"Star Cement Limited Q3 FY-22 Earnings Conference Call"

January 27, 2022

MANAGEMENT: **MR. MR. SANJAY KUMAR GUPTA – CHIEF EXECUTIVE OFFICER, STAR CEMENT LIMITED**
MR. MANOJ AGARWAL – CHIEF FINANCIAL OFFICER, STAR CEMENT LIMITED

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

Moderator: Ladies and gentlemen good day and welcome to the Star Cement Q3FY22 Conference Call hosted by PhillipCapital (India) Pvt. Ltd.

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) Pvt. Ltd. Thank you. And over to you sir.

Vaibhav Agarwal: Good evening everyone. On behalf of PhillipCapital (India) Pvt. Ltd., we welcome you to the Q3FY22 Call of Star Cement. On the call we have with us Mr. Sanjay Kumar Gupta - CEO and Mr. Manoj Agarwal - CFO of the company. I will hand over the floor to the Management of Star Cement Limited for their opening remarks which will be followed by Q&A. Thank you and over to you sir.

Sanjay Kumar Gupta: Good evening everyone, I am Sanjay Gupta - CEO of Star Cement. I would like to welcome you all in this Earning Call for Quarter 3. I have with me Mr. Manoj Agarwal – CFO of the Company. He will take you through Quarter 3 numbers and nine months number for the current financial year. And after that you will be able to ask question and we will be happy to reply. Over to Manoj for updating you on Quarter 3 numbers.

Manoj Agarwal: Good evening. I on behalf of Star Cement Limited, welcome you all to our concall for discussing our number for Q3FY22.

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 Q3 number followed by nine-month year-to-date number. Starting from clinker production during the quarter ended December 21 we have produced 5.25 lakh tons of clinker as against 5.89 lakhs tons. We had produced 8.57 lakh tons this quarter as against 6.59 lakh tons same quarter last year.

Now, I will take you through the sales volume during the quarter we have sold 8.62 lakh tons of cement and 0.12 lakh tons of clinker as against 6.62 lakh tons of cement and 0.29 lakh 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 Northeast we have sold around 6.35 lakh tons as against 5.37 lakh tons during same quarter last year. And as far outside Northeast is concerned we have sold 2.27 lakh tons of cement this quarter as against 1.25 lakh tons same quarter last year. In terms of blend mix, it is almost 2% of OPC and rest is PPC. These are the quantitative number of the quarter.

Now, I will take you through the financial. The total revenue figure for this quarter is around Rs. 554 crore as against Rs. 423 crores same period last year. As far as EBITDA figure is concerned this quarter we have done an EBITDA of around Rs. 74.55 crore as against 91.41 crore last year. PAT is Rs. 43.82 crore as against loss of approx Rs. 2 crores in the same period last year due to the exceptional item of Rs. 64.57 crore in Q321. On per ton EBITDA basis front, it is Rs. 853 during this quarter as against 1322 per ton same quarter last year. This is what our quarterly number of 3rd Quarter.

The total revenue figure for the nine months ended December 21 is around Rs. 1470.88 crores as against Rs. 1116.69 crore same period last year. As far as EBITDA figure is concerned during nine months ended December 21 we have done an EBITDA of around Rs. 256 crore as against Rs. 248 crore last year. PAT is Rs. 158 crore as against Rs. 102 crore in the same period last year. On the per ton EBITDA front it is 1137 during the nine months ended December 21 as against 1385 per ton same period last year. These are the quarterly nine months year-to-date figure.

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. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: I can see that your transportation costs per ton has sort of increased by 8% QonQ. Our assessment is that diesel prices are sort of flat, is it that lead distance has increased? What we have gathered also from last commentary was that lead distance will decrease as Siliguri will ramp-up can you please --

Management: No, I don't think, see what has happened is over, if you look at it in the total in this quarter, there is an increase there has been a fluctuation in the petrol and diesel prices. So, there is some impact is definitely there for the cost of the fuel which we consume. And the lead distance is more or less is remaining the same there is hardly any difference, there is no increase in lead distance. I think this quarter our lead distance for the YTD December will be around 220 kilometers. So, that remains more or less same in H1, which was 222 kilometer, right. so there's not much increase in lead distance. So, it is largely on account of fuel increase only.

Keshav Lahoti: And secondly is there any change in guidance of 20% volume growth for FY22?

Management: No, I don't think we are going to change any guidance. We are on track to achieve 20% volume growth, I think on a nine-month period, if I look at it, the overall volume growth has been it is already at 25%. So, I think it will be better than 20%. In terms of volume, we are going to achieve our guidance.

Keshav Lahoti: And last question, what's the update on Siliguri, how is the utilization moving?

Management: So, the capacity utilization for Siliguri has improved in this quarter as compared to, I think as of now, if I am talking to you on 27th of January if I look at it, the capacity utilization is somewhere around 60%. So, it is improving, we are ramping up the capacity. I think in Quarter 4, we hope to do something around 65, by the end of Quarter 4 we will achieve around 65% capacity utilization.

Moderator: Thank you. The next question is from Uttam Srimal from Axis Securities. Please go ahead.

Uttam Srimal: In terms of pricing and demand currently how are we seeing the pricing in Northeast and East. And how is the demand as you see in January till date. And how do you see moving ahead demand will pan out? And as far as the pricing is concerned, because we have seen there has been a lot of correction in pricing in Eastern market, so your take on this.

Management: Yes so Uttam see I will take this question in two parts. One is definitely Northeast and the other is East. So, Northeast what we had in Quarter 3, definitely the prices has corrected. I will say there is a correction in the price by at least Rs. 10 to Rs. 12] per bag. And that's the correction we have witnessed as compared to if we look at it the correction which had happened in East, East prices must have corrected by least 10% to 12% right. So, we are looking for approximately Rs. 40 kind of a drop in East. So, that was not the scenario as far as the Northeast is concerned. Yes, demand were definitely muted in Quarter 3 in Northeast but it has already started picking up. And hopefully by the time we end the year, I think the full year basis the Northeast will still achieve an overall cement demand growth of around 7%.

Coming back to East, the prices in East which were really muted in the month of November and December, and that were largely on account of certain year end closing pressures, which the bigger players have actually been facing, like Ambuja and ACC had a year-end problem closing in the month of December. So, yes, definitely there was a pressure on the volume. And suddenly, I think in the month of December, the demand has really actually taken a beating. So, if you look at it at overall demand was bad in the November and also in the month of December. And that has impacted the prices but I think come January, the prices have already started moving up, we have already seen 3% to 4% Jump in the prices in East. And as far as the demand East is concerned, I will not say that it is very good. But yes, definitely it is picking up. By the time we end the year my personal opinion is that overall East will end up somewhere around 3% to 4% overall demand growth. So, still I am looking at a growth because January has really picked up very well in the East now. So, that's what my take is.

And going forward, we definitely look forward that there will be the normal demand growth trend of 6% to 7% in entire Eastern region will definitely be able to see in FY23.

Uttam Srimal: But during this quarter, our volume growth has been more than 30%. So, this volume growth was driven by basically Eastern market or Northeast market?

Management: No, if you look at the breakup of these both the selling pattern we have done even Northeast volume for us have actually grown by around 19%, right, 19% to 20%. And the East has grown around 50% right. So, definitely East will grow better, because as of now, we are a very small player in Eastern market and the Siliguri has just started so we are picking up the volume, we are ramping up our volume in Bihar and Bengal, the part where we are actually in our own catchment area. So, it will continue to I would say in terms of volume it will outperform Northeast but Northeast volume also has grown in this quarter. As I said there is a 20% growth in Northeast volume also. So, it's a combination of both.

Uttam Srimal: And what has been our trade mix this quarter, trade, and non-trade mix?

Management: Uttam trade is around 86% and 14% is the non-trade.

Uttam Srimal: And my last question with regard to CAPEX. What kind of CAPEX we have incurred this year? And for next two years that we are envisaging, our CAPEX plan?

Management: So, Uttam see, I think I have been always saying on my calls that we are going ahead with and putting up two stimulant and clinkarization plant at Meghalaya. And that is there. We are looking at setting up a 2 million tons grinding plant in Guwahati and we are setting up, as of now we are setting up a 12 MW WHR plant also along with the 3 million tons clinker plant there will be another 12 MW of WHR plant will also be there. So, if I look at all these investment, these investment will be somewhere around anything between Rs. 1700 to Rs. 1800 crores, but it is going to pan between next three years, next 36 months.

As far as the stage of implementation is concerned, we are in terms of clinker unit we have started ordering for our equipment, yes we still await the environmental clearance which is there, but we have received the TOR from the environment, Ministry of Environment and Forests. So, the TOR is already here, we are fulfilling the requirement. I think, we hope that in next three to four months we will achieve the clearance and we will start the construction that is one.

As far as Guwahati Grinding Unit is concerned we also have received the TOR from Guwahati Grinding Unit and we expect again in next few months we will also get the environment clearance for that. WHR project for 12 MW is already under implementation. We hope to start the project by September 2022. So, these are the timelines and the cost for the projects which we have undertaken.

Uttam Srimal: And my last question, regard to our coal mix this quarter, how much will be our coal mix this quarter, between imported coal, coal and --?

Management: We are not using any petcoke and we have not even bought in this quarter any imported coal it is completely 100% dependent on Coal India.

Moderator: Thank you. The next question is from Kunal Kothari from Centrum.

Kunal Kothari: Just you mentioned that you are completely procuring coal from Coal India, so was there any like usage of the existing inventory also. Can you share some details on that?

Management: I don't think there is any inventory is left out whatever inventory we had it was **(Inaudible 00:15:57)** only with us. We had I can only share with you that we had around 200,000 tons of coal delivery pending from Coal India, which we have started receiving in this quarter. And those coal inventories you can say that that was an inventorized coal with Coal India,, because we bought that coal in the auction which took place in the month of April and May and June right. So, that was at a much cheaper price than what today the auction prices are. So, that you can definitely say but that coal has already started coming in and we are utilizing that coal now.

Kunal Kothari: -- that there would be no need to import any coal, Coal India will sufficiently can supply coal to us?

Management: So, that's what we are hoping and we have participating in all the Coal India auctions which are taking place in Eastern Coalfield in the Central Coalfield. So, we are getting the supplies there yes, the supply are irregular, I will not say there is no supply but Coal India has given us assurance that they will be able to fulfill our all our demand.

We have also entered into, for supply of around 150,000 tons on coal supply agreement with Coal India that also we have done in this, I think last quarter only. And we hope to start receiving those supplies also from Quarter 1 in the next financial year. So, we are on track of doing that and we are absolutely hopeful that Coal India will be able to fulfill its commitment.

Kunal Kothari: Secondly, you mentioned that the demand in the Northeast and Eastern market was down. So, first of all, what were the reasons for that? And how our company has performed well when the market was down?

Management: So, there are two factors which are important so to understand that Northeast the demand is normally the demand is always down in Quarter 2. And it actually stretches if you look at it September, October, November are largely months, which our demand starts picking up but not to that extent. So, there is a carryover of Quarter 2 that happens so demand was generally down. And I will say that demand were largely down from the infra segment, retail demand has started picking up from the month of November onwards.

As far as we are concerned, what we have been able to do is that I think if you look at it our way of working what we have done is we have launched a new campaign. In this particular I think when we had started in the month of April, last February when we started the Siliguri plant we launched a new campaign where we had taken Akshay Kumar as our Brand Ambassador that campaign was carrying on. So, we could find a good traction for our brand not only into the new market in Bengal and Bihar, but also in Northeastern market. And slowly I can say that as a brand we may, the people will start looking at as a national brand than more of a regional brand, because now we are also present in good part of Eastern market. So, that will definitely add value to the overall brand recall for the company. And it will definitely help achieving more volume for the company. So, I think we have seen that traction in Quarter 1 hope to continue the same in coming quarters.

Moderator: Thank you. Next question is from Rajesh Ravi from HDFC Securities.

Rajesh Ravi: I have a few questions. Firstly, from the coal follow up on the costing side. You are saying that you are continuously getting coal from Coal India. And so, in this quarter, there is a sharp spike in cost, okay. So, could you explain what is the per kilo cal costing that you incurred in this quarter? And now that your old inventory which we had done is coming through, how will that change the cost metric? And in subsequent quarter basis, the current price, how will the cost vary on the fuel side?

Management: No, see Rajesh, see the cost of coal, I will say that today, if you look at it, in the month of January, when coal auctions are taking place the auction prices are average somewhere around I think the last auction with Coal India date, the last price that went up to was 2.2 or 2.3, right per kilo cal. And in our case, I think we have been able to, since we had a lot a lot of coal, which we had taken earlier, that's cost will be coming to somewhere around 1.8 or 1.9 right, honestly. So, that has helped, but ultimately, if you compare this corresponding quarter last year difficulty, the price will look elevated, correct.

Rajesh Ravi: No, I am looking from a quarter-on-quarter perspective that there is a sharp reduction in margin. So, September quarter, what was the landed costing which you consumed, because what you are implying is that Rs. 2.2 or Rs. 2.3 is what you bought into and we contracted volume if that would have come in, it would have been at Rs. 1.82. So, there is hardly 10% to 15% difference not more than that, is that understanding correct. What was the costing in September quarter for you?

Management: No, if you look at it, my September costing and in the cost of December, there will be hardly any difference, because whatever coal we have purchased, now, that coal delivery has not started taking place as of now right.

Rajesh Ravi: No on consumption basis, not on inventing basis.

Management: No, I think the Quarter 3 coal cost will be somewhere around 1.6 to 1.7 and I think the Quarter is 1.65. So, it is almost same Rajesh.

Rajesh Ravi: So, this quarter December your conjunction cost was 1.65 versus September 1.6?

Management: Yes.

Rajesh Ravi: So, in that case, why should the cost be so high sequentially because you did good on volume, your input cost numbers are significantly higher quarter-on-quarter, so, what explains that differential because there is no other cost which would have gone up significantly.

Management: Rajesh freight cost has gone substantially higher as compared to the last quarter.

Rajesh Ravi: No, I am saying on the input side, quarter-on-quarter if I look at if I sum up raw material change in stock and power and fuel that number works out to be Rs. 2600 in September quarter which is now at Rs. 3000 in December quarter. So, there is a Rs. 400 jump and you are saying hat per kilo cal costing has not changed.

Management: No, because power and fuel costs has not gone up per ton basis, there is hardly any --.

Management: I think Rajesh, there is some error in your reading. So, if you look at it quarter-on-quarter cost --

Rajesh Ravi: Quarter-on-quarter is what I am trying to understand.

Management: I don't see, see overall power, and fuel cost largely looks, remains the same right. It is not having much change in power and fuel that is one. I don't know what number you are looking at it I need to look at those numbers.

Rajesh Ravi: How do we look at, if per kilo cal costing has not changed and electricity consumption costs today not have also materially changed, barring 5% to 10% impact.

Management: One thing we will have to Rajesh, one thing you have to look into, because from Siliguri , because last year, last quarter there is a 40.5 thousand of the cement we have purchased from the --

Rajesh Ravi: No September quarter versus December quarter, I am looking at.

Management: September to December, you are talking about the per ton cost but we don't find any such increase over there in power and fuel cost. So, Rajesh I will request you to --

Rajesh Ravi: Yes, I will talk to you separately. And second is this trade, non-trade mix you are now at very high trade mix that is 6%. So, how is your East market, are there also similar trade mix or they are different from the Northeast sales?

Management: We are only focusing on trade segment that's very clearly indicated by the fact that the kind of work we are doing, we are largely focusing on trade, because you have to understand that we are only focusing on North Bengal part of it and East Bihar, right, we are not covering the entire Bihar market and the entire Bengal market. And we will be only focusing on a non-trade segment in these markets. And largely into the NB1 which is normally is Kunj Vihar, Jalpaiguri, Darjeeling and Sikkim market for the non-trade business. So, I don't see that non-trade business is going to spike as whatever it is, I think at the max, on the best, on the worst of time, I think there can be 20%, the rest of 15% --

Rajesh Ravi: And third on the CAPEX front, the clinker debottlenecking, is that the exercise completed or is some part of that still pending?

Management: No, I think at the last shutdown we have already, there is nothing pending on that, that exercise is already complete.

Rajesh Ravi: So, what is the total clinker capacity now?

Management: So, I think we have been saying that this that from 2.8, it will become 3 million ton. So, now it is 3 million ton.

Rajesh Ravi: So, it is now done. And this happened in September quarter, last September quarter?

Management: Last shutdown, we took in the month of August or something.

Rajesh Ravi: So, in this financial year, August, you had already completed that debottlenecking, right? And now what is pending is that one Phase-I of WHR which you are expecting to come by September next year. And then the grinding and then the clinker unit and concurrently with the clinker unit, a 12 MW WHR would get commissioned.

Management: Absolutely.

Rajesh Ravi: And how would the CAPEX number look like, for this year basis because you are already, in January. So, for full year, what is the target you are looking at CAPEX spend?

Management: See I don't think, see we are largely spending on the CAPEX of WHR at this point of time because ordering has just started. So, hopefully, by the end of it, I think we have that around Rs. 150 crore budget for this 12 MW CAPEX plan. And by end of this year, my estimate is somewhere around Rs. 75 crores to Rs. 80 crores we will be spending on this, and maybe another

Rs. 10 crores to Rs. 20 crores of advances we may have to give for some, because ultimately all the advances and everything will start going from the April only, because we are still awaiting the environment clearance on that. So, hopefully, it doesn't look like that in this quarter for the new projects, in this year for the new project we will spend more than Rs. 100 crores.

Rajesh Ravi: So, Rs. 100 crore for towards max for the new projects and out of this 150-crore good chunk who do you spend this year on the WHR, and routine maintenance CAPEX.

Moderator: Thank you. Next question is from the line of Indrajit from CLSA.

Indrajit: One, while you mentioned that January volumes or demand has been better than November, December, but on a YoY basis, does it still remain meaningfully lower or even on a YoY basis, we are seeing improvement in demand in January?

Management: We are definitely seeing a demand. I think I will say that even in YoY basis, we are seeing a demand jumping in the month of January. And I think we are still clocking as on current run-rate also the volume growth is more than 20% on YoY --

Indrajit: On industry perspective, not just for us, overall, on the industry perspective. Do you think that East and Northeast is growing ahead of the volumes are ahead of last year or on industry it is largely flattish?

Management: I will also tell you this that on the industry perspective also I still feel that people must be ahead in their volume in terms of year-on-year basis. Definitely the volume must be 15% to 20% higher than what they were. That's the kind of traction I think the people are seeing in the month of January.

Indrajit: Second, you mentioned that in the December quarter, East saw 10% to 12% price decline. And January, you are seeing more like 4% to 5% price increase so far. So, is it fair to assume that from say, December quarter, average, current prices are still 4% to 5% lower? East, Northeast, particularly East, not so much Northeast?

Management: See I will not say that, see when I am talking of 10% to 12% price drop this is largely on the peak of it. So, if we compare the peak of what peak it had, and then till where it went down that difference is around 12% so if I average it out, it will be, I don't think it will be more than 7% to 8%. And I think more than half of that must has already been recovered, I think this, and I think that too also we, I think the prices have started going up only in the I will say from 10th of January to this. So, you can fairly assume that 50% of that price drop, has already been recovered in the month of January. And the balance is a yet to be recovered, so you can assume 50% recovery on that.

Indrajit: And one last question, you mentioned that your Q3 average coal cost was 1.65 per kcal. And if given the visibility that you have now, what could be the likely cost in Q4? Will it be like closer to 1.8 or would remain at this levels --?

Management: I think the coal cost will be closer to 1.8 only, 1.75 to 1.8 that's what we are looking at it, because what will happen is over a period of time, although I have coal which we have bought it at 1.6 or 1.55, 1.6 from the Coal India but the problem is that the supplies are so erratic that at times you need to go to the spot market and buy this coal so that increases. And that spot prices are hovering around at 2.2, 2.3, 2.4 also. So, that is impacting the price. It will all depend on next quarter what's the supply levels for Coal India, and how much we have to resort to go to the open market and buy the coal. So, but we still hope that we will be able to continue within 1.8.

Moderator: Thank you. We have a follow-up question from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Hi, you said that Q4 costing will again be higher on a quarter-on-quarter basis and if realization does not materially improve, in that case, we would be again looking at below Rs. 1,000 EBITDA margin, is that understanding correct?

Management: No, Rajesh, that's not my reading actually. My reading is very clear that see we still sell, if I look at 65% of our volume in Northeast and Northeast prices have not corrected the way the East prices have corrected. And I think the Northeast prices have already gone back to the level where they were and we are still hoping to add because there will be some cost pressures which we will definitely like to pass on.

So, my understanding is that Northeast prices will behave much better from there, and the volume growth will be definitely there, that will definitely and the highest EBITDA contribution play space for me (1).

(2) When I say that there will be a coal price hike, you have to understand in this quarter's EBITDA margin there are few one-offs right I think which people should read into it and I must highlight that. So, largely if you look at it, the one-off is that we have spent a good amount of money in promoting this new campaign "Hain Tayyar Hum" with Akshay Kumar as a Brand Ambassador. So, that is primarily for Siliguri plant which has come up and so there is a good impact of, I will say on a full year basis if I look at it, the impact will be what Rs. 15 crore to Rs. 20 crore rupees only on this advertisement. So, that itself is adding on the cost. So, that is one aspect that you have to keep in mind, when you look at FY23.

Coal price, when you say that I am still expecting the coal prices to be a little harder, because of the fact that whatever inventories we have with Coal India, it is very unpredictable to say that how much Coal India will be able to supply in spite of their all the permissions that they are doing. So, we may have to resort to spot, private market or a normal market buying, where the

Coal India is not available. And that prices was around Rs. 2.30 and Rs. 2.40. So, it will all depend on what mix we are able to achieve at the end of the quarter.

Rajesh Ravi: And this advertisement Rs. 15 crore additional, so, could you quantify what sort of the actual cost expenditure has happened in this quarter versus your normal quarter?

Management: I think the number for --

Rajesh Ravi: What we want to materially understand is, see this company, this quarter number your margin is almost one of the lowest ever, okay.

Management: So, try to understand, so this quarter advertisement publicity cost is around Rs. 13 crores, as compared to corresponding quarter last year was Rs. 4 crore. So, it is almost three times what we had right, it was Rs. 4 crore and now it is Rs. 13 crore.

Rajesh Ravi: So, that would, and then versus a normal scenario, it would be Rs 50 to Rs. 60 --

Management: I would say, you know on nine-month basis, the advertisement cost is around Rs. 31 crore to Rs. 32 crore as compared to Rs. 7 crore.

Rajesh Ravi: Last year was also 23, here in terms of expenditure, right.

Management: Correct. So, it is also --

Rajesh Ravi: We are not looking for the last year perspective. See where I am coming in from, your coal inflation has not really based in into third quarter performance, as you are suggesting, in a sequential basis. There is a normalization of your advertisement cost which would largely remain at similar levels, given that you are still not ramped up, this Siliguri at least 70% to 80% till the time, you need to pump in the advertisement expense.

And this Siliguri, there was a thought that when Siliguri starts delivering, you would have substantial cost saving on your fly ash lead distance and over all other synergies which you are looking at. Now, none of these seem to be coming through in the numbers and the margins is on a downward trajectory. You were once the leader in terms of margins on the cement industry. So, we are trying to understand where these things are not under your, how do you look at these numbers, when would we be able to see Star Cement delivering those Rs. 1200 or Rs. 1500 type of numbers, and what would take the company towards those numbers.

Management: Rajesh, let me, so since you asked a broader question, let me reply it in a sense which I am looking at. While I am looking at how does Star Cement go back to reporting Rs. 1400 to Rs. 1500 per ton EBITDA. Now look at this like this, don't look at quarter numbers, I understand that quarter numbers are the lowest in the history of Star Cement that is there. As I said, so look at, so you asked for the advertisement so in this year, our advertisement cost will be somewhere around Rs. 45 crores. Normal year, I am not talking FY22, FY21 which is a truncated year. Normally we use to spend around Rs. 15 crores odd or Rs. 15 crore to Rs. 18 crores depending on what we do. So, you can say that there will be around Rs. 25 crores to Rs. 30 crores overall cost spend which I am going to do it in this year, that is one, okay.

Second, when you say that, yes, this year's numbers are largely impacted because we are at a landlocked place. The freight costs have also gone up. The cost of fuel are also going up. The coal has actually impacted us considerably. Yes, there is a saving in fliers, all those savings, but they all are overshadowed by increase in the fuel costs that is second.

Now, if you ask me, where do I go and even if what I end up in this year itself, I think this year nine months EBITDA margins, still remain at Rs. 1137, right. I will still say that I will still end the year and FY21 I have ended at Rs. 1350 and FY20 was at Rs. 1400 rupees. Now, I will tell you what will bring it back to Rs. 1400. And I am still hopeful this year we will still report at least if it is not that it will be Rs. 1350 kind of a number, okay on a full year basis that is one.

Now, let me also tell you what we are doing to bring it back to Rs. 1450 to Rs. 1500. Now, as soon as I complete this WHR plant, it will add 13 to 14 MW to my existing, my total requirement of power is around 28 MW at this point of time at Meghalaya, correct. It will add 50%, it will give me a savings of around Rs. 150 a ton. We have taken a fleet of Rs. 100 crores, we have spent Rs. 100 crores on our own fleet management that is going to add around Rs. 50 to Rs. 60 per ton on an overall basis, I am saying. So, that will make the savings at around Rs. 200.

And we are still also doing some process improvement in terms of doing certain additions in the raw material levels, and trying to change the raw mix, as we hope to get at least Rs. 100 from there. I am looking to for Rs. 300 contribution which is in my hand, which I can do. I am not banking on anything which is market driven. So, if I add around Rs. 300 in that, and still I have been able to report Rs. 1300 EBITDA at this year-end and add Rs. 300, I am already there at Rs. 1600. And take or give, 2% to 3% here and there, I will be able to do, give you a Rs. 1500 EBITDA. So, that's what our plan in terms of moving back to Rs. 1500. This is definitely a quarter which is in terms of margins, it's the worst quarter I agree with you.

Rajesh Ravi: But for this year target of Rs. 1300, would you imply the last quarter number, should be north of Rs. 1600 per ton.

Management: See if you analyze our Quarter 4 numbers for all the last, I will say, two, three years you will come to know about it, what is the Quarter 4 numbers in coming year.

Rajesh Ravi: Agreed, you have been delivering earlier also those numbers. I am saying on a sequentially what would take you there. So, this is what I just wanted to understand. Given that your fuel prices, you expect to be higher sequentially. And that is one of the major cost element. That is what we want Star to deliver those Rs. 1400, Rs. 1500 EBITDA numbers, which in Q4, you have been always been delivering those sort of numbers.

Management: We are really hopeful, Rajesh we will be able to deliver that number.

Moderator: Thank you. Next question is from Shravan Shah from Dolat Capital Markets.

Shravan Shah: You have explain in detail that the previous participants, just to add on that, in terms of the raw material per ton cost, so that even if, on a per ton basis, are we expecting that to decline significantly. You explained other things in terms of the power and fuel, freight, other expense is advertisements, but on the raw material, including the change in inventory. So, there do we expect a significant decline at least in the 4th Quarter?

Management: So, we are not looking to achieve everything in raw material in the next quarter itself. We are in the process of redesigning the raw mix. We will definitely be doing, making some value addition in that, but just to quantify that in quarterly basis will be hard on my part, it will not be possible. We will keep on and it will all depend on what is availability of the raw material, what is mix, we have been able to achieve. And these are largely dependent on the chemistry which happens between the raw material. So, I have to ultimately deliver the best quality cement to the consumer with the lowest possible cost. So, we will be definitely doing it, but all those benefits are going to come back to you in quarters to come, I cannot quantify which quarter it is going to come.

Shravan Shah: So, broadly, just now what you said in terms of the Rs. 300 savings which is in your control, not the cement price is higher. So, out of that 300, this entirely, are we expecting in the 4th Quarter those reduction or the saving, Rs. 300 per ton?

Management: See understand, I talked about WHR which is going to start in the month of September 2022. So, I cannot prepone it and make it in Quarter 4, number one. When I talked about that we are going to have fleet advantage that is also going to come in quarters because now the trucks have started coming in into the system they will start contributing it and in some quarters we will see partial benefit, in the next quarter we may see a better benefit right. In terms of raw material and other mix of what we are doing some we are going to see in Quarter 4, some we will see in Quarter 1, but definitely in two to three quarters you will find these numbers coming up. And this Rs. 300 kind of number which we are looking at, it will be able to realize it. And we will come back to our original number of your EBITDA.

Shravan Shah: Have you share the lead distance for this quarter?

Management: Around 221 kilometer.

Shravan Shah: So, last quarter you mentioned it was around 300 odd kilometer. So, this quarter it is 221, am I right? So, sequentially it has reduced significantly.

Management: No, it is for similar numbers, if you 225 I think last quarter. It was somewhere around 225 only, it is in the same trajectory around 220 trajectory.

Shravan Shah: And the last request. So, even the previously also when I participated in your last quarter also I had requested in terms of sharing power and fuel, freight and other expenses, line item with the result. So, what happens is we have to keep on following up and we got the answer that it will be discussed during the call. But you also need to understand that we need to also have to update to our end. So, why not, we make a policy that at least even if we don't give as a part of the P&L line item, at least as a press release why not we give, so including the volume also. So, why can't we share that thing which all other companies are doing.

Management: Well I think, I don't see any problem in sharing those numbers. I think we should start sharing it. Let me just clear it out from which quarter we will be to share it, okay.

Moderator: Thank you. We will take the last question which is from the line of Harshil from IMAP, India. Please go ahead.

Harshil: You talked about CAPEX plans for next three year, just want to check, I mean ask you, there may be many smaller players in the region in distress. So, are you planning to consolidate, maybe through acquisitions?

Management: See, definitely, if there are opportunities, we will definitely have a look at it. The only question is there are smaller players, but transition takes place when there is a willing buyer and a willing seller, then only transition will take place. And we have to also look at what value the asset is available to us. If there is any asset which is available within our ambit of value, and it is an at least an EPS accretive addition to our balance sheet we will definitely look at that asset and I think we are actively looking at few things. But only question is, we haven't find and zeroed on anything which will add value to us. So, that will happen and we continue to look for any acquisition opportunities in future.

Harshil: So, the CAPEX plan that you gave, I mean you just mentioned earlier in the call that is pure from I mean organic perspective, right. I mean, you will set up your own capacity in Meghalaya, Guwahati.

Management: Absolutely. That is pure from organic perspective.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would like to hand the floor over to Mr. Vaibhav Agarwal for closing comments. Thank you and over to you, sir.

Vaibhav Agarwal: I had a few questions actually, you mentioned about one-offs in the current quarter. So, you have mentioned about the advertisement cost as one-off and beyond the advertisement costs, are there any consulting fees also which we have paid to basically which is also or including the numbers if you could --?

Management: Yes, there is a consulting fee we are taking through suggestions from BCG. There is a consulting fee of around Rs. 5crores. I think that is going to come in next quarter also. So, that's why I didn't say that that's a one-off thing. But yes, this is one-off, probably this may be a one-off thing for, this consulting fee will be one-off for this year probably, maybe next year it will not be there, but that’s what because it's going to continue for next one or two quarters I did not mention it in one-offs so probably that is, but yes, in this quarter there is a consulting fee of Rs. 5 crores to Boston Consulting Group.

Vaibhav Agarwal: So, entire Rs. 5 crore is charged to this quarter, right, entire Rs. 5 crore. So, next quarter also again Rs. 5 crore, you are expecting that number to be?

Management: Yes, yes probably we will be expecting that kind of number.

Vaibhav Agarwal: So, your total one-offs will be like Rs. 13 crore plus Rs. 5 crores so Rs. 18 crores is a one-off, is that right understanding?

Management: That's a right reading Yes.

Vaibhav Agarwal: And on the advertisement part which you told Rs. 13 crores as expenditure for the current quarter. In how many quarters we, is it advertisement to seize the market initially and going down the advertisement to seed the market initially or is this number --

Management: No, definitely this is because that obviously, since we started we have to seed the market and a large part of this expenditure is towards seeding this market. But overall, we have to ultimately, we have you to understand that we are largely a regional brand right, we are a regional brand. Once we are moving out of Northeast, we have to also take at least make a top of mind recall of the consumers that we are also a national brand as compared to Ambuja or a UltraTech. So, we have to take that fight with them.

And that top-of-mind recall will only ensure that our products are also accepted in the same way as UltraTech is accepted. And we have that pricing power and we are priced equivalent to these brands. So, that's a journey, which we have embarked, but yes, in this quarter it is definitely, in this year, it will be definitely higher. And we hope to achieve the objectives which we have in coming one or two quarters.

Vaibhav Agarwal: I also wanted to ask you about the trucks which you talked about; I believe you purchased 150 trucks in your own fleet if my understanding is right from the ground. So, what was objective, the main objective there in purchasing this truck, so was it to like and did you feel any resistance from the ground in terms of any strikes or anything like that, and what are the benefits of this in the future that your own fleet?

Management: So, Vaibhav see, so we have taken a fleet of around 200 trucks for us. We had already had hundred, so it's a 300. What we wanted to do is that you understand that the Lumshnong plant is largely dependent on road and we have a plant which has a dedicated supply for clinker, and there are fluctuations in the market, in terms of fleet availability, price, rate and all that. So, we wanted that as far as the supplies of raw material is concerned, we are actually assured in terms of getting our raw material to the plant and then being able to supply to the market. And also by doing that, we will be able to have some control over the availability of the truck and the prices. And that will also give us economies of scale because now we are operating 300 vehicles and that will definitely give us some economics. So, that was the whole purpose of buying these trucks.

Vaibhav Agarwal: And it will be an industry trend, in your market because I believe most of the clinker plants are in Meghalaya only and other players also they have purchased similar --

Management: No, we are not doing anything in the market, it has to be completely, all the complete fleet has been engaged in doing our own --

Vaibhav Agarwal: No, I am asking is there an industry trend in there that people are buying fleet for their own --

Management: Yes, there are industry, in industry, there are people who are actually trying to deleverage in terms of logistics. And you have been seeing this, the erratic behavior of transporter in various parts of the country. And I think very large players are also thinking of getting into having some kind of control over the transport. So, probably that's what we are also planning.

Vaibhav Agarwal: So, in future at any point of time will we consider having our own preferred distribution also, for a final distribution or it will be normally --

Management: As of now we have not taken any decision on that. If there will be any decision on that, we will definitely come and tell you on that.

Vaibhav Agarwal: And one more thing I wanted to understand about is the, basically you had mentioned in the call about your EBITDA guidance for the full year about Rs. 1300. So, if I look at a nine-month figure even including other income and everything that's about Rs. 1140 for the current quarter, for the nine months period. So, if we are looking at that number of Rs. 1300 for the full year, so you are guiding on the whole, I believe you, what the guidance you have given will be the direction guidance it's not a fourth quarter right Rs. 1300 directional guidance for the next FY23 onwards kind of a number or is it a guidance for Q4, I just want to clarify that? Because if I look at our nine-month number it was Rs. 1140 EBITDA per ton on nine-month basis, and to achieve

Rs. 1300 for a full year blended basis, the number has to be quite high for Q4. So, I just wanted to clarify that for --?

Management: So, I will tell you what, I have, what 1300 number which I am talking is for the FY22 full year number, and that's what number I am trying to achieve, okay.

Vaibhav Agarwal: Okay.

Management: I believe we will be able to achieve it. The other guidance which I gave around Rs. 1400 and Rs. 1450 kind of a guidance, which is there with the savings coming in and kicking in and getting into it, that's a futuristic guidance. So, 1300 is definitely for this year, okay.

Vaibhav Agarwal: And just one last thing, on the CAPEX front, so I just wanted I missed that point so, we are yet expecting the EC to come in, right. But we have started ordering the equipment for the clinker, is that what you mentioned on the call.

Management: Yes, we have started through so we have been given to understand that since we have received that TOR we hope to get the environmental clearance shortly. So, we can always go ahead and start negotiating with vendors and suppliers and all this. So, all that discussion has already started and we will start placing orders because in anticipation of that, we will definitely place the orders, because the time delivery of machinery is definitely very high. So, we have to be a little ahead of schedule on that.

Vaibhav Agarwal: And, before you conclude the call, I want to take a last take on your increased intensity of newer players coming to Northeast. So, what is your take, we hear that even South players are coming to Northeast all the way from South. So, what do you, how do you lead them, and do you see that they will go away in times to come or they will stay there for a long term? And are there any opportunities that these players are looking in terms of acquisition also which is there, to your knowledge, if you can share with us.

Management: I will say, I am not expecting these players to go away. They have always been there. They earlier use to hold 20% of the market of the Northeast. Now they have around 11% to 12% of the market of Northeast. And we are not here to say that they will definitely go away. I am saying yes, there are few serious players, there are few seasonal players -- remaining in Northeast, Northeast is not a small market, it's a 10-to-12-million-ton market. And people will definitely have a look at it. But I think as a regional advantages what we have, the kind of distribution setup which we have and the penetration levels which we have, the counter sales, which we enjoy with this distribution these are things which are very hard to replicate in Northeast that is one.

Second point is, that is why to consolidate our holding and consolidate our position in Northeast, we are again embarking on a new CAPEX plan in Northeast that will further consolidate our position in Northeast, but I am not seriously worried about people who are coming from all the way from South and all the way from, so those are the not my worries. Yes, there will be few players who will be a player like UltraTech and Lafarge and Ambuja, maybe there they have always been there. There is very little increase in the intensity of their dispatches during the rainy season, but I think that's quite natural. And that is going to be there and you have to live with it. And the further volume addition for us, definitely will help us control our market share and increase the market share in Northeast.

Vaibhav Agarwal: Thank you very much for those elaborate answers. Thank you. On behalf of PhillipCapital, I would like to thank the Management of Star Cement for the call opportunity, also many thanks to the participants for joining the call. Thank you very much, sir.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of PhillipCapital (India) Pvt. Ltd. That concludes this conference. Thank you all for joining us and you may now disconnect your lines.