19th November, 2022

To
The Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block-G
Bandra Kurla Complex, Bandra-East
Mumbai-400 051
Stock code: STARCEMENT

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai-400 001
Stock code: 540575

Dear Sir(s),

Sub: **Transcript of the Conference call for Unaudited Financial Results for the Quarter ended 30th September, 2022**

In terms of Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we forward herewith the Transcript of the conference call with Investors and Analysts held on Thursday, 17th September, 2022 for Unaudited Financial Results for the quarter ended 30th September, 2022.

The same shall also be available in website of the Company at https://www.starcement.co.in/investor/earnings-call

This is for your information and record.

Thanking you,
For Star Cement Limited

19-11-2022

X

Debabrata Thakurta
Company Secretary
Signed by: DEBABRATA THAKURTA

STAR CEMENT LIMITED KOLKATA

Debabrata Thakurta
(Company Secretary)

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ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 CERTIFIED COMPANY.
CIN : L26942ML2001PLC006663

"Star Cement Q2 FY23 Earnings Conference Call"

November 17, 2022

MANAGEMENT:	**MR. TUSHAR BHAJANKA – EXECUTIVE DIRECTOR, STAR CEMENT** **MR. MANOJ AGARWAL – CFO, STAR CEMENT**
MODERATOR:	**MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY23 Earnings Conference Call of Star Cement hosted by PhillipCapital (India) 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 an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you sir.

Vaibhav Agarwal: Thank you, Rutuja. Good morning, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q2 and H1 FY23 call of Star Cement. On the call, we have with us Mr. Tushar Bhajanka – Executive Director and Mr. Manoj Agarwal – CFO of the Company. At this point of time, I am going to hand over the floor to the management of the Company for their opening remarks which will be followed by interactive Q&A. Thank you and over to you, Manoj sir.

Management: Good morning all. My name is Tushar Bhajanka. I am the Executive Director of Star Cement. I would like to welcome you all to the earnings call of quarter two. I have Mr. Manoj Agarwal with me who is the CFO of the Company. He will take you through the numbers of quarter two and after that we can have a Q&A session. Thank you.

Management: Hi, friends. Very good morning. On behalf of Star Cement Limited, I welcome you all to our concall for discussing our number of Q2 FY23 and half year ended September 22. I would like to clarify that we will be discussing on the historical number and there is no invitation to invest. Having said that, now I will just take you through the Q2 number followed by half year number.

Starting from clinker production during the quarter ended September 22, we have produced 5.11 lakh tonnes of clinker as against 5.49 lakh tonnes same quarter last year. So, as far as cement production is concerned, we have produced 8.91 lakh tonnes this quarter as against 6.1 lakh same quarter last year. This quarter we have taken shutdown in both of our kiln at Lumshnong, Meghalaya.

Now, I will take you through the sales volume. During the quarter, we have sold 8.91 lakh tonnes of cement as against 6.17 lakh tonnes of cement and a negligible quantity of clinker same quarter last year. This is as far as cement and clinker sale is concerned. As far as geographical distribution of cement is concerned, in North East we have sold around 6.54 lakh tonnes as against 4.93 lakh tonnes during the same quarter last year. And as far as the outside North East is concerned, we have sold 2.38 lakh tonnes of cement this quarter as against 1.25 lakh same quarter last year. In terms of blend mix, it is almost 6% of OPC and rest is PPC. These are the quantitative numbers of the quarter.

Now, I will take you through the financials. The total revenue figure this quarter is around 593 crores as against 406 crores same period last year. As far as EBITDA figure is concerned, this quarter we have done an EBITDA of around Rs. 83 crores as against Rs. 80 crores last year. PAT is Rs. 49 crores as against Rs. 44 crores in the same period last year. This is on account of increased tax expenses due to sunset of tax exemption period in respect of our Company's Guwahati's grinding unit and its subsidiary Star Cement Meghalaya Limited. However, the cash **(Inaudible) 3.27** will be MAT only. On per tonne EBITDA front, it is 934 during this quarter as against 1302 per tonne same quarter last year. This is our quarterly numbers of this quarter.

The total revenue figure for the half year ended September 20 is around 1258 crores as against 917 crores same period last year. As far as EBITDA figure is concerned, during the half year ended September 22 we have done an EBITDA of around Rs. 221 crores as against Rs. 182 crores last year. PAT is Rs. 99 crores as against Rs. 115 crores in the same period last year. PAT is down due to increased income tax expenses as explained before. On per tonne EBITDA front, it is 1183 during this half year ended September 22 as against 1317 per tonne same period last year. These are the quarterly and half yearly number.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, first on the volume front. So, last time you said we are looking at close to 17% growth that is a 4 million tonne volume for this year and the next year double digit. So, does the trend remain the same or maybe likely to slightly better in this year?

Management: The volume growth that we have had in quarter two has been about 44%. So, we have been fairing much better than what we had actually projected earlier. And this, a lot of our growth has come from outside North East. So, we have grown about 91% Y-o-Y in outside North East and in North East as well the market has picked up well where our volumes have grown by about 33%. So, we do stick to the number that we had earlier projected and we do expect that the number will be better than what we had said.

Shravan Shah: Secondly in terms of the geographical mix, so this quarter since the North East is slightly lower but we were looking at close to 65% share in North East. So, will it remain the same?

Management: Yes. So, I think even if you look at the numbers this time, we have made more than 65% of our sales in North East compared to any other previous quarters. Of course, the growth outside North East has been better this quarter, that even the North has growth. So, in that sense we are trying to maintain a 75:25 or a 70:30 ratio between North East and outside North East sales.

Shravan Shah: And what would be the number in terms of the trade sales for this quarter and lead distance?

Management: Yes, so the trade sales overall, so we have actually increased the trade sales to about 93% of our overall sales. This if we compare it to previous numbers was about 85% last quarter and 88% YoY. So, we have not only led to a higher overall number, we have actually increased the proportion of our trade versus non-trade sales. The proportion on trade sales right now is about 92.4% and regarding the lead distance, the lead distance has increased slightly from 230 km last quarter to 233 km this quarter. So, it has only increased very slightly.

Shravan Shah: So, in terms of the premium share this quarter how much and we were looking at to increase to 10% this quarter. So, for this quarter has it increased to 10% from 8% in June?

Management: Of premium products?

Shravan Shah: Yes.

Management: So, the premium product sale has not shown that kind of growth. So, it has broadly remained at about 7% of our overall sales, which was very similar to the number last quarter.

Shravan Shah: So, in terms of the now pricing, so how the pricing has moved in East and North East in second quarter and post September, how the prices has increased in both the regions?

Management: So, you know the pricing has broadly remained the same in North East. It has probably fallen by Rs. 10, but not significantly. The pricing outside North East has of course taken a hit. So, if we talk about the North Bengal area, the pricing has fallen by about Rs. 20 in August month. But then in September month, it has been increasing. So, even in October or November we have taken price increases outside North East. So, the North East prices have broadly remained the same whereas the prices outside North East has fallen by about Rs. 20, now they have again picked up.

Shravan Shah: Post September Bihar and West Bengal price increase would be around Rs. 20 odd, post September?

Management: Yes. So, we had taken a price increase in September and then you know the prices had actually fallen again in October because October was not a good month for any of the cement players, because all the festivals actually took place in October. So, in November again we have increased the prices by Rs. 10 and we exercise that we will again increase the price of around Rs. 10-Rs. 15.

Shravan Shah: So, Rs. 10-Rs. 15 more than we are expecting?

Management: Yes, in the month of November.

Shravan Shah: Lastly, on the expansion in the CAPEX and the debt front. So, in terms of the timeline for 3 million tonne clinker, 2 million tonne grinding in Guwahati and 2 million in Assam. So, previously we mentioned December 23, January 24 and March 24, so that remains intact or do we see any delay in terms of commissioning the plant because last time we said from August the full construction will start. So, has it started? Any update in terms of the CAPEX though this 1H the CAPEX was only 127 crores versus we are looking at 1000 crores - 1000 crores this year next year. So, what is the new number?

Management: So, we have of course embarked on the CAPEX that we were discussing, the commissioning of the plant has already started in Lumshnong for the 3 million tonne clinker plant. We have also started our commissioning of the grinding unit in Guwahati. We have started buying the land that we require in Silchar for our grinding unit in Silchar. So, the CAPEXs going on in full front and we still stick to their timeline that we had discussed earlier. In terms of the CAPEX outlay, the CAPEX outlay has just started. So, overall, in terms of projects, we must have spent about 100 cr. I think the major spending which happen will start from 4th quarter of this year and that is where we expect most of the CAPEX outflows to happen.

Shravan Shah: So, 1000 crores this year, we are looking at and next year also 1000 crores CAPEX.

Management: Also, this year it may not be Rs. 1000 crores, it may be about Rs. 700 crores. But it will carry forward to the CAPEX that we don't do this year, we will carry on to the next financial year because we do aim that our capacities would come by December 2023 or January 2024.

Shravan Shah: And the peak net debt we were looking at Rs. 500 odd crores versus currently the…?

Management: That remains intact, yes.

Shravan Shah: And lastly if you can help on the power and fuel cost. So, in terms of the kcal how was it for this quarter and how do we see because previously we were looking at 10% increase in the second half of this year. So, any color on that?

Management: The power and fuel costs have actually increased. You know the fuel cost that we had has increased from about Rs. 1.5 per GCV that we were averaging out earlier to about 2.1. The main reason for this is of course that FSA contract that we have are only partially being obliged by the EPL mainly because of the shortage which is happening throughout the country. So, because of that we had to buy fuel from spot contracts which is leading to a higher surge in the fuel cost. And the power cost has broadly remained the same. It may have increased by about Rs. 0.5 per unit and that is basically the situation that we have in power and fuel cost at the moment.

Shravan Shah: So, in the second half we see further increase by how much in terms of both power and fuel cost combined put together?

Management: So, in second half, we see a basic increase of about 30% in terms of the fuel cost and the power cost because this will rely on IEX and IEX is not fluctuating as much in this quarter 2. So, the power cost has not increased more than 10%.

Moderator: Thank you. The next question is from the line of Uttam Kumar Srimal from Axis Securities Limited. Please go ahead.

Uttam Kumar Srimal: Sir, my question pertains to our WHRS plant. When this plant is going to completion, the 12 MW WHRS plant?

Management: Good question. The plant was supposed to commission by about November. But there is a one month delay to the commissioning of the plant. So, now it will be commissioning end of December. That is our timeline, the revised timeline for the WHRS plant. So, it should be coming up very soon by next month.

Uttam Kumar Srimal: And sir, what has been our power and fuel this quarter because last quarter it was around 90% domestic coal and 10% biomass. So, it remains the same or there has been some change in the fuel mix this quarter?

Management: So, basically last quarter, we of course had 10% of biofuel which we also have this quarter. But the domestic coal was basically coming from the FSAs that we had. But because FSAs this quarter weren't obliged though we were eligible but we didn't get it because of the shortage which is happening in Coal India. We had to rely on buying spot auction. We had to participate in spot auctions and buy outside coal at a higher price and so yes, we have been using the domestic coal but the domestic coal is coming from a different coal than we had earlier.

Uttam Kumar Srimal: Now this situation has normalized or still you are buying from outside rather than from getting it from FSA?

Management: We are trying to get as much as we can from the FSA because the FSA contract that we had was of Rs. 1.5 per GCV. So, we are trying to make sure that we get as much as from FSA but we have started buying coal from spot contract rather than FSA as well which of course is coming at a rate of Rs. 2.9 GCV to the plant.

Uttam Kumar Srimal: So, that's why in the third and fourth quarter power and fuel cost will be higher because you are purchasing from outside?

Management:	Yes, so that is correct. Our fuel mix has definitely changed between FSA and auction. And I think the fuel cost that we saw in quarter two will also be passed on to quarter 3 and quarter 4.
Uttam Kumar Srimal:	And sir, when our Guwahati grinding unit is expected to commission, this year or next year?
Management:	So, the grinding unit, since we are coming with two grinding units, one is in Guwahati and the other one is in Silchar. The one in Guwahati is due to be commissioned in October next year and the one in Silchar should be commissioned by June 2024.
Uttam Kumar Srimal:	And Clinkerization plant would be commissioned this year only from Meghalaya, 3 million tonne?
Management:	No, the Meghalaya Clinkerization plant will also commission by December next year. So, there is no plan for this financial year.
Moderator:	Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
Shravan Shah:	Sir, again just trying to reconfirm because previously when I asked you mentioned the deadline of all the plants same, but now since slight change, so 3 million clinker at Meghalaya will start by?
Management:	December 2023 or Jan 2024.
Shravan Shah:	And 2 million tonne Guwahati will start by?
Management:	October 2023.
Shravan Shah:	So, that is preponed and 2 million tonne Assam Silchar will be June versus last quarter we were looking at March 24?
Management:	Yes.
Shravan Shah:	And second thing is in terms of this quarter, in terms of the Siliguri utilization was how much?
Management:	So, Siliguri utilization this quarter was about 50%. If you compared to last year same quarter, it was about 30%.
Shravan Shah:	So, we were looking at for the full year, so last quarter Q1 was 67, now 50%, so for full year we were previously looking at 65 to 70%, so this now would be in the 60 to 65% of full year?

Management: Yes, I think we should still touch 65% because we all know that quarter 2 is the worst quarter in terms of volume that we have, so quarter 3 seems better, quarter 4 should be the best, so in terms of utilization, I think we can average about 66% or above.

Shravan Shah: And on the premium share, just trying to continue, so now 7% share, so how much we can increase the premium share and also previously we are looking at the price gap between the normal and the premium was kind of Rs. 20, so Rs. 400 per tonne and we were looking to increase this from Rs. 20 to Rs. 100 to Rs. 200, so when that can be possible, any color on that?

Management: Our shares, we are right now launching policies and we are giving schemes which would lead to an increase in our shares. We are basically focusing outside North East because Bihar has a good market for premium cement. That is why we are trying to push our premium sales. So, we can target that by end of this financial year, we are targeting premium sale proportion of about 11% and as per the price gap between the premium and the PPC, right now the price gap is of about Rs. 25. Of that, we have to give about Rs. 5 as discount. So, the impact on the annuity, the net of discount price is about Rs. 20 still and we are working towards creating the difference between the PPC and the premium, but we have to follow the market trend, so we have to follow other players and the difference that they have between premium and the normal PPC.

Shravan Shah: And just to get it right, in terms of the fuel mix, you mentioned that the auctioned coal that you purchased was higher, so for this quarter Q2, 10% you said the biomass, so in terms of the fuel mix, if you can help us what was the FSA and the spot or maybe the Nagaland coal share?

Management: This quarter, we had about 10% is still coming from biomass and we had about 45% of our coal coming from spot contract which are of the high cost and the other 30 to 35% is mainly coming from the FSA contract and 10% coal coming from Nagaland.

Moderator: Thank you. The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Just on the expansion program, just wanted to have some clarification, so the size of clinker is 3 million tonne and what is the size of each of the grinding units?

Management: It is about 2 million tonne each.

Amit Murarka: And the CAPEX, what is the CAPEX outlook for each of those?

Management: So, it is about, the clinker plant is basically for about Rs. 1,250 crores and the grinding unit would be about Rs. 400 for the Guwahati plant because that is the Brownfield expansion and about 450 to 475 for the Silchar plant because that will be Greenfield.

Amit Murarka: So, in total about close to Rs. 2,100 crores CAPEX?

Management: Yes.

Amit Murarka: And what is the plan like while we are saying that long term you are looking for 70% North East and 30% East, but lot of the incremental expansions are also happening, at least some of the companies like Ultratech is also looking to be more aggressive in the North Eastern market, so do you think this kind of, you will be able to sustain your volume market share and grow these capacities given this inflow of new volumes?

Management: I think the belief is that we can sustain these margins plus we are actually trying to increase the market share now. The main reason is that the cost of fuel has increased throughout the country and earlier what used to basically happen is that lot of cement from outside used to be dumped in North East by Ultratech or by other players, whenever they had the capacity or whenever the demand was not picking up in the mainland India. So, I think now because the variable cost has really increased, they are not finding it that profitable to actually dump in North East. So, from that perspective, I think the high costs are leading to less dumping in North East from outside companies. So, I do not think that has been the trend in quarter 2 as well. So, there actually has been less cement coming from out. I was just saying that the arrival of outside companies in North East has actually reduced in quarter 2 and we see a similar trend in quarter 3 as well. From our perspective of what is going within North East, there are smaller players in North East which had set up the capacities about 2013, but no one is really expanding at the moment and I think we will again get the first-mover advantage in terms of expansion and 2-3 years that we will have where other setting up the capacities and we have already set it up would really give us the advantage to get a higher market share. So, that was really eminent.

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

Mangesh Bhadang: Sir, just wanted to have your views on, what is your demand outlook in the North Eastern and Eastern area?

Management: So, I think this year, the market may not be really supported, so the outlook seems to be positive from our North East perspective. Even Eastern markets have really grown in quarter 2, so I think we are optimistic about how the market is behaving. Of course, we have cost pressures that every company is clearly facing in cement and that will remain a problem, however, we are looking for a good season ahead and we do think that we will be able to pass on some of the cost and the price. So, I do see a good season ahead and I do expect North East to keep growing in the way it is growing.

Mangesh Bhadang: Sir, any number you can assign to the demand growth expectation in these two regions?

Management: Yes, I think North East is showing trend of growing about 10% to 11% whereas the outside North East market is showing a growth of about 12% and outside North East, I just mean the places that we are serving, the area that we serve which is basically North Bengal and East Bengal.

Mangesh Bhadang: And sir, last year, Bihar market because of the sand issues the demand was slightly lower, so you think this time around there would be pent-up demand because of that I could see higher number and even in Bengal, I think because of floods we had seen that temporarily the demand was lower, so would this affect the overall demand growth that would pick up in this year from the low base of last year or you think that 10 to 12% is the number that is basically which is the prominent?

Management: Yes, I do not think that we had the sand problem that we had last year. I don't think we had it to that extent this year and that is why the numbers look better. In Bihar we have actually increased a lot in terms of sales. I think we have increased our sales in Bihar by about 120% this quarter and that is clearly a sign of the sand issue or the floods issue not affecting us that much.

Mangesh Bhadang: Sir, next question is on the profitability in the North Eastern and the Eastern engine, can you just give a broad outline or highlight how our profitability would look like in these two regions, specifically because I think the next leg I think when Siliguri starts expanding to say 70-80% utilization, largely the sales would be more towards outside of North East, if you can give some color on profitability in terms of EBITDA per tonne in these two regions, that would be helpful, any broad guidance would be?

Management: So, I think, because times are so uncertain it will really be hard to give a number to it, but last time we said that we like to maintain an average EBITDA, overall EBITDA per tonne for the company to be about 1200 to 1250 and we would like to kick to that. Of course, it really depends on how the coal price will behave, but I would still say that we will aim for the Rs. 1,200 per tonne EBITDA overall. In the Eastern division, we of course earn lower then what we earn in North East, North East, our margins are about Rs. 1,400 on an average and East region, it is about Rs. 400 to Rs. 500, so for the weighted average comes to about 1200 and that is the distribution of our margins between the two regions.

Moderator: Thank you. The next question is from the line of Chandresh Malpani from Niveshaay. Please go ahead.

Chandresh Malpani: Sir, firstly on the waste heat recovery front, is it commissioned and what cost savings do we see from this plant?

Management: We have set up 12.3-megawatt waste heat recovery, which should commission by next month and with that currently on an average we pay a price of power is about Rs. 6, so we can actually back calculate and it should be a saving of about Rs. 45 to Rs. 50 crores.

Chandresh Malpani: And secondly, what is our dealer in network stands as on date, have you increased our network?

Management: Yes, we have increased our network and actually our focus right now is not that much in outside North East, which is actually in North East, right because there are still many areas in North East that we, of course, can serve better that we can have a higher market share in. There may be still markets in North East where there are wide cases where we include micro markets beyond serving and our focus right now is entirely North East because the capacities that we are getting are first in North East and so to utilize the capacities better, we definitely have to focus in North East, so we are focusing on dealer appointment and that primarily will be North East.

Moderator: Thank you. The next question is from the line of **(Inaudible) 36.20** an Individual Investor. Please go ahead.

Participant: Since great to know regarding that coal, you are sourcing from the FSA or through the Nagaland Coal, sir, Nagaland Coal belongs to Coal India or some others and what is the landed cost for this coal?

Management: The Nagaland Coal is actually not belonging to Coal India, the state of Nagaland authorizes individual mine owners of company to mine in Nagaland and we buy through those sources, so they aren't owned by Coal India, they are owned by private individuals or companies in Nagaland and the landed cost of Nagaland Coal is of about Rs. 2.05 to Rs. 2.15 per GCV.

Participant: And regarding the Meghalaya Coal, has any auction been conducted or till we see any outcome of that coal of Meghalaya?

Management: That is a very good question, so right now, of course Meghalaya Coal, no one can mine Meghalaya Coal because there is no structured mining means which has been allotted in Meghalaya, but there are individuals who are local to Meghalaya who are applying for mining leases in Meghalaya and if they are successful in getting those mining leases operative then definitely coal in Meghalaya will open up and that should be a very big saving for the company going ahead.

Moderator: Thank you. We will move to the next question which is the followup question from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: So, on the current capacity, I just wanted to check like my understanding is you have 2.75 million in clinker and 5 million in grinding, is that correct?

Management: We have about 5.6 million tonnes in grinding and we have about 2.65 to 2.7 million tonnes in clinker.

Amit Murarka: 5.6 million tonne grinding, does it also include some of the tolling arrangements which you had or this is your own capacity 5.6?

Management: No, our own capacity right now, we are not renting out or leasing any other plants. This is our own capacity.

Amit Murarka: So, those arrangements are no longer being done?

Management: Yes, 2-3 years back, we had a plant in Durgapur, then we had a plant in Siliguri as well, but we stopped supplying to Durgapur, so we aren't serving that market anymore and in Siliguri we have got our own plant, so we stopped renting the plant that we are renting again.

Amit Murarka: So, in the future also, you don't plan to now get into these arrangements with these expansion that they are doing now?

Management: Not really, I don't think we are trying to serve a market where we need to do that, so not really.

Amit Murarka: If I got your EBITDA per tonne kind of outlook, right, you said that in North East you are making 1400 per tonne and in East you are making 400 to 500 per ton?

Management: Yes.

Amit Murarka: So, the lower margin is large part of it because of the logistics cost right and also other pricing is lower of cost?

Management: Yes, exactly, it is mainly because on logistics and of course the pricing outside North East was lower than in North East, so that also pay the factor. So, it is both actually, its higher logistics cost coupled with lower prices and it is not lower prices for, of course the prices in general, outside North East was lower, it is not that our brand charge is the low price. We actually charge the same price of Ultratech outside North East as well.

Moderator: Thank you. We will take the next question which will be the last question just from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, just continuing the previous question, so broadly let us say for this quarter, whatever our realization was there, on an average for outside North East what would be the realization and in the North East what is, just trying to understand the pricing difference between North East and what we sell?

Management: I mean we have the difference in realization between outside North East, North East would be about Rs. 1,100 per tonne on annuity basis, net of discount basis.

Shravan Shah: So, net of GST and everything what we book in our accounts, so that difference would be 1,100?

Management: So, it will be basically about 700 to 800.

Shravan Shah: 700 to 800 in terms of what we report in the P&L?

Management: Yes.

Shravan Shah: Second thing, just wanted to understand in terms of the lead distance, the maths, we can say in terms of further reduction is possible, let us say, the Siliguri full utilization 65% and may be next year if it increases, so to what extent we can reduce the lead distance from currently 233 kilometer?

Management: So, in this, we are expecting that our capacity right now also, we know our main focus is in reducing the lead distance and trying to serve markets closer to Siliguri because at the point we are focusing much more on profitable and sustainable growth than just selling anywhere in material. So, I think from next quarter as well, you will see that the lead distance would be coming down and that will be primarily our focus. I cannot give a number just now about what is the future lead distance is going to be, but the focus is definitely to serve closer, to serve to a higher profitable market and do not go very far for the sake of just utilization.

Shravan Shah: I understand we can't give the number, but broadly can it be 10-15 kilometers more than debt reduction is possible or the reduction would be in the 5-10 kilometers only, just on the full blended basis for us, just trying to understand that directionally?

Management: Again, I won't be able to comment on that really because I really have to do the maths as it won't be fair for me to agree to that number, but there definitely will be a reduction is what I can see, but then the lead distance also sometime increases because of lot of other things, sometime one route is not working and you have to come through the other route and sometimes, lead distance is also sometime increases because of that and in North East that is very common, right because the road infrastructure is not as good as in mainland India. It is really hard to comment on any number for next quarter, but I think we should be looking at a decent reduction on our lead distance and then we have already started acting upon it in terms of using the right markets and to get out of market where we are not earning much and not selling much.

Shravan Shah: Sir, lastly the data point on the freight subsidy, how much book in this quarter?

Management: We don’t have any freight subsidy this quarter, but I think the CFO can share with us.

Management: We don't have any freight subsidy right now because long back it has been, already there is no freight subsidy because just before 5 years only and it has gone, all has gone, so there is no freight subsidy in books at all.

Moderator: Thank you. Ladies and gentlemen, as this was the question for today, I would now like to hand the conference over to Mr. Vaibhav Agarwal.

Vaibhav Agarwal: Thank you, Rutuja. Tushar, I had a couple of questions from mine in particular, so firstly because North East is a very kind of clear market dominant very small player as well there are number of small players in North East and given the consolidation happening in the industry, so do you see any potential of further consolidation happening within North East by the larger players, your comments around that if possible?

Management: I don't think right now in North East there is any potential of consolidation mainly because the smaller plants, because I think Dalmia will also be aiming to set up a Brownfield expansion. Of course, right now, they haven't progressed with it. I don't know of that progression in North East in terms of setting up the land, but they I am sure will aim at setting a plant. Even we are setting our own plant, so it doesn't make sense for us unnecessarily go for acquisition in our own capacity which will be much more efficient than the smaller unit is coming out. So, I don't think there is any scope in North East for consolidation at the moment, so after we get the capacity and there is some pressure on the smaller unit, then there may be some scope.

Vaibhav Agarwal: But do you believe that some of the larger players of who are pan countrywide players they would be looking at North East of the geography, they would be targeting some of the existing players or any thoughts around that because a lot of capacity is coming from mainland to North East now that is what suggested to?

Management: I think the trend of actually cement coming from outside North East to North East is the similar kind of cement going from North East to outside North East. Whenever we have capacity, it is the tendency to go far out. So, I think this theme has been very common in North East for many years, it is not the first time Ultratech is sending cement to North East and you know the trend says that is the amount of quantity which were coming earlier from outside has actually reduced. So, from then actually targeting North East from outside is not possible. Now, if you come to the point of requiring a plant or smaller plant, in North East, I don't think it is very economical for them because all the plants are of 0.7, 0.6 million ton. I don't think an Ultratech or Adani would be trusted in something that is small and also the terrain is very different, the kind of problem that one faces of setting up a plant is very different. So, I think for them to kind of invest too much time in a smaller plant and then growing it is something which, I don't know, it is still worth the time, I think.

Vaibhav Agarwal: And one more question with regard to Star Cement in particular, so despite all the expansions, our roadmap to nearly 10 million tonnes now, we would be quite be in terms of we will be having quite a healthy balance sheet, so what is your roadmap for Star Cement in the medium to longer term over the say next 5 to 7 years and do you look Star Cement being restricted to only East and North East or you are looking at other geographies or you willing to evaluate apart from these organic, inorganic across other parts of the country beyond East, North East, any thoughts on that?

Management: That is a good question. In 1-1.5years from now, we are planning to set up about 4 million tonnes of cement and about 3 million tonnes of clinker in North East, that will take care of for our market in North East for the next 5-6 years, right and as a company we are already very cash rich and of course if these capacities and the benefits, the subsidies that we will get from these capacities will have even richer cash inflows, so we definitely that to get out of North East and slowly target other areas as well for us to use those cash flows in the best possible manner. So, we are right now also considering other areas outside North East just so that once our capacities come in North East, we can keep on with the expansion phase and grow outside North East as well.

Vaibhav Agarwal: So, any regions which you are currently short listing in terms of your future longer term growth plans?

Management: We are exploring MP because that of course is the national expansion to where we are here in North East and putting up a plant in MP will definitely help us, Bihar that it will also help us out, other areas in East which we don't serve at the moment, we are also looking at Rajasthan because it broadly is part to North India and North India of course is growing at a faster rate and then we look at other areas as well. It just depends on what is also available because the availability of good assets in cement right now for something that we can acquire given our size is also limited, so it really depends on what is coming on the earliest.

Vaibhav Agarwal: So, just an extended question to what you also said, so when you are looking places outside East and North East, when you evaluate such opportunities, is it necessary for you that they should synergize with your current operations or are you willing to enter a new geography in all ways possible or it is compulsory that we should have a synergy with your current operations?

Management: That is again a fair question, so I think it just depends on the opportunities which comes. We have to evaluate whatever is coming without any bias. Yes, of course we would have loved if it was a national expansion to where we are at the moment, but I don't think the synergy is that strong where we need to bother too much about that synergy because the market that we will try to enter, suppose putting our plant in MP would be completely new, so any way, we will have to brand, we will have to do the entire effort as a Greenfield project, so from that perspective the synergy is fairly limited. So, we are not really bothered about that synergy too much.

Vaibhav Agarwal: So, you remain indifferent from that prospect if it is fair to say that?

Management: Yes.

Vaibhav Agarwal: Thank you Tushar, thank you Manoj sir, thank you for your time. Rutuja, you can now conclude the call. Thank you very much for all the participants joining the call. Thank you very much. On behalf of PhillipCapital, that concludes the call. Thank you so much.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines.