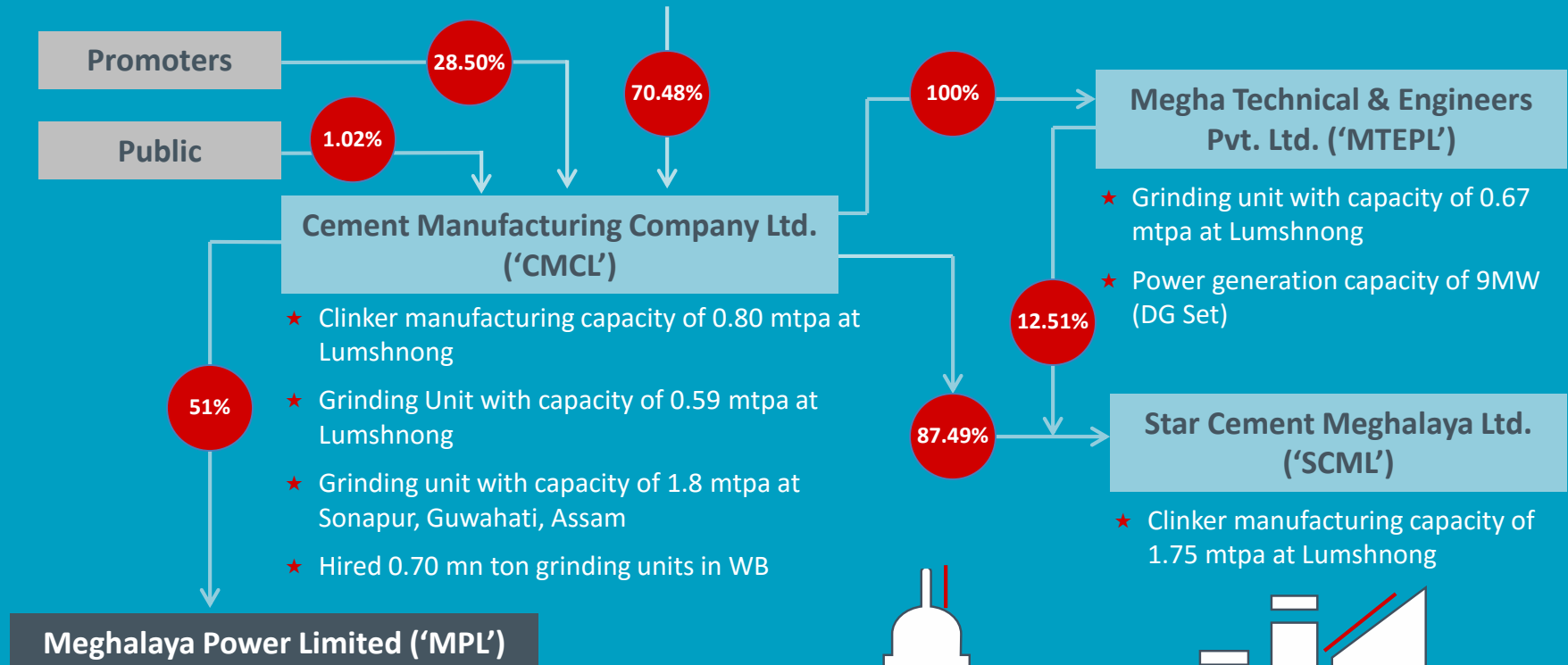
# During FY 15-16 till Dec 2015

\* As on Dec 2015

^^ FY16 YTD Dec 2015

# The Star Bandwidth

## Star Ferro and Cement Ltd.



# Strong NER Roots

Promoters have strong links with NER - a crucial factor behind SFCL's success

## Mr. Sajjan Bhajanka, *Chairman & MD*

### Experience

- ★ Graduate with 45 years of industry experience in Plywood, Laminates, Ferro-Alloys, Tea and Cement Industry

### Other Memberships

- ★ Chairman of Century Plyboards (I) Ltd
- ★ Considered as icon of Indian Plywood industry
- ★ President of Federation of Indian Plywood and Panel Industry & All India Veneer Manufacturers Association
- ★ President of 'Friends of Tribals Society'

## Mr. Rajendra Chamaria, *VC & MD*

### Experience

- ★ Rich experience of 30 years in cement and concrete sleepers industry with excellent project execution skill and production knowledge

### Other accolades

- ★ Well conversant with all acts, bylaws and procedural matters relating to Environmental and Forest Act, Factories Act and Commercial & Labour Laws

## Mr. Sanjay Agarwal, *Managing Director*

### Experience

- ★ Graduate with 30 years of industry experience

### Other memberships and accolades

- ★ Instrumental in successful marketing and branding of 'Century Ply' and 'Star Cement'
- ★ CEO & MD of Century Plyboards (I) Ltd.

## Mr. Brij Bhushan Agarwal, *VC & Director*

### Accolades

- ★ Driving force behind Kolkata based Shyam Group of Companies, the leader in steel manufacturing in Eastern India

### Other Directorship

- ★ MD of Shyam Sel & Power Ltd.

## Mr. Prem Kumar Bhajanka, *Executive Director*

### Experience

- ★ Graduate with 30 years of industry experience

### Other accolades

- ★ Excellent site management and project execution skills
- ★ Instrumental in execution of CMCL's projects

# Professional Management

Key Management personnel running the organisation in a very professional manner

## Mr. Pankaj Kejriwal, *Executive Director*

### Education

- ★ Chemical Engineer with experience of over 15 years

### Responsibilities

- ★ Manufacturing operation
- ★ Responsible for erection & commissioning of new projects

## Mr. Jyoti S. Agarwal, *President, Sales & Marketing*

### Education & Experience

- ★ M. Com with varied experience of over 30 years in cement industry

### Other experience

- ★ Worked at senior positions in Aditya Birla Group and Ambuja Cement Limited

## Mr. Pradeep Purohit, *AVP, Supply Chain*

### Education & Experience

- ★ B.Com, Graduate Dip. IIMM with varied experience of over 31 years in Cement & Engg Industry.

### Responsibilities

- ★ Responsible for Overall Supply chain planning, Logistics, Materials and commercial functions.

## Mr. Sanjay Kr. Gupta, *CEO*

### Education & Experience

- ★ FCA with varied experience of over 22 years with 18 years in the cement industry

### Responsibilities

- ★ Responsible for overall growth & profitability of the company and meeting company's operating & financial goals

## Mr. Dilip Kr. Agarwal, *CFO*

### Education & Experience

- ★ FCA with varied experience of over 25 years including 17 years in the Cement industry

### Responsibilities

- ★ Responsible for F&A, Taxation, Statutory Compliance & Vendor Management

## Mr. A.K. Sinha, *Senior Technical Person*

### Experience

- ★ 44 years of rich experience in cement industry

### Other experience

- ★ Worked for 17 years in Birla Corp. and 19 years in CCI

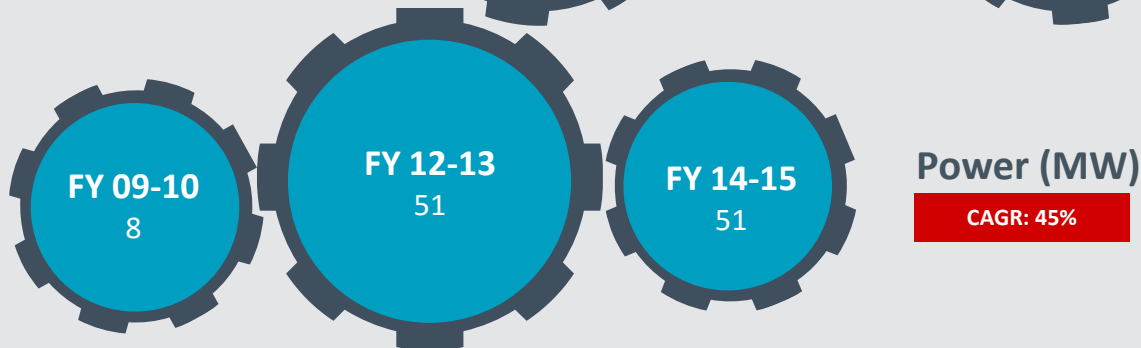
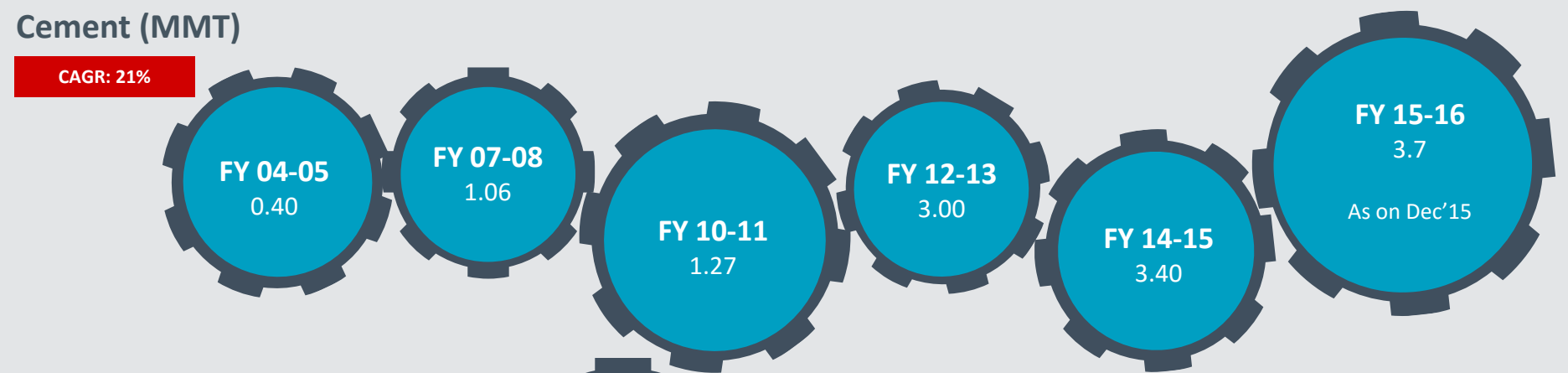
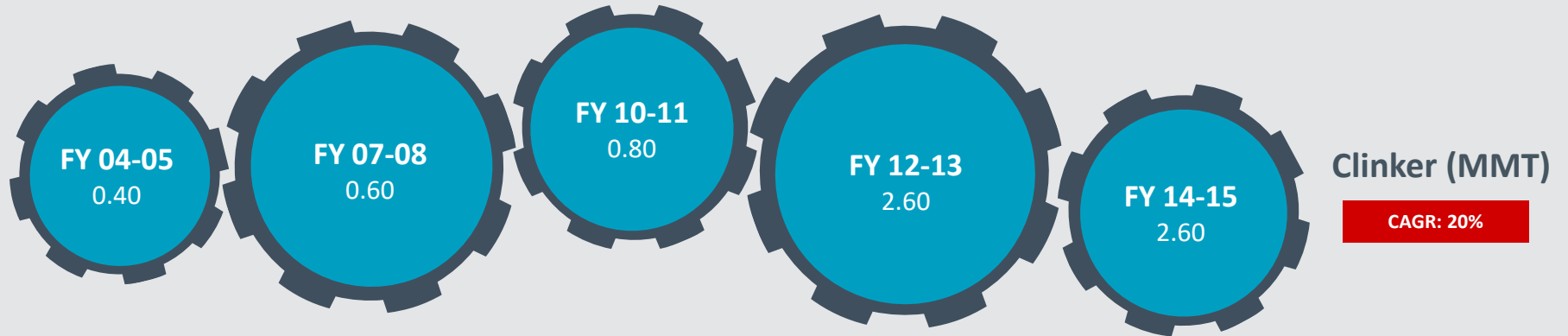
### Responsibilities

- ★ Contribution in project planning, process and machinery, techno-economic evaluation etc.



# Journey of a Star

Cumulative capacities at the end of financial years



# What Makes Star Cement Tick?

Strategic Location,  
Proximity to Raw  
Materials & Market

Adequate plant  
capacities to cater  
to the market

Dependable  
raw material  
source and easy  
availability of  
power

Beneficiaries of  
fiscal incentives

Well-established  
brand in NER with  
strong consumer  
focus

Superior Brand  
mix and innovative  
marketing  
strategies

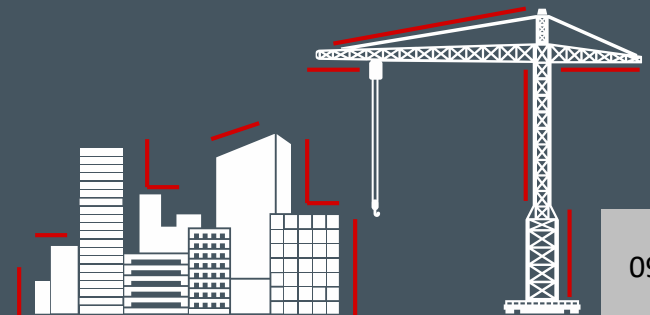
Market  
dominance steered  
by strong network  
and retail-centric  
business model

Strong NER roots

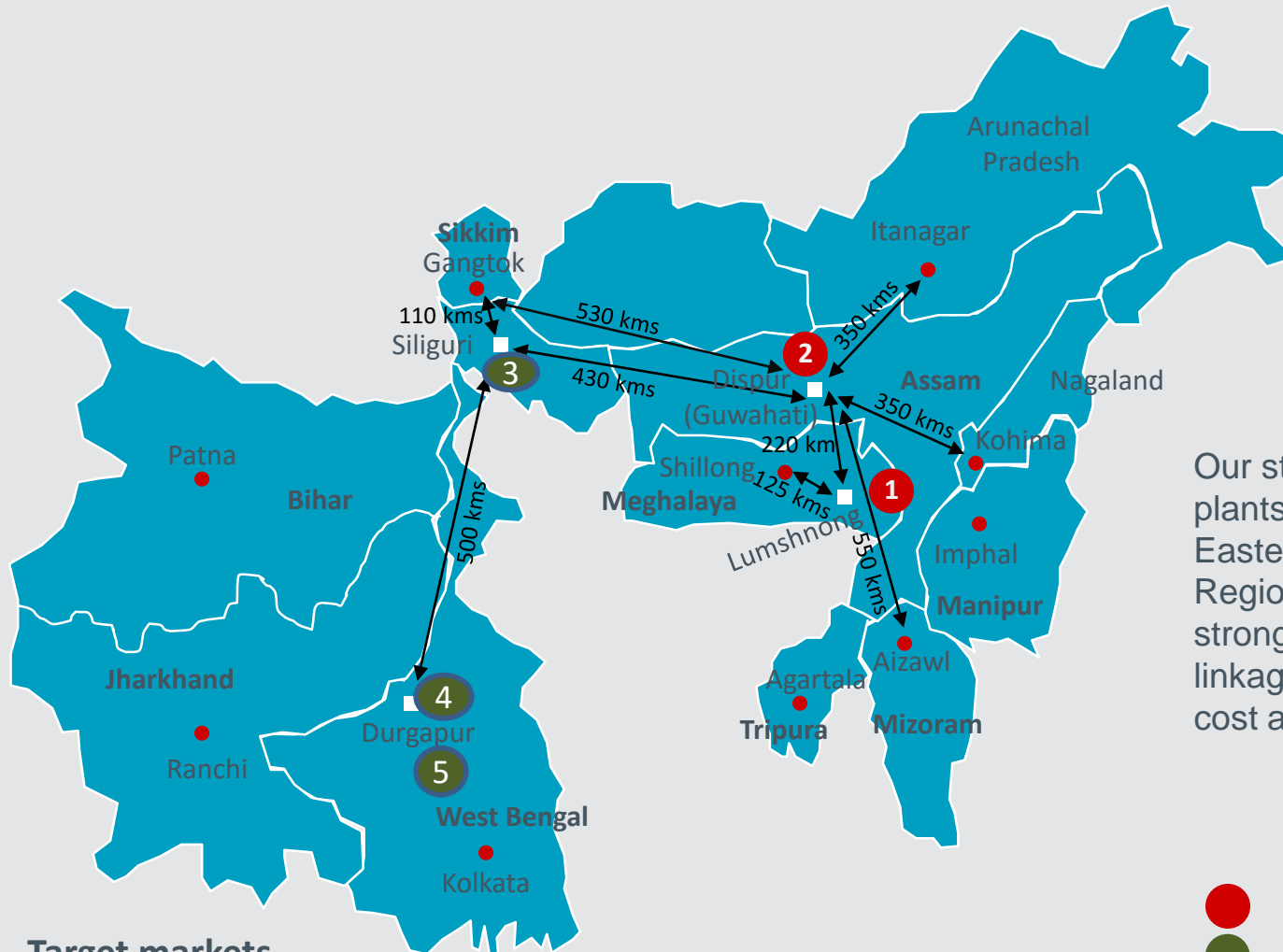
Successful  
Financial Track  
record - Highest  
EBITDA margins in  
the industry

Eyes on replicating  
the success of NER  
to Eastern India

A look at each of our trigger strengths.....



# Location Advantage: The Game Changer



Our strategically located plants cater to the Eastern & North Eastern Regions, giving us strong customer linkages and competitive cost advantage

- Company's plants
- Grinding Arrangement
- $\longleftrightarrow$  Distance to markets

### Target markets

Assam, Meghalaya, Arunachal Pradesh, Manipur, Tripura, Nagaland, Sikkim, Mizoram, West Bengal, Bihar, Jharkhand

# The Star Logistics Edge

- ★ Limestone mines are located within 2-3 kms of our plants, providing strong raw material linkage, easy accessibility and uninterrupted supply of raw material
- ★ Coal is available in close proximity, ensuring cost and operational efficiencies
- ★ Availability of coal also provides strong back-up for the Company's 51 MW power plant
- ★ When compared to peers, our strategically located plants cater to the Eastern & North Eastern Regions, helping us optimise and rationalise costs.

Proximity to raw material leads to lower logistics costs, which otherwise constitute a significant component of the overall cost of production. This, coupled with the ability to supply at the doorstep of customers and end-users through a well-established dealer-distributor network, gives us a distinct advantage compared to our peers.

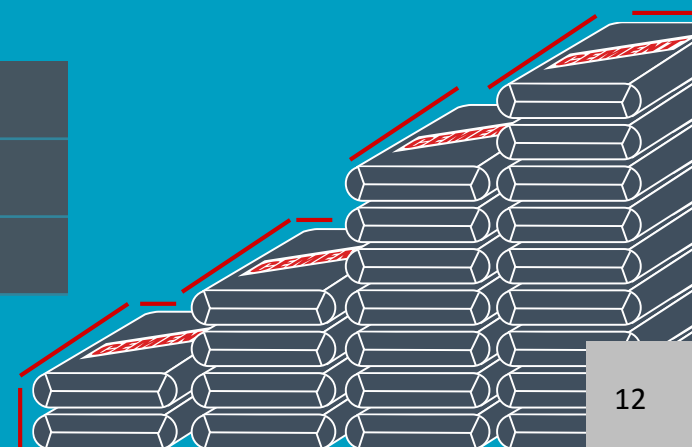


# The Star Strategic Edge

- ★ Untapped NER and Eastern markets have strong potential for further growth
- ★ Over the last few years, cement arrivals in NER from mainland players has come down to 10% from 30% - owing to strong location advantage for the existing players in NER
- ★ Strong entry barriers for new players in these regions
- ★ No new capacities in pipeline in NER
- ★ Captive mines that are home to high quality limestone having calcium oxide content greater than 49% (higher than rest of India), having limestone reserves of more than 80 years
- ★ Availability of high quality coal in proximity
- ★ Star's established presence, extensive distribution network and high brand recall

**Star enjoys the highest volume growth in NER and has adequate capacities for 25% growth target over the next two years, allowing it to serve the high potential market**

Manufacturing	Units	Capacity	
Meghalaya	4	Cement (Mn Ton)	3.7
Assam - Guwahati	1	Clinker (Mn Ton)	2.60
WB (Hired Units)	3	Power (MW)	51.00



# The Star Fiscal Edge: Financial Incentives

SFCL's plants enjoy many fiscal benefits granted by Central / State Governments

	Exemption	Balance Exemption period**			
		SCML	CMCL-GGU	CMCL-LMS	MTEPL
<b>Income Tax</b>	100% under Section 80 IE, subject to MAT	8 years	8 years	-	2 years
<b>Excise Duty on Clinker</b>	75%	8 years	-	2 years	-
<b>Excise Duty on Cement</b>	75%/36%^	-	^8 years	2 Years	^2 years
<b>Central Sales Tax</b>	99%	5 years	-	-	-
<b>VAT</b>	99%^	5 years	₹ 275 Crs / 5 years	-	-
<b>Freight Subsidy Inward</b>					
Within NER*	90%	-	-	-	-
Outside NER	90%	-	-	-	-
<b>Freight Subsidy Outward</b>					
Within NER*	50%	3 years	3 years	-	-
Outside NER	90%	-	-	-	-
<b>Capital Investment Subsidy</b>	30% of Investment in Plant & Machinery	One time	One time	-	-

^^At GGU unit, VAT exemption is 99% up to 200% of FCI ^ 75% for integrated units and 36% for standalone grinding units

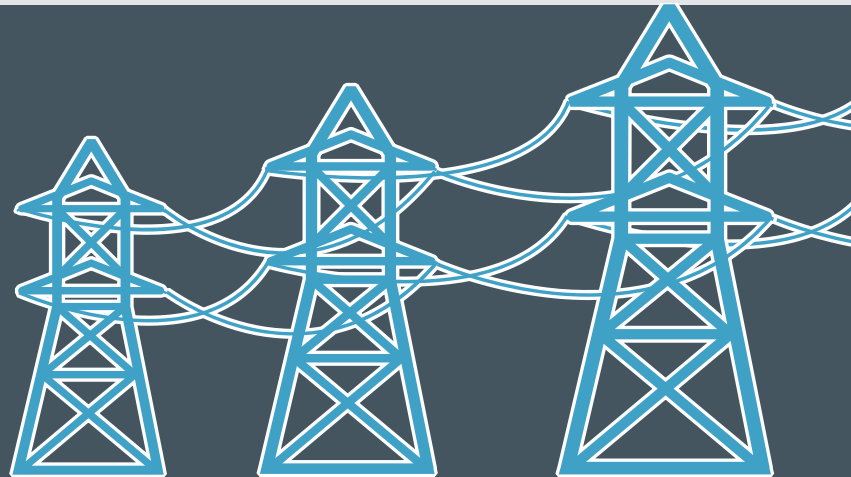
\*Freight subsidies are not available for intra-state movements

\*\* As on 31.03.2015

## Power

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- ★ Availability of best quality low cost coal ensures increased benefits for power plant
- ★ Captive power ensures non-dependency on grid power
- ★ Fly ash generated from power plant is used in cement plants at almost nil cost

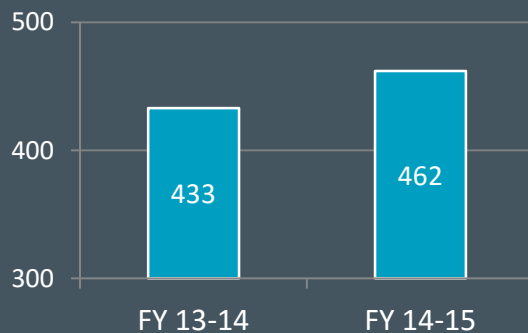


# The Mark of a Star: Branding Success

- ★ For Star Cement, cement is not merely a commodity and therefore, we do not sell cement, rather we build and sell brands
- ★ Our Brands have a very high recall value, enabling repeat customers
- ★ STAR CEMENT is the most preferred brand in NER and growing by leaps and bounds in the markets of Bengal, Bihar & Jharkhand

**Concentrated launches in select markets backed by strong budgets, innovative aggressive marketing and sufficient plant capacities**

## Advertising and Brand Promotion spends annually (₹ Mn)



Annual spend targeted from FY 15-16 onwards: ~ ₹ 500 Mn

### Regular Brand Investment

- ★ Aggregate Brand investment of ~ ₹ 1,500 Mn in the last decade
- ★ Very aggressive campaign for Brand Launch in WB, BH & JHK

### Celebrity endorsements

- ★ Debojit Saha, Saurabhee Debbarma, Lou Majaw, Mami Varte & Late Bhupen Hazarika

### World's Biggest Durga Idol Campaign in H1 FY 15-16

- ★ Very aggressive and comprehensive 360<sup>o</sup> campaign in NER, WB, BH & JHK involving masses in OOH, TVC, Radio & Press
- ★ Huge increase in brand awareness in outside North East, making Star Cement a household name even in markets where it is relatively new



# Awards and Accolades

Award for "Fastest Growing Company" above Rs. 1000 Crs at Economic Times Bengal Corporate Awards 2016

Award for "Best Practices in Employee Engagement"- National HRD Network (NHRDN) in 2016

Awarded first prize in the Thermal Power Station Sector - National Energy Conservation Award, 2015 & 2014

Award for 'Most preferred Cement brand' for 5 years consecutively at the North East Consumer Awards in 2015

Most preferred cement brand by AREIDA from 2010 to 2013

ICC Environment Excellence Award 2012 (Category: Large Business Organisation)

Greentech HR Silver Award 2012, for Outstanding Achievement in Best Strategy

Silver awards (Cement sector) at Greentech Environment Awards, 2010 & 2011

Silver award at The Economic Times India Manufacturing Excellence Awards 2011 (Manufacturing and Supply Chain excellence)

Limestone Mines in Khub stood 'First' in the category of Overall performance during North East Metalliferous Mines Safety Week in 2011-12

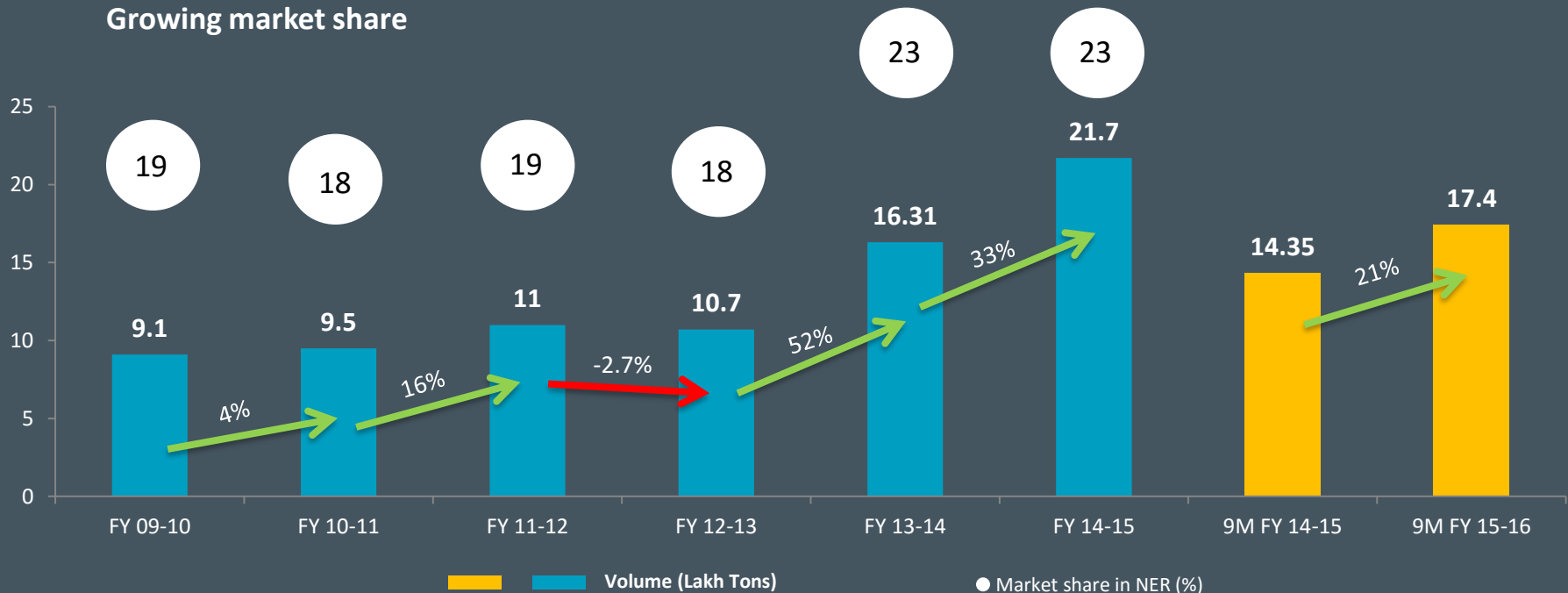
Assam Udyog Bikash Award in 2009, in recognition of the Outstanding Contribution to Assam economy through the MSME sector



# The Star Shines Bright and Strong

- ★ Enjoys a leadership position in the North East with 26% Market share as on Dec 2015
- ★ Gradually increasing share in the Eastern region through concerted efforts
- ★ Strong dealer and distributor network built over the years, steering year-on-year growth, enabling leadership position in market

Growing market share



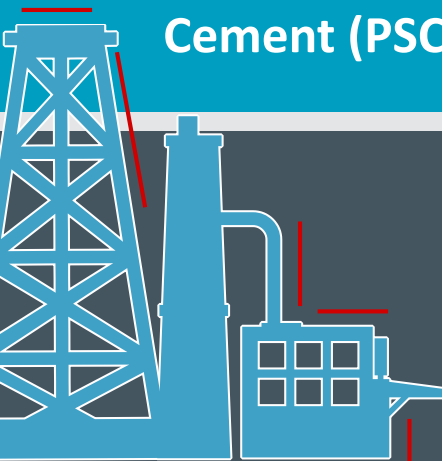
Highest Volume in NER and adequate capacities for catering demand growth over next few years.

# Marketing the Star Brand

Innovative strategy, large distribution network, pioneering initiatives

- ★ Pioneers in initiating distribution through direct network, i.e. Dealers rather than C&F agents in NER
- ★ Building the Brand aggressively and innovatively in the markets of West Bengal, Bihar & Jharkhand
- ★ Consumer-centric strategic approach - initiated attractive schemes like 'Kismat ki Bori' offer, 'Dhan Varsha', Gifts to dealers, masons, customers etc.
- ★ An out-of-the box marketing strategy to build highest recall and positive brand perception through innovation in communication and media - advertisements at important road crossings, 'Pan' Shops, local TV, in addition to the traditional billboard/hoarding advertisements
- ★ Increasing visibility through focus at Block level, Haats and village congregation points etc.

Launched Portland Slag Cement (PSC) in WB, BH & JHK



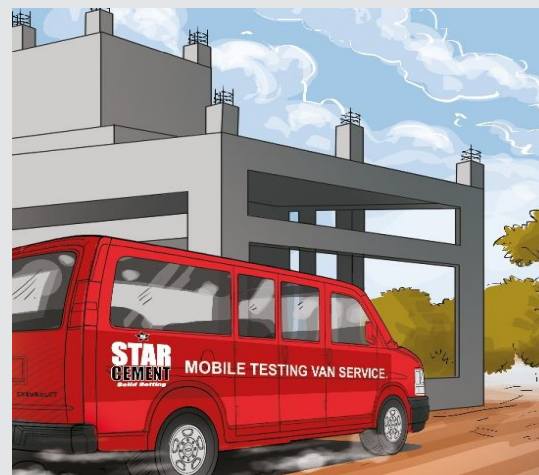
# Marketing the Star Brand

Innovative strategy, large distribution network, pioneering initiatives

## Technical assistance to retail consumers to ensure better connect - drives demand and builds brand confidence

- ★ Value-enhancing technical marketing for customers
- ★ On-site technical support to customers through unique concept of mobile vans manned by experts
- ★ 'SMS' helpline for customer education
- ★ Toll-free Customer care number
- ★ STARTECH Conferences - a unique forum to bring together engineers, professors and experts for value enriching discussions
- ★ Star Technopedia : Monthly e-newsletter to informed influencers covering new initiatives & development in construction industry

*Star Technopedia*

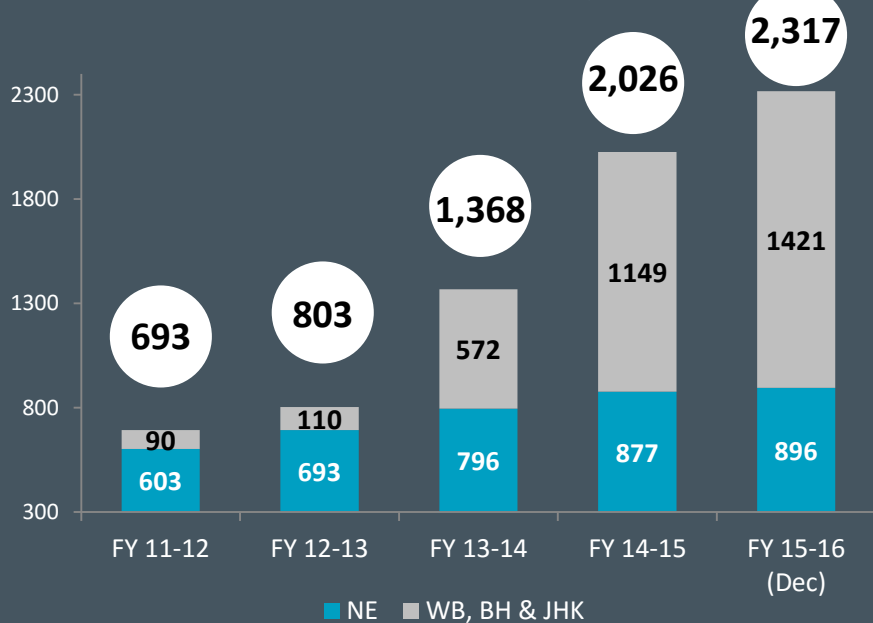


# Retail-driven Marketing strategy

## Distribution Network

Retailers	8,700+
Dealers	2,300+

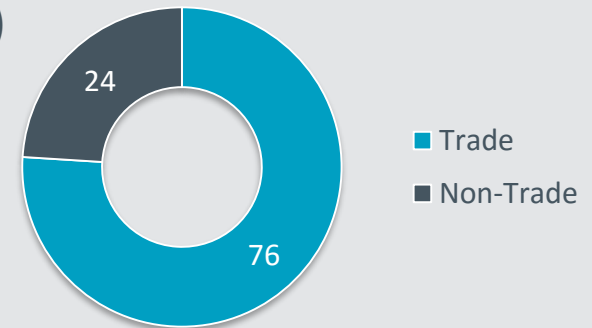
## Robust Dealer network growth



- ★ Distribution network spread across 11 states
- ★ While our peers adopted the wholesaler model, we have built on our strong network of partners over the last decade
- ★ The result – Deeper penetration, greater reach, higher market share

★ Higher proportion of trade sales resulting into higher Cement realisation per ton

## Sales mix (%)

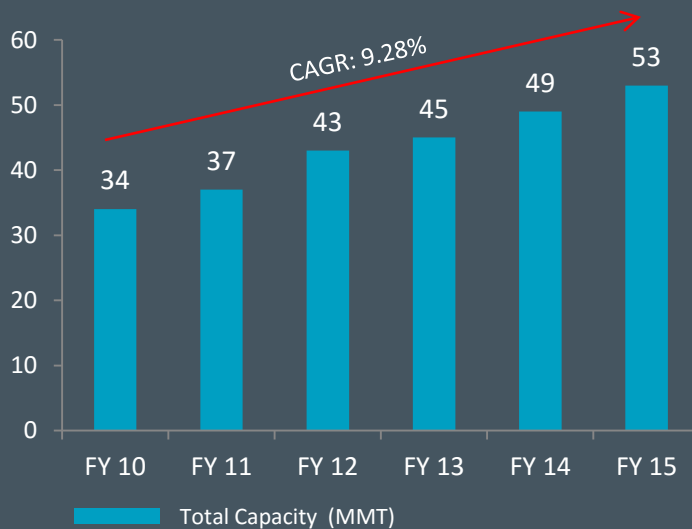


# Opportunities Beckon... and Star's Journey Continues

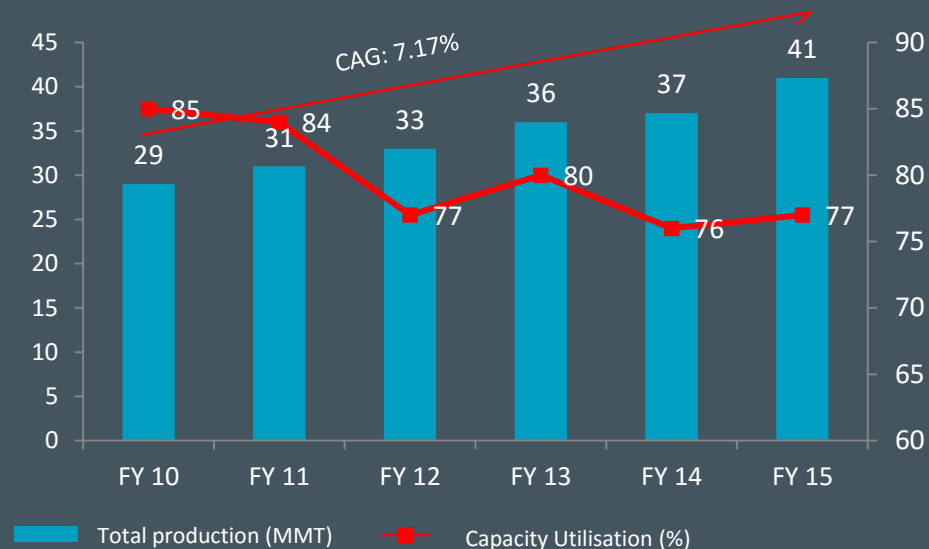


# East India: Huge Untapped Potential

Total Capacity (MMT)

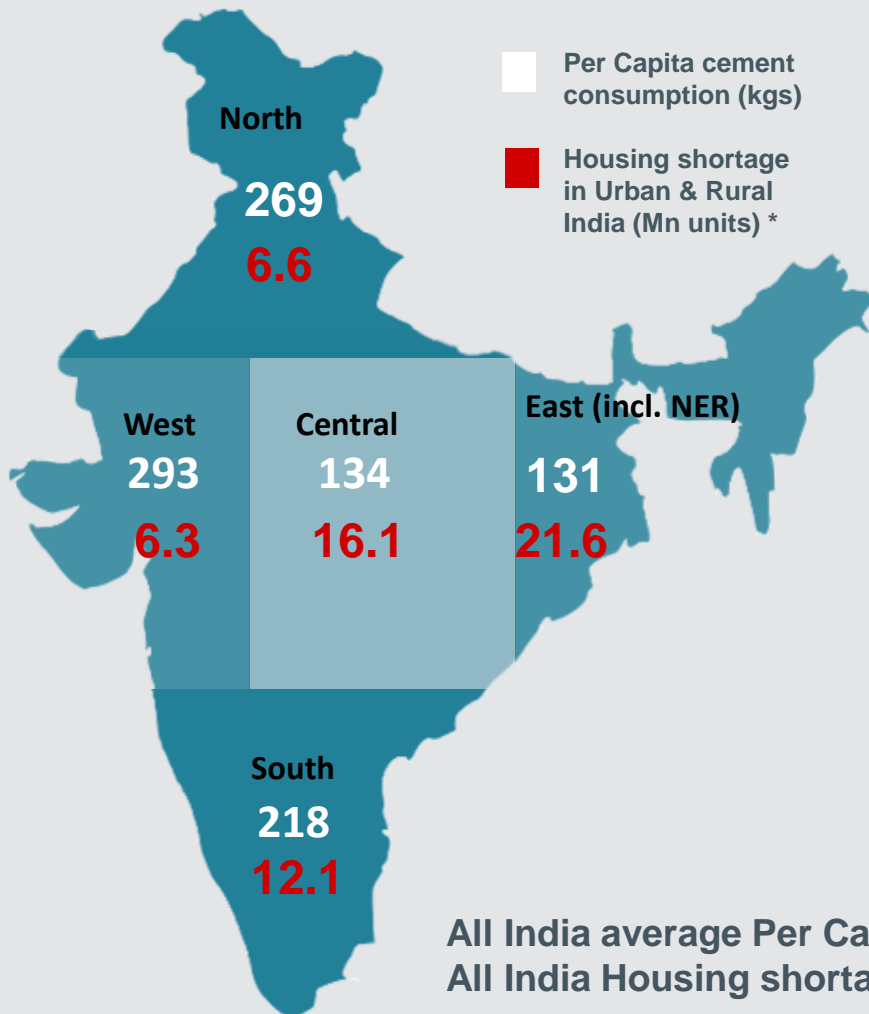


Total Capacity (MMT) and capacity utilization (%)



- ★ Cement production in the Eastern regions has grown at a CAGR of 7.1% and is expected to grow at a CAGR of 9-10% in the next 5 years
- ★ Demand is expected to grow at a steady pace through increased allocation
- ★ Government focus on infrastructure to boost growth through increased allocation in housing, infrastructure and commercial real estate segments will drive the cement demand
- ★ Special focus on rural and semi-urban areas through large infrastructure and housing development projects

# East India: Huge Untapped Potential



Per capita cement consumption in East is the lowest, thus underlining huge potential for growth

Housing shortage in Urban India - Of the total housing shortages in urban India, East alone contributes to 35%. East and Central put together contributes ~60% of all India urban & rural housing shortages

At 131 kg, per capita consumption is among the lowest in East (national average – 210 kg per year)

Eastern India (including NER) account for urban housing shortage of 4.3 million units & 17 million units for rural housing shortage

Demand for cement is expected to grow in high single digits in East India

A pick-up in infrastructure development will trigger cement consumption demand in these states

**All India average Per Capita cement consumption - 210 kg**  
**All India Housing shortage in Urban + Rural India - 63 million units**



# North East Region: An Expanding Opportunity Landscape

## 8 states with abundant Natural Resources

Limestone, Coal, Dolomite, Quartz, Granite, Sandstone, Shale



Special Category States with NEIIP, 2007 & State Policies supporting Industrial Investments



Separate Ministry for the Region – Doner (Development of North Eastern Region) to boost development



## Central government's infrastructure development thrust



**Roads** - Special Accelerated Road Development for North East (SARDP-NE) and National Highway Development Programmes (NHDP) in NER for 10,141 kms at est. Cost ₹ 33,500 Crores.\*



**Airports** - 5 sanctioned, 8 in pipeline, ₹ 5,000 Crores Investment is expected during next 10 years



**Railways** - 20 ongoing new line, gauge conversion & double line projects in NER being executed at an estimated cost of ₹ 38,360 Crores



**Hydro Power** - Largest Hydro power potential in India is in NER with 98% still untapped, 63000 MW of Hydro Power capacity identified; 14000 MW already allotted to Pvt. Players which will result in ~14 Mn Tons of Cement Demand

Non-Lapsing Central Pool of Resources – Unspent amount of **10%** Budgetary allocation for **NER Infrastructural Development**

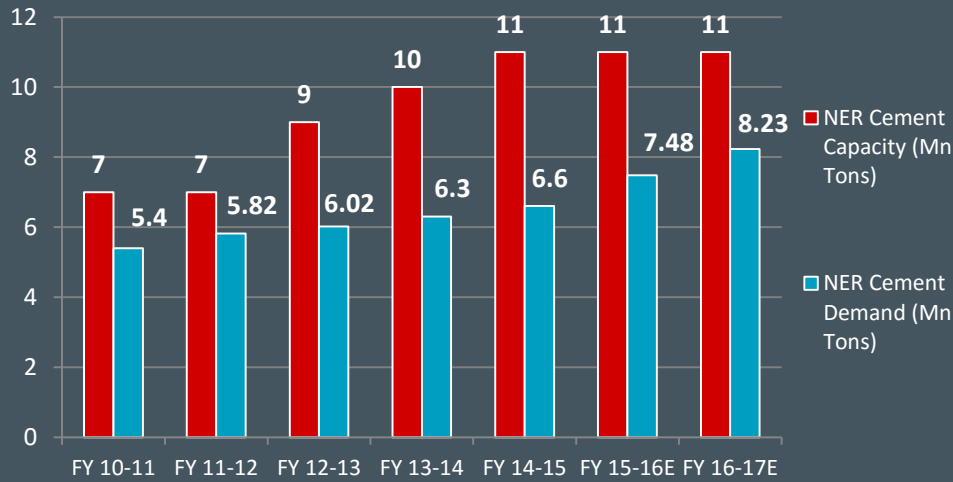


**Vision 2020** & Look East Policy – Focused on boosting trade investments and relationships with **neighboring countries**, thereby opening up greater infra development opportunities



\*Four-lane concrete roads are expected to shore up cement demand–2,000 tonnes of building material goes into creating every 1 km of road (Source: The Hindu Business Line, January 27, 2015)

# North East Region: Opportunities Galore

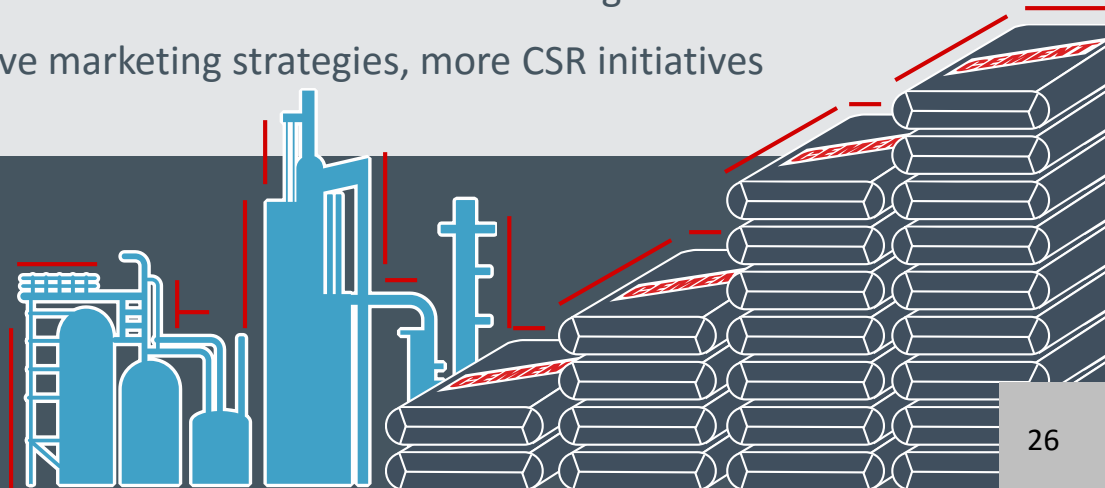


Five-year Plans	2007-2012	2012-2017	2017-2022
NER GDP Growth	10%	13.7%	16.4%
NER Per Capita growth	8.6%	12.4%	15.2%

- ★ 10% p.a projected growth of cement industry (CAGR of 7% in last 5 years)
- ★ Potential for growth - current per capita cement consumption is 142 kg
- ★ Major players - Star Cement and two others - catering to 55-60% of cement demand and deriving benefit of economies of scale
- ★ Consolidation on the cards as small players expected to be edged out eventually
- ★ No new major capacities in pipeline in the region
- ★ Cement arrivals in NER from mainland players have come down from 30% to 10% - gives advantage to players in NER

# The Star is Set to Shine Brighter: More Frontiers of Growth

- ★ Further growth in high potential areas by leveraging operational and financial efficiencies
- ★ Seize the growth opportunities in NER, Eastern Region – partner the government's initiatives to boost infrastructure
- ★ Strengthen and expand dealer/distribution network to capture Eastern markets and deepen penetration into NER
- ★ Explore and tap new markets to boost margins
- ★ Grow product portfolio with new, niche and quality brands
- ★ Set-up capacities to cater to incremental demands of the region
- ★ Build on trading strengths, retail services
- ★ Expand technical services to enhance customer service and brand building
- ★ Enhance brand recall through innovative marketing strategies, more CSR initiatives



# The Numbers Speak: Successful Financial Track Record

CONSOLIDATED FINANCIALS

Cement Subsidiary

In ₹ Crores	2011-12	2012-13	2013-14	2014-15	9M-FY16	9M-FY15
Gross Sales	597	625	1,123	1473	1,182	950
Net Sales	565	595	1,028	1430	1,149	923
EBIDTA	145	120	234	437	274	283
<b>EBIDTA Margin (%)</b>	<b>26%</b>	<b>20%</b>	<b>23%</b>	<b>31%</b>	<b>24%</b>	<b>31%</b>
Cash Profit	124	88	154	345	209	208
EBIT	117	76	77	213	146	119
PBT	91	49	(4)	126	84	51
PAT	90	43	(4)	119	77	42
<b>PAT Margin (%)</b>	<b>16%</b>	<b>7%</b>	<b>0%</b>	<b>8%</b>	<b>7%</b>	<b>5%</b>
Net Fixed Asset	987	1,259	1,242	1,069	981	1,108
Total Capital Employed	1,392	1,881	1,927	1,935	2,054	1,897
Long Term Debt	599	827	794	691	590	699
Share Capital	42	42	42	42	42	42
Net Worth	604	859	843	921	999	880
<b>ROE (%)</b>	<b>15%</b>	<b>5%</b>	<b>0%</b>	<b>13%</b>	<b>8%</b>	<b>5%</b>
<b>ROCE (%)</b>	<b>8%</b>	<b>4%</b>	<b>4%</b>	<b>11%</b>	<b>7%</b>	<b>6%</b>
Debt Equity Ratio	0.99	0.96	0.94	0.75	0.59	0.79
<b>EPS</b>	<b>21.43</b>	<b>10.24</b>	<b>(1.00)</b>	<b>28.30</b>	<b>18.46</b>	<b>14.52</b>

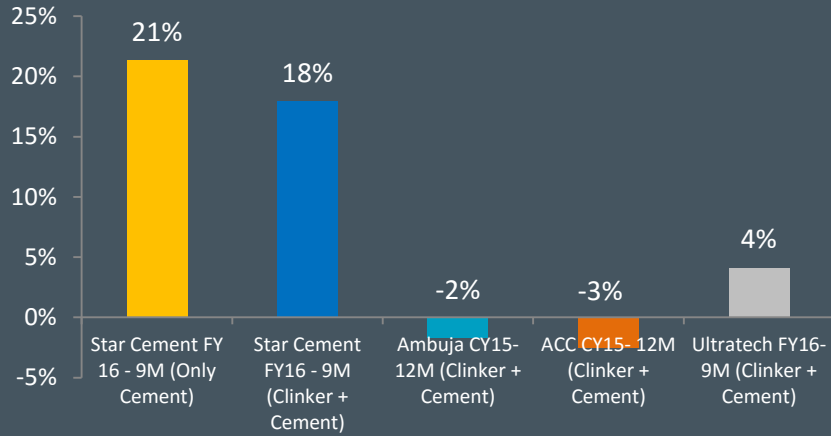
# The Numbers Speak: Successful Financial Track Record

**CONSOLIDATED FINANCIALS**
**Star Ferro & Cement Ltd**

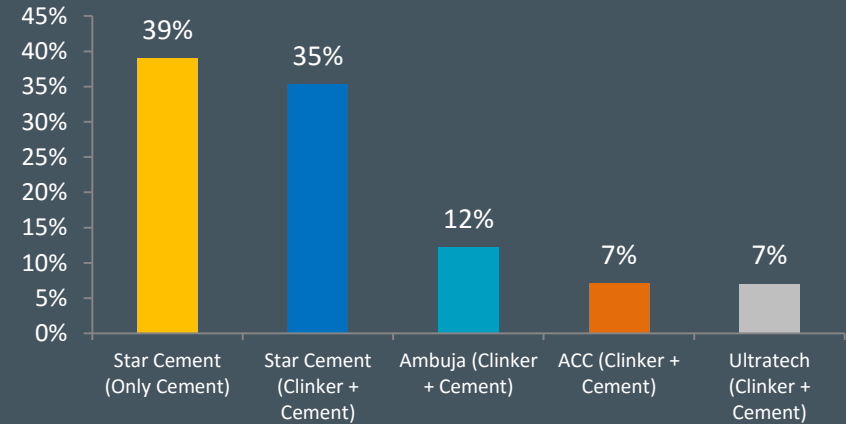
In ₹ Crores	2012-13	2013-14	2014-15	9M-FY16	9M-FY15
Gross Sales	694	1,171	1,473	1,183	952
Net Sales	660	1,173	1,430	1,149	923
EBIDTA	120	257	436	272	282
<b>EBIDTA Margin (%)</b>	<b>18%</b>	<b>22%</b>	<b>30%</b>	<b>24%</b>	<b>31%</b>
Cash Profit	88	167	344	207	208
EBIT	70	96	212	145	118
PBT	41	8	125	83	51
PAT	25	6	83	52	28
<b>PAT Margin (%)</b>	<b>4%</b>	<b>1%</b>	<b>6%</b>	<b>5%</b>	<b>3%</b>
Net Fixed Asset	1,294	1,272	1,069	981	1,108
Total Capital Employed	1,884	1,858	1,969	2,054	1,898
Long Term Debt	765	657	691	590	699
Share Capital	0.05	22	22	22	22
Net Worth	693	686	680	710	627
<b>ROE (%)</b>	<b>4%</b>	<b>1%</b>	<b>12%</b>	<b>7%</b>	<b>5%</b>
<b>ROCE (%)</b>	<b>4%</b>	<b>5%</b>	<b>11%</b>	<b>7%</b>	<b>6%</b>
Debt Equity Ratio	1.10	0.96	1.02	0.83	1.11
<b>EPS</b>	<b>498.40</b>	<b>0.28</b>	<b>3.76</b>	<b>2.34</b>	<b>1.28</b>

# Margin & Growth viz'-a-viz' Industry

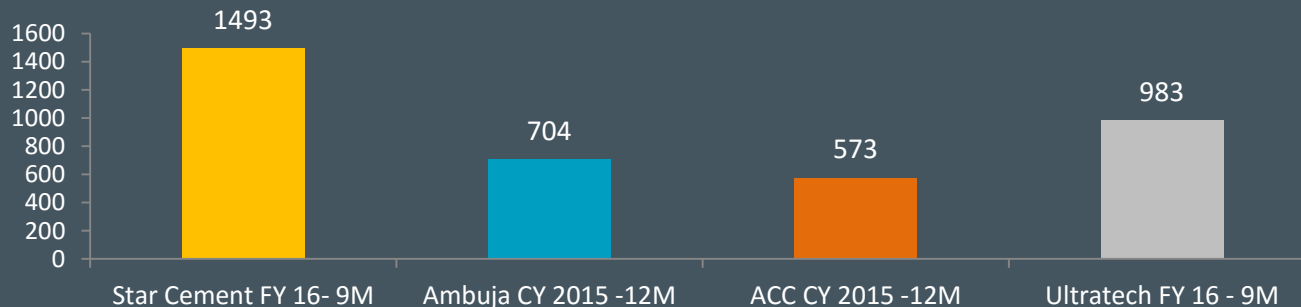
### Volume Growth YOY Comparison



### Volume Growth (%) QE Dec 15 over QE Sep 15 (Q-o-Q)



### Cement EBITDA / tonne comparison 9M FY 2015



Poised to meet growing demand potential in NER with available spare capacity

# Thank You

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