"Star Cement Limited 3QFY2020 Earnings Conference Call"

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MODERATORS: **MR. PRATEEK MAHESHWARI -- AMBIT CAPITAL PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Star Cement Limited 3QFY2020 Post Results Conference Call hosted by Ambit Capital Private 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prateek Maheshwari from Ambit Capital Private Limited. Thank you and over to you, sir.

Prateek Maheshwari: Thank you. Good afternoon, everyone. On behalf of Ambit Capital, I would like to welcome you to the Star Cement 3QFY2020 Earnings Call. From the management, we have with us Mr. Sanjay Gupta – the Chief Executive Officer; and Mr. Manoj Agarwal – the Chief Financial Officer.

We will now begin this call with opening remarks from the management and then we will open the floor for Q&A. Thank you and over to Mr. Manoj.

Manoj Agarwal: Yes. Good afternoon, everyone. I am Manoj Agarwal -- CFO of Star Cement Limited. I would like to welcome you to our earnings call for the 3QFY2020. Mr. Gupta, the CEO of our company will be joining soon, as he is traveling now. In the meantime, I will take you through the 3Q Earnings and Nine Months Ended Number and then we will open the floor for the interactive session, where you will be able to ask the question and will be happy to reply.

Now, I would like to clarify, that we will more be more discussing on the historical number and there is no invitation to invest. Having say so, I will just take you to the Q3 number followed by nine-month period indeed number.

Starting from clinker production, during the quarter ended December 2019. We have produced 5.69 lakh tonne of clinker as against as 6.02 lakh tonne, same quarter last year. So far as cement production is concerned, we have produced 6.49 lakh tonnes of cement this quarter as against 5.89 lakh tonne same quarter last year. That is a growth of around 10%.

Now I will take you through sales volume. During the quarter we have sold 7.19 lakh tonne of cement and 0.34 lakh tonne of clinker as again 6.40 lakhs tonne of cement and 0.15 lakh tonne of clinker same quarter last year. There is a growth of more than 12% in cement and more than 100% in clinker. This is as far as cement and clinker sales is concerned.

As far as geographical distribution of cement is concerned, in Northeast we have sold around 5.33 lakh tonne as against 4.96 lakh tonne same quarter last year, with a growth of more than 7%. As far as outside Northeast concerned, we are sold 1.86 lakh tonnes of cement this quarter as against 1.44 lakh tonnes same quarter last year with a growth of more than 29%. In terms of blend mix, it is almost 14% OPC or 52% PSC and the rest is PPC. These are the quantitative number of this quarter.

Now, I will take you to the financial:

The total revenue figure this quarter is around Rs. 450 crores as against Rs. 415 crores in period last year. As far as EBITDA figure is concerned, this quarter we have done an EBITDA of around Rs. 100 crores as against Rs. 123 crores last year. PAT after minority interest is Rs.71 crores as against Rs.82 crores in the same period last year. On the per tonne EBITDA front, it is Rs. 1,335 during the quarter as against Rs. 1,878 per tonne same quarter last year. This is whatever quarterly number.

Now I will take you through the nine months ended December 2020 number. The total revenue figure for the nine months ended December 2019 is around Rs. 1,292 crores as against Rs. 1,293 crores same period last year. As far as EBITDA figure is concerned during nine months ended December 2019, we have done an EBITDA of around Rs. 292 crores as against Rs. 324 crores last year. PAT after minority interest is down Rs. 200 crores as against Rs. 209 crores in same period last year. On per tonne EBITDA front it is Rs. 1.402 during the nine month ended December 2019 as against Rs. 1,607 per tonne same period last year. These are the quarterly ending for the nine months ended numbers are there.

Now I request all of you that if you have any queries you can ask the same and I will request Prateek to moderate the query wherever if requires, if queries are coming. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Jigar Shah from Maybank. Please go ahead.

Jigar Shah: The first question pertains to, if you can repeat ratio of the OPC and PPC, also give the status of the expansion in the new plant.

Manoj Agarwal: Yes. More or less OPC is at 14% and 2% is the PSC.

Jigar Shah: Okay. And can you give status of the expansion in the new plant?

Sanjay Gupta: Yes. Manoj, I will take this. So good evening, everyone. So the new plant which is Siliguri is on track, it is good to start operations from the month of March or April as it has been told earlier.

Jigar Shah: Okay. And the other thing is if you can throw light on the general demand scenario and price scenario in Northeast and East separately there is a lot of feeling that people are getting that East market is becoming very crowded and therefore, the pricing is under pressure plus in

Northeast there is this issue of CAA going on, so that is also hurting the overall growth. So, any thoughts on this will be appreciated.

Sanjay Gupta: So, in terms of demand, Northeast demand has been on track, I will say, for a nine-month period, the Northeast volume growth has been around 7%. And we have also grown in Northeast, on a nine-month basis the volume growth is around 7%. Overall East, the first quarter, the growth was not bad. There was a degrowth in quarter one. Quarter two was a flattish quarter. But quarter three that the growth has come back. And if you look at it even our numbers in outside Northeast is concerned. The volume in this quarter for outside Northeast has grown by 30%. So, our expectation is that full year in spite of all the problems that the East facing and whether the CAA protests or anything else. I think those are all behind us. And we hope to see the fourth quarter will definitely bounce back heavily you know that the overall flood situation in Assam and large part of eastern region was really grim but post the flood situation, I think the demand will pick up, we have seen that demand coming up in the month of January also, February is doing better. Overall, East will at least grow at the at the rate of 5% - 6%. And a Northeast would grow at around 8% to 9% on a full year basis.

Jigar Shah: That is you are saying for the current year?

Sanjay Gupta: Yes, with a view of current year, right.

Jigar Shah: And on price, I mean any comment.

Sanjay Gupta: So in the last quarter, the price has actually gone down, both in Northeast and outside Northeast, the Northeast, in quarter three, the price reduction was somewhere around Rs. 12. Outside Northeast, the price reduction was somewhere around anything between Rs. 15 to Rs. 20 to Rs. 25 depending on which market you are looking at. But the prices we started looking up from January and continuing the same trend, upward trend in the month of, February also. So, by this time, we have already seen a price increase of around Rs. 10 in Northeast and around Rs. 15 to Rs. 18 outside Northeast. We hope this trend will sustain as the volume growth is also better. We hope the uptick in price will be maintained and we will see a good amount of price increase in quarter four.

Jigar Shah: Sir, one last question, if I can squeeze. On the sustainability issue, what kind of steps you are taking, this is more considering the entire industry and Star Cement and issue is becoming globally quite serious. So, in terms of the different sustainability measures if you can give some remarks briefly?

Sanjay Gupta: Yes. So, what we are also trying to do is that we have also trying to chip-in in a bit of whatever we can do. So, we do not have a HRS plant as of now. We have already planning to set up a WHRS plant in our existing line, which will be around anything between 12 megawatts to 15 megawatts that project, we expecting it to commission in next 18 months to 34 months. So, that will substantially reduce our carbon footprint. We are also, there are other gains initiatives which we are also taking, in terms of using different type of fuel which we use, we are looking at some biomass fuel to be utilized in the kiln. So yes, definitely at a company level we are taking steps to reduce our carbon footprint.

Moderator: Thank you. The next question is from the line of Indrajeet Agarwal from Goldman Sachs. Please go ahead.

Indrajeet Agarwal: A few questions from my side. I joined the call a little late. Can you give us the volumes for East and Northeast separately again?

Sanjay Gupta: Yes. Total volume number for Northeast is 5.32 lakh tonne and four outside Northeast it is 1.87 lakh tonnes.

Indrajeet Agarwal: Thank you. East demand has been strong, so this has been reiterated by some of your peers as well. So can tell us what are the demand drivers and what is the sustainability of these demand drivers? Are you seeing some bit of real estate picking up or it is more government driven demand?

Manoj Agarwal: So largely the demand is retail driven only as I have been saying. We have been expecting that the wholesale demand, which is largely the infra demand to pick up. But it has not happened as yet, even in this year, in past three quarters we have not seen much of uptick in as far as entertainment is concerned. So there has been some movement as far as the bigger projects in Northeast such as the Subansiri project, there has been a tender of around 1.5 lakh tonnes of cement from NHPC for Subansiri. So, there is some movement in these high value projects. There are certain road projects which are still moving, but I will say that will it only contributes to about 2% to 3% of demand growth. But the entire slab 8% - 9% of demand growth is largely retail driven. There is affordable housing work which is driving the demand and the government interest subvention scheme, which is there for the individual house owners that is driving the demand. So, as far as the Northeast and I will say large part of East is concerned, main driver continues to be the individual outbuilding segment.

Indrajeet Agarwal: Okay. Thank you, that this is helpful. And last on East market as a whole the broader market. We have a couple of big capacities coming up from UltraTech and from Dalmia, a little bit from Shree as well, plus whatever consolidation we have seen in the industry yesterday in terms of the Emami facility. How do you see the demand supply dynamic shaping up in the industry in that region over the next 12 months to 24 months?

Sanjay Gupta: Yes. There will be some capacities which are definitely coming up, power cement plant of 2 million tonne will definitely be added one. Shree will be commissioning on plant, even Dalmia probably will be commissioning one plant. UltraTech does not have a Greenfield project coming up. Yes, their acquisition of Century Cement in terms of Birla Gold that will definitely they will definitely ramp up the overall capacity utilization of that company. So that will put some pressure on demand. But I still feel that the entire market size of Northeast has grown really well in last five years to ten years. Say Bengal today is now around 21 - 22 million market. Bihar has grown rapidly in the last five years. So, it is around 15 million - 16 million tonne market. So these two markets are very large markets now and 6% demand growth in these markets automatically adds at least 4 million or 5 million tonnes of cement. So even if there is a 5 million tonnes - 6 million tonnes of addition every year, the market should be able to absorb it. As far as the consolidation is concerned about the Emami and Nuvoco, Emami was already selling entire 5 million tonne - 6 million tonne and it was a cement, which has already been sold. There is nothing new which is coming up or adding up into further Bengal, Bihar and Eastern market is concerned. Yes, they will be selling already 6 million tonne, their capacity is around 8 million tonne. But it lacks clinker actually, it is not backed by the entire clinker. So that will take time for anybody to ramp-up the entire 8 million capacity of Emami Cement. So our view is in the long run the entire demand supply scenario should evenly poised and we hope that there will not be much pressure on prices.

Moderator: Thank you. The next question is from the line of Kartik Soni, an Individual Investor. Please go ahead.

Kartik Soni: Sir, my first question is regarding your EBITDA per tonne. If I am not wrong, it is around Rs. 1,400. But last quarter, you had said it should be around the yearly number will be around Rs. 1,600 per tonne. So way this reduction in this quarter?

Sanjay Gupta: So this quarter's EBITDA is Rs. 1,335 and the next month EBITDA is around Rs. 1,400. See in this quarter, the impact was largely on the price reduction which has happened all across the board even in Northeast and outside Northeast. So, that is a major contributor, definitely. I have also said that there is an impact of increase in coal prices for us that is also there. But I think that has been largely been offset in this quarter. But yes, the overall price reduction is approximately Rs. 300 a tonne, so that an impact on EBITDA.

Kartik Soni: So sir, do you still keep that your expedition of Rs. 1,600 on a yearly basis or it should come down your guidance?

Sanjay Gupta: So since we have can see how only one quarter and there has been some price movement, I will be looking at looking at a full year EBITDA of around Rs. 1,500 to Rs. 1,550.

Kartik Soni: Okay. Great, sir. And sir, second question is any in this recent budget, any special, any major announcement that could directly affect the company?

Sanjay Gupta: No, I think the budget was absolutely neutral for the industry as such. So there is not a major announcement is going to impact it. Yes, definitely the allocation, which has happened in other infrastructure projects, the details, which are available, that will definitely boost the rural demand. And we are hopeful that those things start keeping in and starts contributing to the overall demand of cement.

Kartik Soni: And sir, one last question, if I could ask, it is the regarding any improvement in market share. And second thing, your finance cost, this quarter your finance cost has gone a bit up, quite up compared to on a Y-o-Y basis and on a Q-o-Q basis also.

Sanjay Gupta: So I will request Manoj to answer the finance part.

Manoj Agarwal: Yes. Just because this quarter we have taken a reversal of what we have capitalize in the pre-operating expenses, that reversal is around Rs. 3 crores, so that is the only thing, which you are seeing as a finance cost. So it will not come in the next quarter.

Kartik Soni: Okay. And sir, regarding your market share and improvement on the market share Northeast market share?

Sanjay Gupta: No. I think we have maintained our market share, there is no increase and we have grown in line with the, what industry has grown. On the full year basis, we hope to grow at the same level.

Kartik Soni: Okay. Then the market share is still around 23% - 24%.

Sanjay Gupta: Yes, 24%.

Moderator: Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

Pratik Kumar: Sir, my question is there any ban on that coal mining issue in the Northeast market?

Sanjay Gupta: So, after the Supreme Court judgment on 3rd July 2019, the coal mining ban has been lifted but it has been said that instead of rathole mining. They have to do the mechanized mining which is permitted as per the MMDR Act, right. So, in that sense the mining ban is not there. But yes, the coal mining has to still take some time to commence, because the land holding pattern in Meghalaya is very fragmented, it is on individual basis and the state government is trying to consolidate that landholding by creating cooperatives and it will take some time to start the coal mining in the Meghalaya.

Pratik Kumar: And in current quarter because of higher cost imported coal seems the cost has gone higher by Rs. 300 as you mentioned.

Sanjay Gupta: Yes.

Pratik Kumar: So, now like 100% of our fuel mix is important coal?

Sanjay Gupta: Yes. So in this quarter specifically, the cost has gone up around Rs. 150 a tonne. But, still I will say that there were some inventories of old stock, which have been utilized. But I think yes on a full year basis, on next year onwards, the impact is going to be somewhere around Rs. 250 a tonne to Rs. 200 a tonne. And as of now, we have been buying the 100% of coal, we have been using some petcock also and the coal. So, this is all purchase, it is not hundred percent imported. We are also seeing some coal from various options taking place and by Coal India.

Pratik Kumar: Right. And regarding the CAPEX project, is there a delay by three months in the Siliguri grinding unit earlier envisage to December, January. So is it delay, any update on status from Meghalaya clinker unit?

Sanjay Gupta: No, I think clinker, we were looking at to start in the month of February. But we have already started it in, I think this is going to start in the month of March. So does the only thing which is there. So it is going to start in quarter four only. As far as the Meghalaya clinker unit is concerned, we have already has been said, we have already received the approval for a single window clearance we are in process of potential project report, the filing of environment clearance after the traditional report will happen, and we are progressing steadily and it is on track in terms of the target of starting the clinker plant by 2023.

Moderator: Thank you. The next question is from the line of Mangesh Bhadang from Nirmal Bang. Please go ahead.

Mangesh Bhadang: A couple of questions from my side. Firstly, sir own Siliguri, which are North Bengal and other markets that you will be targeting from there? And where you will source clinker from for this facility? And if also you can talk about what is the supply that is coming in which can specifically target that area? And second question is on the subsidy receivables what is the amount that you have?

Sanjay Gupta: So as of now, see, the Siliguri unit, once it starts, largely it is the concentration of our sales is largely going to vary heavy. As far as the North Bengal is concerned which is up to Murshidabad that is going to be and yes, definitely we will also be going to South Bengal, it is a market in South Bengal. But that will be the most concentrated area will be up to Murshidabad and I think Bihar, we will be largely targeting the Eastern Bihar markets from Siliguri plant. So that is the target area as far as the Siliguri is concerned. As far as the subsidy is concerned, I think we only have Rs. 50 crores receivables from subsidy and hopefully, we will receive this money in this particular year.

Mangesh Bhadang: How much, sir? Sorry.

Sanjay Gupta: So, this Rs. 50 crores, the only outstanding subsidiary is only Rs. 50 crores and we are expecting this to come in this quarter itself. Since the budget is over, we hope that the funds will start getting released. Once that happens we hopefully will good this money.

Mangesh Bhadang: Okay. And also sort of for the target area that you mentioned, any supply which is coming up which will have similar lead distance?

Sanjay Gupta: No, I do not think that there is even plant which is there is this particular our target market. The only plant which is going to come up is going to come out South Bengal market of one is Shree cement and another plant of Dalmia will come up. So these are only two plants which are there. But in our target market, no new facility is coming up.

Mangesh Bhadang: Okay. And South to North there would be more than 200 kilometers distance I guess.

Sanjay Gupta: Yes. So Siliguri to Calcutta the distance is around 500 kilometers. So, our target market is largely going to get concentrated. So, for the purpose of the spread, probably in the initial days probably the spread will be a little wider and we will reach to around 400 kilometers to 500 kilometers but once the consolidation process starts in, we will consolidate concentrated to the most effectively on the markets, up to around 300 kilometers - 350 kilometers.

Mangesh Bhadang: And where you source the clinker from, sir?

Sanjay Gupta: So the entire clinker is going to come from Meghalaya.

Mangesh Bhadang: Meghalaya. Okay, sir.

Moderator: Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Most of my questions are answered. Just wanted to get some clarity on this Siliguri. Sir, just wanted to understand for on Siliguri, how will the fly ash logistics and what should our volume number, you are looking at to sell from the Siliguri unit and the fly ash logistics for the same?

Sanjay Gupta: See, largely the fly ash, we will be sourcing it again from Kahalgaon and from Farakka and Puri and these are the places where we are already sourcing, right? The fly ash has been now hauled up to Guwahati and it is getting mixed with some clinker and then coming back to the Siliguri market. Now the source will remain the same, only difference will be the fly ash will now be, can be only, has to take up to Siliguri and then mix it and then selling in that particular market. So that is how it is going to work out so by the fly ash is concerned.

Rajesh Ravi: And sir, like what sort of cess incentives we have for this plant?

Sanjay Gupta: There are cess incentive which are announced. The incentive is 75% of GST, this plant should be exempt. But the problem with the West Bengal government is, they have not been disbursing this amount for the last many years, right. So, I do not think that that is going to add any value as of now. 0:29:19.2 they start disbursing the funds.

Rajesh Ravi: Okay. And sir, for the subsidy backlog, you mentioned that the what all amount we received around Rs. 175 crores at the start of the financial, correct?

Sanjay Gupta: Yes. So, the outstanding right now Ravi, is only Rs. 52 crores, right. That is around Rs. 50 crores - Rs. 52 crores.

Rajesh Ravi: Okay. So because I was thinking it is around Rs. 80 odd crores, Rs. 82 crores. So…

Sanjay Gupta: No, it is only Rs. 50 crores.

Rajesh Ravi: Okay, Rs. 50 crores. And sir, on the Siliguri expansion. So, you said that the approvals are already in place and hence, the work would start soon. So by when do you expect this plan to be up and running? The equipment ordering and all?

Sanjay Gupta: No, sir. On the Siliguri it is Meghalaya clinker.

Rajesh Ravi: Sorry, on the Meghalaya.

Sanjay Gupta: So we will be taking some time in that until, unless we get the environment clearance for this project. It will be difficult for us to actually start commencing. Yes, but offer taking another thing is already commencing. It is not that we are not. So it will take some time, we will be waiting for environment clearance first to come in.

Rajesh Ravi: Okay. I thought you mentioned that the EC is already, you received the environment clearance.

Sanjay Gupta: No, I said that we have received single window clearance from the state government. In Meghalaya there are a lot of clearances, which you need before you set up a plant. So you need a local area clearance, you need a local ilaka clearance, then you need a state clearance, okay and then only you can approach EC, approach MOEF for EC. So we will be MOEF shorty.

Rajesh Ravi: Okay. And lastly, we will also be producing slag cement from Siliguri or it will be fly ash and OPC?

Sanjay Gupta: Largely it will be fly ash and OPC.

Moderator: Thank you. The next question is from the line of Chintan Shah from Investec. Please go ahead.

Chintan Shah: Sir, firstly, could you please help us with the absolute power and fuel and freight costs for the current quarter and same quarter last year?

Sanjay Gupta: Yes, Manoj.

Manoj Agarwal: This quarter there is Rs. 92.50 crores and in last year same quarter it is Rs. 70.76 crores.

Chintan Shah: Rs. 70.76 crores.

Manoj Agarwal: And as far as carriage outward is concerned, it is current quarter is the Rs. 88.04 crores and last year Rs. 37.77 crores.

Chintan Shah: Okay. And sir, also, could you please help us with a detail CAPEX plan and breakup plan wise, if you can give us some idea of for the next year and for current tier how much you have spent and what is pending?

Sanjay Gupta: So, as far as the Siliguri is concerned, we are almost there. So I think by the end, this year the further amount of around Rs. 100 crores is still left because once the project is complete, there will be a lot of payment which is required to be made to suppliers of equipment and contractors, which are largely the contract is, the payments are predicated towards the end of the contract on the completion of the project. So those payments are going to come in. So in this year, I think that only balance amount of around Rs. 100 crores will be disbursed for the Siliguri project, that is one. Number two is as far as, the other plants are concerned which is largely the clinker plant at Meghalaya and the WHR plant at Meghalaya, they are the only two plants we are contemplating. The overall project cost is going to be around Rs. 1,100 crores for these two projects. We have not spent much of money, I think only Rs. 4 crores - Rs. 5 crores have spent till now. And we do not see. So in next year, these projects will definitely, I mean be it around Rs. 150 crores to Rs. 200 crores to the spent.

Chintan Shah: Okay, fair enough, sir. And sir, what will be the cash balance as of the end of this quarter?

Sanjay Gupta: I will ask Manoj to reply to this question.

Manoj Agarwal: Yes. Cash balance is around Rs. 270 crores.

Chintan Shah: Rs. 270 crores, Okay. And sir, have you thought of how we are going to utilize this cash spend on much of CAPEX, so we thought about giving more dividends of the plans?

Sanjay Gupta: So, we have already declared the dividend in this Board Meeting. So, we have given the 100% dividend already. We have already completed a buyback of around Rs. 100 crores in this year only. So, there is a distribution of around 154 in this financial year itself.

Chintan Shah: Okay. And lastly, this clinker unit by when can we expect that?

Sanjay Gupta: We have said that this is going to come up by 2023.

Chintan Shah: 2023, okay.

Moderator: Thank you. The next question is from the line of Jigar Shah from Maybank. Please go ahead.

Jigar Shah: Thank you for taking my follow-up question. Only one thing I wanted to ask is, what kind of volume you are targeting for this year now? So heading up nine months in the fourth quarter and the next year, which will have the advantage of Siliguri plant?

Sanjay Gupta: So, so in nine months overall, the cement volume growth has been around 7%. And we hope that by the end of the year, we will be at least coming to some double-digit, somewhere around anything between 10% to 12%. That is what the overall volume growth we are targeting. For next year the overall volume targets are around anything between 15% to 20%. We are already working on our annual business plan for the full year. I think we will be able to freeze these numbers by the end of this quarter.

Moderator: Thank you. The next question is from the line of Mangesh Bhadang from Nirmal Bang. Please go ahead.

Mangesh Bhadang: Yes, sir. Now that the deal is over, I just wanted to check what kind of EV you were looking at for the Emami Cement, in the bid?

Sanjay Gupta: In our kind of understanding, our EV value. So these are the numbers which we internally work on as there is no point discussing those numbers at this point of time.

Mangesh Bhadang: Yes. Just the broader rough numbers that you were looking at.

Sanjay Gupta: So we were quite below them. The deal has gone at Rs. 5,500 actually. We were looking at a much lower number there, because in our view the clinker unit was absolutely, it is on Rs. 3 million tonne and Rs. 8 million tonne that will take another investment which is required and it will not be possible till such time to utilize the entire grinding capacity. And there was, we had issues with the limestone mining and those things. So I think our value of number was really lower than that.

Mangesh Bhadang: But did they had a huge limestone reserves with them, which would have tilted it or it or just some other land parcels, which would have…

Sanjay Gupta: So I think there were land disputes on that particular thing, and we had issues on that. And our view was a little different than whatever, reserves they have been quoting, right. So that has actually lowered their entire number. But everybody will look at different things at different point of time because we never had a plant in Chhattisgarh, right. So, for us, it should have been one individual mines, it is an absolutely new mine for us, but somebody who is already having mine or adjacent mine side, he may even look at it this plant in a much different way that we have been looking at it. So that may be one of the reasons for large difference in valuations.

Moderator: Thank you. The next question is from the line of Milind Raginwar from Centrum Broking. Please go ahead.

Milind Raginwar: A couple of questions. One is on the power and fuel cost, how is our breakup currently in terms of the fuel mix?

Sanjay Gupta: So, if you look at the entire say overall as of now, the full mix is I think imported will be still be around 80% and 85% and 15% - 20% is going to come from the local, the coal India and these source, right. So that is the mixture.

Milind Raginwar: Okay. And that is going to change going forward or this is broadly just…

Sanjay Gupta: No, I think this is broadly going to be the structure of the full mix.

Milind Raginwar: Okay. So petcoke would not be a major contributor for us going forward?

Sanjay Gupta: See, in last year, petcoke was a contributor around 10% of petcoke we have utilized. But see, the sourcing petcoke, is also is an issue there. I am not saying that the petcoke will not form the part of overall, well, basket for us. Because it all depends on what kind of international price movement on coal, petcoke and coal India prices move and accordingly we will source it. But largely, I think if you can take imported coal will be somewhere around say 70% and the rest of the coal will be within that 25% - 30% range.

Milind Raginwar: Understood. Yes. The second question is about once the Siliguri grinding is up, do we see a mismatch in the clinker cement capacity? And if yes, how are we addressing that?

Sanjay Gupta: So, take it like this say we have today the clinker capacity of around 3 million tonne in Meghalaya. This year we will be sending around 3 million tonnes of cement, right? So with 3 million tonne of clinker in Meghalaya, we can easily make around 4 million to 4.2 million tonne of cement, right with 1.4 ratio. So, we can make around 4.2 million tonne and we have sold around 3 million tonne last year. So, even if we grow our number at 20%, at least I have two years to clinker available with me for supporting this. So, I do not see there is any problem in getting that required clinkers Yes, definitely after second year, we will need more clinker. So, that is why we are setting up a 2 million tonne clinker plant in Meghalaya. So, that will take our clinker capacity to 5 million tonne and with 5 million tonne of clinker, we will be able to produce with 1.7 million tonne kind of cement. So, that will be sufficient that is what the plan is.

Milind Raginwar: Okay. And a few line items, one is about this other expenditure, is it purely the synergies I mean the economics of scale or there is something more in it? We have seen a reduction.

Sanjay Gupta: Yes, because the reduction in certain expenses as for the repair, maintenance and some saving in store consumption. So, this is because the repair and maintenance last time was high. So that is the saving in repair and maintenance and store consumption. So more or less it will continue, but it will be somewhere here and there.

Moderator: Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Yes, I wanted to take on this coal availability from the mines, which have been released by Supreme Court. What is the availability of those coal which are, piled up in across Meghalaya?

Sanjay Gupta: So as of now Rajesh the coal mining is not convinced in Meghalaya. The Supreme Court has allowed a 32 lakh tonnes of coal which was over ground and lying to be transported. But still, there is NGT has still not cleared that and the Coal Indian and NGT are required to complete the modalities of transportation of that coal. So, once that modality is finalized, definitely we will receive, the entire Meghalaya will receive around 32 lakh tonnes of coal, which is sufficient. For at least three years - three and half years of entire requirement. But it is taking a little bit of time. We hope that in maybe next six months to nine months' time those models will be formalized and ultimately that over-ground coal will be available for us. That will bring down the cost also for us. But at this point of time, I am unable to predict any timeline.

Rajesh Ravi: So, like there was two things one, when you mentioned that for the new mining, you know that land need to be land records and all need to be reorganized. But in this case, are there such big hurdles which is holding this back. See, there is no big hurdle because this coal is already over ground. So they are getting in line on the mindset, right. But the only question is, as per the Supreme Court direction the Coal India Limited, the state government and the NGT committee needs to sit down and work out the modalities of how to dispose of this coal, right? The problem is that the people who are not being able to finalize those guidelines as of now. So they are all working on that, there will be analyzing those guidelines, but still being the NGT Committee, being a government agency, organization, then the state government is involved. And even the Coal India, which again is a government organization so all that is taking a little bit of time. But hopefully, maybe next six, nine months, this should get resolved because ultimately it is in the interest of the state and it is the interest of Coal India to finalize these things. So we hope that will get resolved.

Sanjay Gupta: And sir, versus this locally mind coal, how different is the pricing of coal that people are using currently in Meghalaya from outside Northeast whatever you are brining on a landed basis, what would be the differential?

Sanjay Gupta: So Rajesh, as I said, right. So today I am not using local at any…

Rajesh Ravi: Yes. So versus what price you were using at? And today's price that you are getting it from outside?

Sanjay Gupta: So, so the pricing depends on what GCB of coal you are procuring. So, just to give you an example, so my cost in a full utilization of this and not utilizing the local coal, will go by around everything between on a full scale basis usually around Rs. 200 to Rs. 250 or Rs. 250 to Rs. 300, right. That will be the overall impact on the on the coal costs of the company.

Moderator: Thank you. As there are no father questions, I now hand the conference call over to Mr. Prateek Maheshwari for his closing comments. Please go ahead.

Prateek Maheshwari: Hello, thank you, everyone. Mr. Manoj, do you want to give the closing comments?

Manoj Agarwal: Yes. Gupta, sir will give the closing comments.

Sanjay Gupta: Yes. Thank you, everyone. Thank you for participating in this conference call. And we hope that we have been able to answer your questions. If there are any further questions, which comes to your mind, you can always send us a query. We will be happy to reply. Thank you everyone for participating.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital Private Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.