"Star Cement Limited Q1 FY-21 Earnings Conference Call"

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MODERATOR: **MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY21 Conference Call of Star Cement Limited 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. I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, Mr. Agarwal.

Vaibhav Agarwal: Thank you Margaret. Good evening, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q1 FY21 Call of Star Cement. On the call we have with us Mr. Sanjay Kumar Gupta – CEO and Mr. Manoj Agarwal – CFO of the company. At this point of time, I will hand over the floor to the management of Star Cement for the opening remarks which will be followed by interactive Q&A. Thank you and over to you, sir.

Management: Good evening, everyone. I am Sanjay Kumar Gupta, CEO of Star Cement. I would like to welcome you all in this Quarter 1 FY21 earning call. I have with me Mr. Manoj Agarwal, who is the CFO of the company. He will take you through the quarterly numbers and after that we will open the floor for an interactive session where you will be able to ask questions and we will be happy to reply to your queries.

Now, I will request Mr. Manoj Agarwal to take you through Q1 numbers. Over to Mr. Manoj Agarwal.

Management: Hi, Friends. Very good evening. I on behalf of Star Cement Limited welcome you all to our con-call for discussing our numbers of Q1 FY2021.

I would like to clarify that we are discussing on the historical numbers and there is no invitation to invest. Having said that now, I will just take you through the Q1 number followed by to-date number.

As you all are aware that on account of declaration of love down by the government in view of COVID19 pandemic, there was no operation in the month of April, 2020 and also all the plans have not started its operation from the start of May '20 in full-fledged manner. But the same were started operation gradually as per approvals or permissions received from the respective state governments. In addition to that there was also restriction in movement of people and vehicles. These factors had an impact on the operation of the company for this quarter. So that is why I will not repeat the degrowth while the degrowth is there in the volume on numbers.

Now starting from the clinker production; during the quarter ended June, 2020, we have produced 3.31 lakh tonnes of clinker as against 6.18 lakh tonnes same quarter last year. So far as cement production is concerned, we have produced 4.16 lakh tonnes this quarter as against 6.55 lakh tonnes same quarter last year.

Now I've a tissue through sales volume; during the quarter, we have sold 4.47 lakh tonnes of cement and 0.2 lakh tonnes of clinker as against 7.1 lakh tonnes of cement and 0.8 lakh tonnes of clinker same quarter last year. This is as far as cement and clinker sale is concerned.

As far as yearly number is concerned, in Northeast we have sold around 3.43 lakh tonnes as against 5.31 lakh tonnes during same quarter last year. And as far as outside Northeast is concerned, we have sold 1.04 lakh tonnes of cement this quarter as against 1.88 lakh tonnes same quarter last year. In terms of blend mix is almost, 9% is OPC, 1% is PAC and the rest is PPC. These are all the quantity numbers of this quarter.

Now, I will take you through the financials; total revenue figure this quarter is around Rs. 292 crores as against Rs.460 crores same period last year. As far as EBITDA figure is concerned, this quarter we have done an EBITDA of around Rs. 71 crores as against Rs. 119 crores last year. PAT after minority interest is approximately Rs. 43 crores as against Rs. 84 crores in the same period last year. On per ton EBITDA front, it is Rs.1586 during this quarter as against Rs.1643 per ton same quarter last year. This is what our quarterly and year-to-date numbers the first quarter. Now I will 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 Indrajit Agarwal from CLSA.

Indrajit Agarwal: I missed to the volume numbers for cement and clinker sales, can you please repeat that.

Management: Cement, production figure or sales?

Indrajit Agarwal: Sales volume for cement and clinker total.

Management: Cement is 4.47 lakhs and clinker is 0.02 lakhs, altogether it is 4.49 lakhs.

Indrajit Agarwal: And corresponding period numbers?

Management: Against 4.47, corresponding is 7.19 and against 0.02 clinker it is 0.08. So against 4.49 it is 7.27.

Indrajit Agarwal: And also can you comment on the current pricing environment, how has the pricing been post June quarter, what are the current prices versus June quarter average?

Management: The prices post June has I will say in Northeast they have corrected a little bit because post June we have been also facing a lot of flood situation mostly in Assam and also in some part of West

Bengal and Bihar. So Northeast has seen a little bit of reduction in prices. I will say rest of Northeast which is Bengal, Bihar, Jharkhand and these states have seen a flattish kind of price environment in the month of July.

Indrajit Agarwal: And demand like we have seen some demand recovery in the May and June, some bit of it continued over the first half of July, so how do you see the demand scenario currently and any projections for the year?

Management: I think we all have started this particular year with April was a wash-out and we started plants in May again the demand has started picking up, we are pretty happy to see the demand in the month of June and July also was a similar kind of demand which was there in the month of…so June and July we have seen good pickup in demand. But I think early August, we are seeing tapering of demand which we are witnessing in both the segments, also in the rural segment and also the urban side. Urban demand was in problem even in the month of June in July. It was only the rural demand which was actually carrying the flag but we have seen tapering of that rural demand also. So it looks that it is largely the June-July, uptick in the demand was largely due to pent-up demand which was due to non-stocking of cement which was not available in hardware shops, dealers were not having much of stocks in the month of maybe March-April and people have been largely doing their jobs which were unfinished. As I have said in the month of June also while commending on the last quarter result that the channel checks at the dealers and they are suggesting that people are not starting any new construction for the time being which will have an impact on overall cement demand going forward. I think this will still be too early to comment largely in Quarter 3 and Quarter 4 demand. We have to still wait for at least monsoon season to pass. That will be the time we will be able to make proper assessments which way the actually demand trend is going.

Indrajit Agarwal: One last question on your other expenses, so your other expenses on per ton basis have reduced considerably. So how sustainable the savings are in this and what is kind of trajectory going forward?

Management: Largely the other expenses, so if you look at it, I think these numbers will not be very representative because of the situation which was there in Quarter 1. Lot of fixed cost has actually gone down; nobody is traveling so there is no question of expenses. But all those costs which are I think there has been a lot of reduction on, few costs will definitely be able to continue such as the rental cost which we have been able to reduce. We have been working on certain other cost parameters. We have been renegotiating a lot of contracts with our vendors in terms of pricing. So probably those will be definitely recurring in nature that I think expenditure such as the brand, the marketing expenditures which have not been carried out in Quarter 1 obviously once of the sales pickup, once we enter Quarter 3 and Quarter 4, definitely that will take it up. So it will be difficult for us to say at this point of time which cost is going to….can you take it as a representative number I think you have to still wait for Quarter 2 and Quarter 3. But definitely on some cost sides where the company has been working on it to reduce the cost those will definitely be sustainable.

Moderator: The next question is from the line of Chintan Shah from Investec.

Chintan Shah: First I wanted to ask, could you please highlight I mean how the profitability would differ in our Eastern market versus our North Eastern market?

Management: Largely I will say that in this quarter profitability or I will say at overall trend used to be perhaps it is Northeast used to be higher profitable zone for us and then outside Northeast was always be a lower profit zone. So if I give a ballpark number, we used to have an EBITDA margin of somewhere around 1800 odd Northeast and we would have an EBITDA margin of around Rs. 900 to 1000 as far as the East is concerned and still the trend continues in the same manner.

Chintan Shah: In that case once we are done with the capacity expansion, how do you see the volumes trend, it is currently around 75%-77% in the Northeast, so what would that be post expansion probably once we ramp up?

Management: Today we are doing around 703-0 kind of a ratio. If you look at last FY20 full-year number was somewhere around 73%-74% and outside Northeast was around 26%-27%. This will definitely undergo a change once we start focusing more or outside Northeast once they start Siliguri plant by end maybe September, so that will definitely change. But I think with the Siliguri plant it may go up to 40-60 kind of a ratio which will be there.

Chintan Shah: Can you help us with the lead distance for this quarter and how it has changed as compared to previous quarter?

Management: This quarter it is around 290 km as against last quarter it was 271 km.

Chintan Shah: Can you highlight why the change has been I mean why they have increased a bit?

Management: Because the material because lot of the hired unit which we are not working in the Bengal. Then we had to move the material from Guwahati in this South Bengal side from Guwahati and from that plant, so that is why lead distance has gone up this quarter.

Management: And one more thing you have to understand that all these places, each state has opened at different point of time. So in South Bengal there was some early signs of opening up, Assam was little reluctant in opening up, Meghalaya was little reluctant in opening up. So wherever we could get that opportunity I think again I will say that Quarter 1 number should be taken with a pinch of salt to understand a trend. I really don’t think that that will give you a trend. Our expectation is all these things will get moderated over next two quarters. So taking any cue from these numbers will not be correct.

Chintan Shah: So around 270 kind of number is a sustainable one, is that right?

Management: We have always been doing around 260-270 kind of a number because the Siliguri unit comes up definitely this number will again moderate a little bit as the concentration of selling will increase during the Siliguri and North Bengal and East Bihar region. So that will definitely bring down the average lead distance for us.

Chintan Shah: Any update in terms of coal mining in the region, I believe Coal India was supposed to organize something. So is there any update on that side?

Management: Yes, I think government has already submitted the plan. The plan was also got approved, so they are starting with a 2 lakh tonnes of coal auction immediately because there is a 35 lakh tonnes of coal which is required to be, which is overdrawn already available in Meghalaya which the Coal India is required to auction as per the rulings. So that process is kicking in now. I think in next about a month's time or 15 to 20 days time we will see a 2 lakh tonnes auction coming up immediately.

Moderator: The next question is from the line of Amit Murarka from Motilal Oswal.

Amit Murarka: I just wanted to understand on the one aspect a bit better. You mentioned that the pent up demand possibly was driving June and July volumes, so in August how much would be the decline from the July levels?

Management: At this point of time it will be difficult for me because every region is behaving little differently and again at the initial days of August, Bihar was facing a lot of rains. So as I say that in the month of July, in fact if you compare July versus corresponding July last year we were actually better than the last year. But August we are running down at this point of time when we speak. But will that be continued, yes, definitely we are seeing that. There are signs where whatever demand is supposed to come from the rural segment which is not coming in the rural pockets, largely from the Bengal and Northeast market. So we are I will say month to date, in the month of August we are down in terms of volume and that is largely from the rural side. But we are still waiting because there are lot of flood situation which has happened in Assam also. So it may pick up in the later part of the month probably and as soon as the rain tapers off because in Northeast the rain actually starts tapering off in the month of September itself unlike the other part of the country where rain continues to first half of October. So I will definitely wait for this clear trend to emerge. But as of now whatever is seen, there is a decline which is visible.

Amit Murarka: But the decline will be in high single digits or double digit?

Management: I'm not putting a number to it Amit. At this point of time it will be too early for us to put a number to it. But I will request you to wait at least the month or two.

Amit Murarka: And just one question on the Siliguri grinding unit, so the timeline mentioned I think was September 20 in the last call, so are you going to commission it by then or is it further delayed?

Management: We will definitely commission it by September. It's on track to go on stream in September.

Amit Murarka: The debottlenecking of clinker that will also be done during this maintenance season, right?

Management: Yeah this August and September we are going to do some maintenance at Meghalaya plants which is still continuing. So we will be completely debottlenecking which is there in Meghalaya.

Amit Murarka: And there is no further progress on the Meghalaya clinker expansion, is the understanding correct?

Management: No, as of now no. As of now there is no progress.

Moderator: The next question is from the line of Rishith Shah from Dhanki Securities.

Rishith Shah: Just from the demand perspective again, so what would be our mix of trade versus nontrade and how is it shaping up in July to August?

Management: As of now in this quarter the trade and nontrade is around 86%-14% or 85%-15%. We are not witnessing any significant change in the month of July and August also. So institutional demand is still there, the government has started some work, so it is supporting the institutional demand. We ideally used to have around 80-20 ratio, so 80% was trade and 20% was non-trend. I think once the Quarter 2 and Quarter 3 is there, we will move back to around 80-20 which used to be our normal levels of trade nontrade bifurcation. But if I look at it, July-August we are seeing a nontrade demand which is an institutional demand coming up better than the June. So going forward also we hope the government will keep on spending because one more thing which you need to understand, there are large three states which is Assam is due for an election, Bihar is due for an elections and even the West Bengal is due for an election. Bihar is due in later this year and Bengal is due in May 2021 and Assam is due in May 2021. So these are three large states which are going for election. So we hope to see some kind of government expenditure coming up and that is going to support at least the institutional demand.

Moderator: The next question is from the line of Arijit Dutta from Axis Capital.

Arijit Dutta: My question is regarding what kind of demand from the government that you normally see coming because in Bengal what I understand is even pre-lockdown the demand was mainly coming from the government expenditure in the rural. So if you can throw some light on the type of government expenditure that you see, the work that government do because currently in Bihar what I understand that bridges, all these works are going on, what kind of work is happening in Bengal?

Management: You are right in Bengal I will say the government expenditure which normally happens in the rural area that is coming up. We have also seen…

Arijit Dutta: What kind of expenses means government spend on what I mean is it like Shauchalaya, Secretariat building, roads, any clarity on what exactly the government if they have to push the demand and this situation currently? If you see that kind of demand coming up.

Management: The government largely spends on constructing state highways, constructing bridges and rural connectivity. Government is spending a lot in rural connectivity. Yes, when I talk about government expenditure that does not only mean that state government has to make expenditure, all the centrally sponsored projects also get implemented through the state government only. So you have a situation where there are situations which are the government is making certain affordable houses which the government is supporting. So when I'm talking about government expenditure there will be certain and in Assam you will find lot of hydel power projects which the government is doing, lot of road projects the government is doing, NHAI. So when I talk about government that does not mean that only PWD has to make expenditure. There are government agencies who will be doing these jobs, so NHAI does that, Border Road Organization does, certain Defence projects which are there. In Northeast we are finding certain Defence projects which were not moving actually, have started moving in and even the industrial demand so to say. In terms of construction activities on various highway expansions, so two-lane getting converted into four-lane, we have been seeing one Siliguri highway which was leading from Jalpaiguri to Siliguri, connecting from our plant which is under construction. The work was stalled for almost 2 to 3 months. Now it has started again moving up. So all these activities are there and any government which is there, whatever unfinished projects and the new projects which they have they would like to put that extra expenditure and accelerate that work and then completed before the election hits in before the model code of conduct actually kicks in. So there are expenditures which are happening in. I will not say in only one area government is working, they are trying to work in all around wherever the government expenditure has to root in, they are all working in those areas.

Arijit Dutta: On the election front which you have said rightly that there are chances that government will be pushing for expenses. Now for example Bihar is this year only and we are sitting on August, Assam-Bengal will be in May which is few months away and still we are in COVID lockdown kind of scenario where existing projects are not workable. So do you think any new project that the government will be starting, do you see some kind of thing or we will see a vacuum after Feb kind of a thing even in the government projects kind of scenario especially in the East region? What is your experience?

Management: Our take is that whatever unfinished projects; the government has lot of lined up unfinished projects those will definitely get completed and any project which the government—it is not that the government will not start the new project, they may start the new project, they may not complete—everybody would like to see that there are lot of announcements which take place before the election and there will be lot of disbursements which also takes place just to inaugurate those projects. So every state, every government does it, so we hope that definitely those will push up some demand of cement.

Moderator: The next question is from the line of Kaushal Bothra from Antique Stock Broking.

Kaushal Bothra: My first question is, do we have any premium products and what will be the premium product mix of the trade side?

Management: Yeah, we have a premium product which is Star Antirust Cement. We had launched it only in last part of the FY20, so it was only launched in the month of December '19. So that has still—I will say it is only—3%-4% of our total sales and that is gaining momentum in both the markets. We are aggressively promoting that brand also. Going forward that in about 18 to 24 months we hope at least it will start contributing around 10% of the total sales.

Kaushal Bothra: What will be our percentage of primary dispatches which are directly to the depot or the government side?

Management: Primary and secondary dispatches I think we don't have that number. You can send that query to us, we will be happy to reply that.

Kaushal Bothra: Also if you could give a sense on what would be our percentage of coal imported compared from this quarter?

Management: At this point of time we are not having any local supplies. The imported coal has the mix of it at this point of time almost 80% of the coal is sourced from within the country which is Coal India auctions and from Eastern Coalfields and also from Northeastern Coalfields. Only 20% is imported because the availability of coal domestically is good at this point of time.

Moderator: The next question is from the line of Rajesh Ravi from HDFC Securities.

Rajesh Ravi: I have few questions; first is on the Northeast market, could you repeat that what was the decline that we have seen in 1Q like what is the sales number in northeast?

Management: Northeast is about 3.43 lakh tonnes.

Rajesh Ravi: So around 35% on year-on-year, right?

Management: Yeah.

Rajesh Ravi: How has been the scenario? April would have been a complete washout and how was May-June when the sales pick up in Northeast? I just want to understand is it declined 20% and beyond and beyond considering or we are now close to pre-COIVD levels of last year in Northeast particularly?

Management: Rajesh, I think we have sold around 15,000 tonnes of cement in the month of April. April was completely washed out, May has come back, so we have done around 90% of what we have done because May also it did not start at one go. That doesn't work like a switch. Meghalaya did not operate, there were restrictions on movement of trucks. So all that hampered dispatches and June was largely okay. So as I said June I think we did little better than the corresponding quarter last year, so we are 102% better than corresponding June. So that is why you are seeing a volume decline of 33%-34%.

Rajesh Ravi: So you are saying is Northeast market showed slight growth in month of June or overall basis you saw improvement in month of June?

Management: Even we have seen some improvement in the month of June, we have seen improvement in largely Northeast market, not in the other markets.

Rajesh Ravi: And on exports front what is the scene, with your Siliguri coming through will your export totally dry-up, clinker export.

Management: Clinker export used to be largely to Nepal market, once the Siliguri starts we will not have extra clinker to export. So that will definitely dry-up.

Rajesh Ravi: Clinker production was still at 30,000, Manoj sir if I heard correct?

Management: 3.31 lakh.

Rajesh Ravi: And on the cost front, first on the employee cost if I see this number, so this number has gone up from 29-30 crores to 35 crores in March and this quarter it is back to 30 crores, so what is the recurring number. And will Siliguri what sort of employee cost addition happens if Siliguri is totally commissioned?

Management: Rajesh, since the June quarter we have not resorted to any salary reductions, so that is what, we have paid everyone and there is no deduction on account of lockdowns and all that. That is one thing which we have done. So that is how you see that volumes have gone down and the salary expenditures, the fixed cost that is there. Yes, there will be some increase in absolute term there will be an increase in terms of scalability pattern. We haven't estimated at this point of time because largely these kind of plants will need—2 million tonnes cement plant will need—around 250 to 300 people and the expenditure related to that will definitely get back and I think it may go up in absolute term but per ton basis I think definitely it will be reduced.

Rajesh Ravi: Just one more question coal auction that you talked about 2 lakh tonnes being, it's coming for auction. So by when that is expected to be available, given the lockdown constraint and any idea or any color on the pricing that is being thought about?

Management: We hope that in next 15 to 30 days' time the government will start auctioning that coal. The coal is available in near vicinity of plant. So I don't think that the pricing is going to be any different than what it used to be. Definitely there will be some increase in the price because in the first auction because everybody will be scrambling for buying the coal. But I think as soon as this entire process gets smoothened there is 35 lakh tonnes which is sufficient for at least 4 years of entire coal requirement of Meghalaya, correct. So it looks that, then the prices will stabilize. Initially we may see a spike in the price but on coming 2-3 quarters it will moderate to the levels which we have. So maybe a Rs. 5000 kind of pricing we can expect.

Rajesh Ravi: Would it be cheaper versus the current operating cost, landed coal cost?

Management: Absolutely, it will be much cheaper than what we are incurring at this point of time.

Rajesh Ravi: And lastly on the FY21, what sort of volume number you are working with?

Management: Internally what we are trying to do, we are trying to look at the volume. We achieved the same volume what we have done last year that is, in spite of what April has done and what May has done to us. We are expecting but yes, definitely once the Siliguri comes up we can look at increasing that number but at this point of time we are looking to achieve at least the last year number.

Moderator: We will take one last question from the line of Gaurav Rateria from Morgan Stanley.

Gaurav Rateria: I have two questions; firstly it appears that there is a diversion in the volume trends between companies operating in the same regions where you are operating. Has there been any market share shift which has happened in the last 2-3 months or just a base effect, one should not read much into it?

Management: So let me tell you this that I think there is not much to read into this because every plant which is situated in there; there are certain plants which may have started little early. There are certain plants which may have started little and then some people may have started their dispatches little earlier than somebody else. So I don't think that in terms of volume there is no shift in overall market share for any of the branch. I will see that there is some shift in the lower category branch definitely which is number, you will find an Amrit Cement and a Green Valley and there is some decline in their volumes. That is there but I don't think, I am not willing to read too much into those numbers. I will definitely wait for Quarter 2 and Quarter 3 to get a clear picture on whether there is a decline on their sales.

Gaurav Rateria: Secondly you mentioned some renegotiation which will structurally lower the cost on the other expense side. If you could little bit elaborate more on what the nature of these expenses are? What it's like a third-party temporary labor contract or what these expenses are and on a 2 year basis this will see a reduction or this is just a 1-year reduction on an AMC contracts now given what the situation is currently?

Management: There are certain costs on which we have worked. So you look at the rental thing which the company had in our warehouses and small contractors who have been working in those warehouses. So there have been renegotiations going on into that. We had lot of rental expenses which takes place in our advertisement and the billboards and the hoardings and all that. There is a significant reduction in those cost that has been achieved, so that is a structural thing. That will definitely will not move up in a hurry till sustain the overall demand scenario and overall people appetite for making those expenditure go back to pre-COVID level. There are longer-term contracts from certain supplies which we have done. We are working on certain raw material contracts, those have been renegotiated. We have changed certain methods of bringing the fly ash. Earlier we used to bring it in a closed wagon now we have started bringing that fly ash into an open wagon. The Railways have allowed, even the Coal India has also started certain and have become more transparent I will say in terms of listening to their consumers. The Coal India is also offering some kind of a quality discounts which they are doing. So all those things and then all the purchase contracts which are there have been renegotiated and we are continuously renewing those things. Some of those, I will not say all of them; some of them will definitely be structural and that will definitely give a longer-term cost benefit to the company.

Gaurav Rateria: Would it be possible to quantify what's the structural reduction in the cost on either on an overall basis or on a per ton basis, if possible?

Management: At this point of time I don't think that it will be right to put any number to it but definitely I think in Quarter 2, Quarter 3 once we see normalization of these things taking place then we will be definitely be in a position to quantify those things.

Gaurav Rateria: Last question from me if there is time; for the new unit that gets commissioned on a steady state, the profitability should be in line with what the regional average number you are mentioning or there are other factors that would influence the profitability for the new unit?

Management: Largely it will be the regional profitability side of it but definitely it will entail certain cost savings which we have as I said today; we are bringing complete clinker from there and taking fly ash at this point of time to our grinding units in Northeast and then bringing it back to the markets rate. So that will definitely have an impact on the fly ash freight cost, will have certain savings in these markets. We have been operating these smaller units which have got their own disadvantage. The 2 million tonnes plant will definitely give us a lot of economies of scale and then it will have an impact on overall the fixed cost structure of this particular region so to say as the volume grow up. So definitely it will have its own advantages coming flow into the company.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.

Vaibhav Agarwal: Thank you. I have one question actually. You briefly said on the call that you are looking at an East India profitability of Rs. 900-1000 a ton if I heard you correctly. Is this your current profitability you are saying or is this the future expected profitability of Rs. 900-1000 a ton?

Management: This is a current profitability and whatever we are doing in Northeast, I think we will have better numbers in this once we start operating from Siliguri.

Vaibhav Agarwal: So what I was referring to, so if you are saying you are making Rs. 900-1000 in East India so is it fair to say that for the Eastern players since you are incurring an extra freight cost so Eastern profitability should be high up about Rs. 200 or Rs. 300, maybe it should be Rs. 200-300 a ton on a normalized scenario? If you can make Rs. 1000 and is that a fair assessment to make?

Management: See it will be difficult for you to make comparisons because we are operating from Siliguri and we are bringing from that region which is largely our sales are based out of North Bengal and East Bihar. So we are largely a pocketed player and then even the clinker, most of the players in East which are largely Durgapur based and South based Durgapur or South Bengal-based plant they also bring their clinker all the way from Chhattisgarh and also from Odisha, their cost structure will also be somehow similar to us and Rs. 100-200 is something which any cement company, their own cost economics will definitely will vary to each company. So I don't think…

Vaibhav Agarwal: No sir what I was trying to ask you is that so when you enter East in full-fledged and when you go to Siliguri and you end up East full-fledged. So your profitability versus the East India players could be a little higher is what I was trying to undertand from you because then you will have a cost advantage also?

Management: As I said, I have been saying this because our clinker transportation cost, our cost of getting the fly ash which is already built-in; definitely we hope that we will have a better realization than the average Eastern player.

Vaibhav Agarwal: One more last thing I just want to ask, I want to ask your comments on that; you may answer it as you feel but we have also observed is that in the Q1 quarter especially despite the pandemic most of the cement companies have reported record high profits and record high profitability in terms of everyone for Star Cement, the profitability is very high and we have seen some very important structural business trend changes in most of the regions. So are there any trend changes in the Northeast India also in terms of any specific business factor sales in terms of how people are, how is the industry looking at going forward from here on after the pandemic effect goes away. So any comments on that you would like to?

Management: I think numbers which people have been reporting, they vary on the basis of regions in which they operate and there are lot of seasonality to those numbers and geographies and the seasonality is also there. And we are not seeing any structural changes which is taking place in Northeast and the demand and other thing it will all depend on how the pandemic behaves because ultimately we have been seeing that we used to have a smaller number of COVID cases coming up today and now we are reporting around last 60,000-65,000 COVID cases every day. Even in Eastern side, even in Northeast also the cases have been rising. So it will all depend on how the pandemic behaves going forward and our assessment is definitely there that now the government has also become very vigilant about it and in next 2-3 months if they are in a position to control it; probably the demand will come back. That is what our view is.

Vaibhav Agarwal: So what are the signs, as far as the demand will definitely come back sooner or later that is for sure but in terms of like any changes on ground practices like a South Indian companies have been telling us that they have been tweaking their marketing policies or something like that. Anything happening in Northeast also from that perspective which will be a structural gain for the industry in a long term, the Eastern players coming to Northeast or the Northeastern players going to East that you are going, so any change in those trends you are observing in the industry?

Management: Vaibhav what is happening is, at this point of time these changes which people are thinking that okay somebody is sitting in Eastern India trying to sell cement in South India and South Indian people trying to sell cement in Central India. All these pains are largely because their own domestic markets are suffering either because of partial lockdowns or the State Governments. And these things which people are saying that they are looking at an structural change I think they are more related to that particular point of time and their action which they are taking just to sustain certain volumes, there has been price actions also in various market which will have also taken. There may be temporary a quarter or two quarter phenomenon but I think they will all moderate over a period of time.

Vaibhav Agarwal: Thank you very much for your time. Thank you very much for the call and on behalf of PhillipCapital I would like to thank the management of Star Cement for the call and also many thanks to our participants joining the call. Thank you very much sir, really useful, thanks.

Management: Thank you.

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