# "Star Cement Limited Q4 FY18 Earnings Conference Call"

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**MANAGEMENT:** **MR. SANJAY KUMAR GUPTA – CHIEF EXECUTIVE OFFICER**
**MR. MANOJ AGARWAL – CHIEF FINANCIAL OFFICER**

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

**Moderator:** Good Day, Ladies and Gentlemen. And welcome to the Q4 and Year-Ended March 31st, 2018 Conference Call of Star Cement hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. I now hand the conference call to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you sir.

**Vaibhav Agarwal:** Thank you Margaret. Good evening everyone on behalf of PhillipCapital (India) Private Limited we welcome you to this call for Q4 FY18 for 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 hand over the floor to the management of Star Cements for opening remarks followed by Q&A. Thank you and over to you sir.

**Management:** Good morning, everyone. I am Sanjay Gupta – CEO of Star Cement Limited. I would like to welcome you all to this Earning Call for Q4 FY18. I have with me Mr. Manoj Agarwal the CFO of the company he will take you through Q4 numbers after that we will open the floor for interactive session where you will be able to ask questions and we will be happy to reply to those questions.

I will request Mr. Manoj Agarwal to take you through Q4 numbers and over to Mr. Manoj Agarwal.

**Management:** Hi, friends. Very good morning. I Manoj Agarwal, on behalf of Star Cement, welcome you all for this interactive session to discuss the Earning of Q4 and FY18. I would like to clarify that we will be more discussing only the historical number and this is not an invitation to invest. Having said that now, I will take you through Q4 and FY18 numbers:

Starting from clinker production during that quarter index March, 31st 2018, we have produced 6.16 lakh ton of clinkers as against 5.64 lakh ton same quarter last year.

In terms of capacity utilization, it is close to 98% in this quarter as against 90% in the same quarter last year. So far as cement production is concerned we have produced 6.72 lakh ton of cement this quarter as against 6.47 lakh same quarter last year. This is year in production and capacity utilization front.

Now I will take you through the sales volume:

During the quarter we have sold 7.42 lakh ton of cement and 0.61 lakh ton of clinker as against 7.46 lakh ton of cement and 0.42 lakh ton of clinker same quarter last year. Though the cement volume has more or less flat, we have grown in this clinker term. This is as far as cement and clinker sale is concerned.

Geographical distribution of cement is as follows:

Northeast, we have sold around 5.5 lakh ton of clinker as against 5.18 lakh ton during same quarter last year. As far as outside Northeast is concerned, we have sold 2.44 lakh ton as against 2.70 lakh ton same quarter last year. In terms of blend mix is concerned, it is 23% OPC and 2% PSC and rest is PPC. These are the quantity number.

Now I will take you through the financials.

The total revenue figure this quarter is around 523 crores as against 477 crores last year. A growth of about 10% over the same quarter last year and on EBITDA front this quarter EBITDA is 147 crore as against 171 crore last year. PAT after minority interest is 108 crores as against 126 crore last year. On per ton EBITDA front, it is 1835 during the quarter as against 2171 last quarter. This is what our quarterly numbers are.

Now coming to financial year-end numbers.

In term of clinker production, we have produced 20.57 lakh ton clinkers for the financial year 18 as against 21.47 lakh last year.

As on capacity utilization front, we have utilized around 81% of our capacity as against 84% last year. So, this is the numbers of clinkers production and its capacity side.

On a cement side, we have produced 21.69 lakh tons till March 18 as against 23.66 lakh last year. There is almost 7% degrowth and capacity utilization from this year is around 55% as against 67% last year. This is after we consider the debottlenecking of 1.4 million ton capacity.

Now coming to sales, we have sold 24.04 lakh ton of cement and 2.01 lakh ton of clinker for the full year as against 27.37 lakh and 0.78 lakh ton respectively.

Now coming to EBITDA:

The total EBITDA still for the year is 525.74 crore as against 410.97 crore last year. PAT for the year is 330.67 crore as against 194.72 crore last year. There is a growth of 25% and 70% over last year.

So these are the broad numbers gentlemen so far for the Q4 and whole year figure is concerned.

Now we request you all if you have any queries you can ask the same and I would like Vaibhav to moderate the query wherever this queries are coming.

Thank you gentlemen.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ayush Sharma from Investec Capital. Please go ahead.

**Ayush Sharma**: Sir, is it possible to get a breakup of other expenses into power and fuel and freight expenses?

**Management**: The total power and fuel is for the quarter is 74.76 crores as against 53.96 crores.

**Ayush Sharma**: Sure sir. And on the freight sir?

**Management**: The carriage outward total number for the quarter is 149 crores as against 74 crores corresponding quarter last year.

**Ayush Sharma**: The increase in freight is basically on back of the freight subsidy that has gone away?

**Management**: I will explain you what it is. See basically there are two things which has happened. I have always been saying that we have been rationalizing our dispatches in most of the markets where we are operating. In the methodology which we have earlier been doing it we have plant in Meghalaya and other plant is in Assam. So earlier we used to do a lot of dispatches which was on ex-factory dispatches. Now the lot of dispatches has been converted into FOR dispatches. Please understand that because we still have the GST benefit which is there right for 23 till 27. So we need to have that dispatches done on FOR basis. So that is increasing the freight earlier the freight got used to get added into the raw material cost because it was an ex-dispatch.

So you will find the freight cost being elevated and then raw material cost it will be coming there will be some saving on that. So these are the two basic prime reasons for sales cost being elevated at this level. I will also say for the benefit of all the participants the numbers which you are looking at in terms of the PAT and EBITDA should be read along with the two important factors. One is in FY17 Q4 there is one exceptional item I will say which was one-time item there was differential excise duty refund of around 25 crores and the transport subsidy. The corresponding quarter last year there was full quarter was having transport subsidy. In this year, we have had transport subsidy only for one month right. So if you want to have an apple-to-apple comparison you will have to suspect around 45 crores from Q4 last year and then look this quarter's number.

**Piyush Sharma**: Sir, on the balance sheet side there are lot of restatement that has been done. So, if I look at the long-term loans and advances, short term loans and advances and trade receivables. Now in the annual report you had given a breakup of the subsidy receivables under these three heads. But with restatement coming in during this quarter results, the numbers have dropped significantly. So, is it possible to give a breakup of subsidy receivable under these three heads?

**Management**: The total subsidy receivable at that point of time where we have received around 280 crores in this quarter itself, in the quarter one from April onwards. And it was around 710 crores, the total subsidy receivables. As on 31st March, we have already received 280 crores in the month of April and May. So as on today the total subsidy receivable remains at 430 crores. And the total debt as on 31st March was 425 crores and that has come down to around 100 crores with a cash balance of 45 crores as around 65 crores net of cash debt in the books as on today.

**Piyush Sharma**: Sorry sir net debt amount is?

**Management**: Around 65 crores.

**Piyush Sharma**: And it was at what level as on 31st March?

**Management**: It was at 425 crores.

**Piyush Sharma**: Just continuation to this question currently these subsidy receivables are grouped under other current assets as per the results of Q4 all the amount is under it?

**Management**: Right.

**Piyush Sharma**: So what is the specific reason of this reclassification?

**Management**: These are all according to the IndAS classification we have done that.

**Management**: See in this year as on 31 March the IndAS is applicable right, so all the balance sheet items as per the IndAS requirement, the reclassification wherever it was necessary to comply with IndAS has been done.

**Moderator**: The next question is from the line of Ravi Shankar from Holtec Consultancy. Please go ahead.

**Ravi Shankar**: Can I just help you understand the Northeast annual demand growth how much is last closing year? And second question what will be the annual demand by way of volume and currently what are the incentive that are available?

**Management**: Last year the market has grown at approximately 8.5% to be precise which has been growing at anything between 7%-8.5% in last two, three years. If you look at last year it is the best year as the market has grown at 8.5%. As of now the total demand stands at around 7.9 million ton or 8 million ton and that is how the total demand is. And we expect that in future also the region will continue to grow at least at 8% to 10% that is our expectation. You have a second question if you can repeat that?

**Ravi Shankar**: Second question was what could be the annual demand which you have answered kindly and the third question was what are the currently available incentives for the company?

**Management**: For the company the incentives which are available transport subsidy is over. We always say that two major subsidies. One is the GST subsidy. So, GST will be applicable we have two major plants one plant the GST is available up to 2023. The next plant the GST is available up to 2027.

**Ravi Shankar**: So except GST, is there any other facility available or these are the only two incentives?

**Management**: There will be some small-small subsidies which will be available like the term-loan is over, the working capital is over, so we had some subsidy in term-loan around Rs. 20,000 a month and then we had something on working capital since we have already paid off all our debt and loans those things will not be applicable now.

**Moderator**: The next question is from the line of Antariksha Banerjee from ICICI Prudential Asset Management. Please go ahead.

**Antariksha Banerjee**: A couple of question sir. So according to you just comment you made regarding like-to-like comparison of PAT and EBITDA you said 45 crores out of which 25 crores is a differential excise duty right?

**Management**: Right.

**Antariksha Banerjee**: So if I were to compare then 20 crores is the impact of this withdrawal of transport subsidy is that a correct assessment to make?

**Management**: That is for 2 months, correct.

**Antariksha Banerjee**: For two months that is the impact. And with regard to the rationalization of dispatches how has our lead-distance changed with our withdrawal of the subsidy any rough figure that you will have?

**Management**: See I do not have that rough figure available with us at this point of time. In case you need you can send us a query we will reply to it.

**Antariksha Banerjee**: Okay, but on the overall side we have reduced dispatches to West Bengal that is what you meant?

**Management**: Yes, we have definitely reduced to certain market which were not lucrative to us in some markets in West Bengal. I think last year we had a good amount of Jharkhand sales also. So we have almost discontinued Jharkhand and there are rationalizations within the Northeast also right because there will be some plants which will be near to the market and depending on the cost advantages and the freight advantages which we have we have rationalized those dispatches also.

**Antariksha Banerjee**: The other thing with regard to GST subsidy couple of quarter back actually I had mentioned that due to this GST regime there is a change in the way this is going to be carried out at earlier from a credit it used to get deducted now you will have to seek a refund and time lag is being experienced in that case. So, how has that progressed is that I mean have you received the subsidy for the last two quarters or something like that?

**Management**: So we have already received the subsidy for the quarter. It is basically you are right when you say that earlier the subsidy we used to get every month right. Now this methodology has been changed to quarter. And so every quarter we have to file a refund claim and we get back that money. So since the time the GST has been implemented, July to September and October to December quarter we have already received the subsidies.

**Antariksha Banerjee**: December quarter subsidy I have received.

**Management**: The March is still pending, and we are expecting anytime. So that is progressing pretty well the system has already been established and we do not see any hiccups there.

**Antariksha Banerjee**: And my third question so the entire industry in the mainstream of India is suffering under this menace pet coke whereas we had significant advantages in terms of low cost coal in Meghalaya. By two quarters back you had also said that there could be pressure on pricing so I just wanted to know that compared to the rest of India are we still on advantages footing or are we seeing pricing pressures in that low cost coal as well?

**Management**: I think we have still on largely or I will say almost mostly based on the coal available which is there in Meghalaya, so it based on Meghalaya cone only. Yes in between we have definitely tried about one or two rakes pet coke just to keep the system ready, to use the pet coke. But I think the way the things are moving it looked that has to be kept out of the window. So that has always been a backup arrangement for us. So we are pretty happy with the coal prices. The prices have more or less behaved in a stable fashion and now the off-season is coming for the coal because the raising of coal actually goes down, but we have good amount of sufficient quantity of stocks with us. So we do not find there will be any pressures of coal prices on us.

**Antariksha Banerjee**: One small thing, if I may squeeze in I do not know if you come to notice of this. This quarter Ultratech cement made an interesting comment that their evaluating opportunities in the Northeast. So, I just wanted to know is there any development in the market that you are aware of?

**Management**: We are not aware of that.

**Moderator**: The next question is from the line of Sagar Shah from KSA Shares & Securities. Please go ahead.

**Sagar Shah**: Just my first question was regarding to something like I had a confusion something like a new results in your FY17 revenues, you have stated as 1552 crores, so something like as per your annual report it was 1752 crore so can you explain the difference?

**Management**: As per IndAS the sales has been netted-off, now the excise duty has sold and the excise duty paid so that is why there is a case of excise duty figure which is comparable with this year IndAS figure so that is why all taxes have come out from that figure, so that is why you were seeing that reduction.

**Sagar Shah**: The sales figure has been dropped out you are saying.

**Management**: Please understand Sagar that IndAS does not only want you to revise the current year numbers it asks you to rewind even the last year number in the similar line and also report a number as on 1st of April 2016 also. All these number have been reworked so you will find little difficult in terms of reconciling these number right.

**Sagar Shah**: My second question was regarding to something like the subsidy data we are getting something like we got 200 crores recently and another 80-odd crore so something like towards subsidy claimed from the Central Government so can you explain that which kind of subsidy are these?

**Management**: So this is a transport subsidy which we get for transportation as raw materials and finished goods which is available for a period of 5 years in Northeast. For us the subsidies are over now. Whatever outstanding amount we have with the central government the government has started releasing that subsidy. So out of the total outstanding of 710 crore as on 31st March, 2018, we have received this 280 crores in the month of April and May FY19. As of now the outstanding amount with central government is 430 crores.

**Sagar Shah**: Now coming back to your results actually good set of numbers, but just one concern actually the cost of materials consumed had just increased actually something like it had gone from 110 crores to 168 crores almost like a 50% jump, can you explain something like what led to this jump?

**Management**: That is because the volume has been increased to 30% volume increase is there, so that you have to take into consideration then only you need to compare that okay.

**Sagar Shah**: RMC to sales has also increased that is why.

**Management**: Sales have come down because you have base, as I have said the excise duty taxes have been included and also whatever the higher unit we are arrangement now as per IndAS the sales of the clinker has taken out from the top line and also from the purchase traded goods so that is why that impact is also there.

**Management**: In terms of percentage if you look little more because of the denominator being lower than what it used to be. So whatever changes is there that will look a little higher. I think your calculation in terms of percentages and everything will go haywire actually.

**Sagar Shah**: That means there is almost no figure which are comparable you are saying basically as compared to FY17?

**Management**: I am saying that on the basis of IndAS if you take those numbers and then rework them right. So take IndAS number which have been given as on 31st March, 2017 and 2018 and then rework on that. Do not consider the earlier quarter data which have been provided by all the companies almost.

**Sagar Shah**: My last question will be regarding to something like we are catering mostly to the Northeastern market as you said in your commentary. The government projects which have been almost like implemented over there, that means the government budget has been assigned actually. So means are you seeing something your capacity utilization you said it is just 81% right now till March 18, so you expect it to go up in FY19?

**Management**: Definitely the capacity utilization will go up in FY19 and so there is no doubt that capacity utilization will not go up what was your first question if you can repeat it?

**Sagar Shah**: My question was that only that something due to something like the government, are we seeing some public expenditure over there some new projects implementing in the Northeast so that our capacity utilization goes up?

**Management**: If you look at the overall demand which has been there and then last year the market has grown at around 7.5%, this year the market has grown at 8.5%. And rest of the country the all India demand is not growing at 2%, 3%, so surely there is a focus on Northeast. We are seeing some orders flowing in from the government mostly from roads projects. We are also seeing some power projects work which is there. So railways projects work which is being there. I was hearing that there were some projects where the Railway is talking about connecting this four-five states capital through a railway network. So all these things are definitely adding to demand that is what our hope is that the demand will continue to grow at least at this level or maybe at double-digit. And that will add to the people who are having capacity in the region, so they will be able to utilize their capacity more effectively.

**Sagar Shah**: So are you targeting in other markets such as South or maybe on the West?

**Management**: We have very clearly stated that we are going to be East India players. And we are presently in Northeast and Bengal and Bihar market. So we had a market as of now catering and any growth plans which is going to come up only in this region.

**Moderator**: The next question is from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.

**Sachin Kasera**: I just missed the initial comments as you have mentioned that Northeast has grown by 8.5%, what has been growth of Star Cement for the full year in terms of volume growth?

**Management**: As I said this year in Northeast we have only been able to grow at around 1% approximately. And there has been a de-growth in our volume in Bengal and Jharkhand and these markets because certain markets we have rationalized the dispatches and we have come out of this markets. And whatever rationalization we were supposed to do from dispatches in terms of dispatching in from Guwahati plan that is already out of transport subsidy. There has been certain FOR dispatch rationalization which has been done. So I think if you look at all four quarters we have been doing the same thing. So that has taken a hit this time, but for going forward we are pretty hopeful that we will still start and then we have tried to make up something by selling clinker. So this year I think we have sold about 2 lakh tons of clinker as compared to the last year we have sold around 78 or so. The de-growth which we have we have tried to compensate through selling more clinker, but I think going forward for FY19 onward the thing is that we will continue to go back to our top-line growth of 15% and at least the volume growth will be more than whatever market grows right.

**Sachin Kasera**: This rationalization of volume that has happened outside of Northeast or even inside Northeast?

**Management**: No see what happens is there will be some places within Northeast also there will be some rationalization which will happen depending on what are the net realization for you. So you understand that Northeast is a territory which is very vast in itself and it is a terrain. In places like far of places in Arunachal Pradesh, places like Along and it involves a lot of cost and we need to understand. So we have rationalized certain dispatches. Definitely, we have over a period of time we have started making it that okay the dispatches will happen from some other plant that will also in going forward this year we will definitely have dispatches coming from other plants. And some realizations happened because of shifting the plant dispatch location from Guwahati we have shifted lot of dispatches to Meghalaya plant so that has also happened.

**Sachin Kasera**: Sir what was the volume number for the quarter I just missed that number?

**Management**: The total volume for the quarter was cement was in terms of sales was 7,42,000 ton and again is 7,46,000 ton. But in terms of Northeast if you look at it we have still grown in the quarter by 7.5%. So Northeast we have sold around 557 as against around 10%. We have sold around 5.58 lakh tons as against 5.06 lakh tons.

**Sachin Kasera**: So basically, the focus this year has been rationalization of markets with the profit were not that remunerative and we have tried to increase the EBITDA per ton?

**Management**: Correct.

**Sachin Kasera**: Second question was on the subsidy itself. You have already received 280 crores in the first two months. Going by the allocation for FY19 do you think there will be some more receivable that is possible in the remainder of the year or you have received more or less major part of current year subsidy?

**Management**: I hope that at least if not more at least will be able to receive around 200 crores in the rest of year and I am unable to tell you which quarter and when, but our expectation is that further allocation of at least 200 crore should be coming to the company.

**Sachin Kasera**: And how much approximately should be the accrual for FY19 in terms of subsidy?

**Management**: Overall as I said right it is around 10 crores a month a month, so you can understand so 110 crores to 120 crores.

**Sachin Kasera**: So we have received 280, we will receive maybe another 200 so 480 we will receive and of that 120 again we will grow up so net it will come down to around 350, 360 crores for that?

**Management**: There will be no addition. As of now the outstanding is 430 so if I receive 200 the total outstanding will be 230 crores.

**Sachin Kasera**: And plus 10 crores a month will keep accruing so we will end up 350.

**Management**: There will be no accrual because January 2018 the subsidy that has expired.

**Sachin Kasera**: Okay but nothing in terms of capital subsidy?

**Management**: So capital subsidy we have already received last year.

**Sachin Kasera**: Sir, second question was again on inventory. This year if we see the reported balance sheet the inventory has gone out quite a bit so can you just explain what is the reason for that?

**Management**: I think there will be substantial amount of coal stocks, normally that is a trend in Northeast is that during the rainy season the coal extraction actually drops drastically. So you will find that we do stock for a lot of coal during October to March time and at least up to April and then that gets exhausted over a period of time in next 4 months, 5 months so that there will be a huge stock of coal at this point of time.

**Sachin Kasera**: If we compare it the same thing would have happened last March also. Last year March this number was 160 crores and the current year reported number the inventory at 284 crores that is a very significant jump. So, is it that we are anticipating from increase in prices that is why we have substantially stocked up on the coal or something like that?

**Management**: Normally what happens is I think this year the stock of coal is pretty high. And if you look at it even my utilization in terms of this year the power of utilization is also very good right. Normally the power plant inflation used to be somewhere around anything 50% to 60%. This year the power utilization is more I think this one is around 80%. So we have been needing coal and the availability of coal was little better this time. Last year the availability of coal was not that great. So we have good amount of stocks at this point of time. So, I can tell you that this is primarily for coal and there is no other raw material which you stock.

**Sachin Kasera**: And this should normalize by September, October you said?

**Management**: Absolutely.

**Sachin Kasera**: Sir last question on the CAPEX front I believe you have indicated that we are looking to spend around 400 crores for debottlenecking by around 1.5 million ton of clinker and 1.5 million ton of grinding, so if you can just update us on that CAPEX what is the status how much you get spent and how much you start to be spending FY19 and 20 on the same?

**Management**: I think the Siliguri thing in entire CAPEX the Siliguri grinding unit work there and we were looking for spending some amount as per as the debottlenecking of clinker capacity is concerned. I think there are certain expenditure I am unable to give you exact number how much we have spent in this quarter. I do not have ready numbers with me, but I think definitely this Rs. 400 crore which I have said is around 350 crores for that and 50 odd crores for debottlenecking. The debottlenecking major work will be doing some in the next shut down which will be somewhere in month of August or September. So there will be lot of major work which would be doing during that period, but yes in this year I think we will be spending at least around 200 crores on CAPEX.

**Moderator**: We moved to our next question which is from the line of Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.

**Abhishek Ghosh**: Sir just wanted to understand one thing what will be our clinker utilization Ex of external sales?

**Management**: Clinker utilization you said Ex of external sales.

**Abhishek Ghosh**: Suppose we would not be selling the clinker that we have sold in the market just for a captive use what would be the clinker utilization?

**Management**: For the quarter you are asking?

**Abhishek Ghosh**: For the quarter and for the year if you can help me?

**Management**: I will ask Mr. Agarwal to reply to this question.

**Abhishek Ghosh**: Sir, broad number is also fine in just to get a sense.

**Management**: Sold around 60,000 ton in this quarter as against 41,000 ton in the corresponding quarter last year, sir we have increased of 20,000 ton right. It will reduce our utilization like 3%, 4% grossly I am saying Mr. Agarwal will give you the exact numbers.

**Abhishek Ghosh**: I am saying overall clinker utilization.

**Management**: So this quarter is something 90% as against 98%.

**Abhishek Ghosh**: So we are fairly in that sense optimally utilization our kiln for our captive use. Rest whatever is remaining we are using as an opportunity to sell into the market pure clinker.

**Management**: Yes.

**Abhishek Ghosh**: Just to understand one thing we are at virtually in need of 50, 60 odd crore we are expecting another 200 odd crores to be received whatever receivables are there. We are generating closer to something like 450 to 500 crores of cash every year. So, with CAPEX of only about 200 odd crores what is our overall plan in terms of the cash utilization, should we expect a higher dividend payout, or should we look at it?

**Management**: I think in the last board meeting itself I think we have proposed the dividend of around 100%. So that is one definitely the dividend payout is bigger, but the stated policy of company of that we will definitely distribute around 30% of our profits in the form of dividend whereas rest will be utilized towards the growth of the company. This 400 crore we are going to spent in this year or next year that is the CAPEX we have said that and then definitely we are looking at some more capacity within Bengal, Bihar even in Northeast side. And we will be looking forward to utilizing that cash will get generated over a period of time.

**Abhishek Ghosh**: And that is all organic?

**Management**: That will be organic and inorganic both.

**Abhishek Ghosh**: Organic and inorganic both because since in the slated CAPEX that you have been referring to about this Siliguri grinding unit. Since our clinker utilization are already fairly elevated will be able to kind of debottleneck and then be able to support that just wanted to get some sense around that?

**Management**: At this point of time the overall clinker utilization is around 80% net of my sales in a full year basis. So I have the capacity there that is one and then we are debottlenecking one of the clinker capacity as I said right. So I think that will give us and we are putting around 2 million ton grinding unit at Siliguri right. And that will be mostly depended on a is going to be a PPC kind of a thing. So we will be meeting a 1 to 1.2 million ton on 80%, 90% capacity utilization I will be needing around 1 million ton kind of a clinker and I think if I utilize my clinker at 100% which I have been doing in the past also. And then debottleneck 0.5 million ton we will be able to sufficiently cater to need of the Siliguri Plant.

**Abhishek Ghosh**: Sir, just wanted to understand one thing that intersegment revenue in this current quarter seems to have gone up disproportionately anything to read there?

**Management**: What you want to ask?

**Abhishek Ghosh**: Sir I mentioned that the intersegment revenue in this current quarter seems to have gone up very sharply, so anything in terms of reclassification?

**Management**: It maybe reclassification maybe I will check and revert back.

**Abhishek Ghosh**: I will take it offline otherwise. Just one thing if you can help me with the power and fuel cost and the freight cost for Q3 FY18 Q4 you have mentioned if you can also help me with 3Q FY18?

**Management**: Power and fuel cost in this quarter is around 74.76.

**Abhishek Ghosh**: Sir I wanted of Q3 FY18 this quarter I know I already mentioned of Q3 FY18. If you have it handy then only otherwise it is fine.

**Management**: Q3 power is 57.27 crore.

**Abhishek Ghosh**: And freight?

**Management**: Freight was 58.42 crores.

**Abhishek Ghosh**: One last question from my side while we mentioned that pricing increase is also because of change in FOR, but how has been the underlying prices x of FOR I am saying is the region seeing healthy price increase or how is that being the case and also for the month of April vis-à-vis the quarter?

**Management**: So the prices have been fairly stable I will say and they have behaved very well. In the quarter also. April, we have seen an increase of around Rs. 5 in the prices after that the prices have been absolutely stable.

**Moderator**: The next question is from the line of Rajesh Ravi from Centrum Broking. Please go ahead.

**Rajesh Ravi**: Most of my questions have been answered. Just on this CAPEX front Siliguri I missed what is the current status and when do you see that coming up?

**Management**: The Siliguri will be I think we are as already placed orders for the machines. And I think and see I will still say that let the whole thing it will be taking at least 15 months to 18 months to finally come out yet to production there.

**Rajesh Ravi**: So, the payment would be back ended of FY19 also we would see good chunk of the cash going for the equipment ordering?

**Management**: I think largely as I said right out of total 400 crores around 200-250 will be spent this year and the balance will be spent next year.

**Rajesh Ravi**: And this bottlenecking is what would be completed this financial year itself?

**Management**: Clinker debottlenecking I hope that we will be able to complete it. This maybe a little bit something remains pending may go to the first quarter of next year, but lot of work we will be going to do in next shut down usually come in the month of August or September.

**Rajesh Ravi**: Sir, lastly on the GST benefit that you said which is for FY23 and 27 that would persist. On quarterly basis, what would be the quantum basis on current sales total sales that we are doing?

**Management**: Rajesh I need to come back to you on that number. I do not have readily available number.

**Moderator**: The next question is from the line of Rajesh Lachhani from HSBC. Please go ahead.

**Rajesh Lachhani**: Two questions from my side. One is, what was your market share in FY17 and how has it moved in FY18 in the Northeast region?

**Management**: The overall bucket which we had in FY16-17 was some around 23.5 and we are somewhere around 22.5 at this point of time or 22.75 maybe.

**Rajesh Lachhani**: Sir, with regards to your guidance of 8% to 10% growth in the region that you are expecting. Sir, can you give some specific projects, or which are the sectors which gives you that confidence?

**Management**: See the retail demand itself is pretty high pretty strong in Northeast side. I think if you look at it our overall sale side number even in Northeast the 75% of our dispatches are on retail right and then balance is only 25% of the volume come from non-trade business even in Northeast. That is for us, but that is not the exact position for all of the cement players who are there in Northeast. So we are largely a retail focus company. A retail demand has been strong. In terms of projects yes, we are seeing good amount of orders coming from road projects. There are lot of contractors who have started working, there are lot of road projects which are already under way. We have seen orders coming from railways. The rural activities which is RE store and things like that they are also working. There orders are there. Then Hydro power projects we have received some orders from Hydro power projects in Northeast.

So overall, I think we have also been told that in the Bharatmala project around 10,000 crores can get allocated to Northeast immediately and that may give us something. We are getting that there will be lot of the affordable housing in terms of small city which are there already in your Jorhat, Tejpur and these regions there is some affordable housing projects which are coming up. There is affordable housing projects in Assam already we started two, three projects we are getting good orders from there. So, I think overall infra demand our view is that is going to be strong at least in two, three years.

**Rajesh Lachhani**: Just want to understand how is the pricing power in terms of retail and these infrastructure projects, are this price taking relatively difficult in the non-trade segment compared to the retail segment in that region?

**Management**: I think in terms of retail and bulk segment the prices difference is similar to that which is prevailing in other part of the country. Normally the price difference remains between Rs 50 bag to 60, 70 a bag. Here the prices are somewhere the differential maybe around Rs 30 Rs 40 a bag that is how it is.

**Rajesh Lachhani**: I was just trying to understand do we see when we sell more to the infrastructure segment or you know the bulk projects is there some resistance from their side to not take any price hikes from you or if the retail prices going on at certain prices you easily sell it at Rs. 30 to Rs. 40 discount so that price is acceptable to them?

**Management**: This acceptability factor only comes in depending on demand and supply. During off season definitely, the pricing the ability to push on the prices or maybe pass on some price increases is difficult right. But in the season time when the cement demand is not there and also there is some amount of cement also come from outside the region. So, during off season, yes there is it is difficult to pass on the prices, but again during season time when the demand is good all across it becomes relatively easier. It is not really linked with the retail price in that sense, but yes, we do try to affect this similarly in that, but again bulk is a very competitive market. So it is always not possible until the demand and supply favors you.

**Moderator**: We will move to our next question which is from the line of Ritesh Shah from Investec Capital. Please go ahead.

**Ritesh Shah**: My first question is on the freight costing on the sequential basis it has moved from 58 crores to 149 crores, can you give us split over here between because of FOR prices that is one and secondly because of freight subsidy going away?

**Management**: The freight subsidy going away FOR pricing is not done just because the freight subsidy has gone away. The freight subsidy thing will be because again as I said right the freight in the GST are fairly linked thing right you cannot delink them. So FOR dispatches and we do FOR dispatches the purpose is to maximize realization that is the purpose right. So wherever we find that there is benefit in terms of maximizing those NCR or improved net cement realization then we do that otherwise just doing FOR dispatches does not make any sense.

**Ritesh Shah**: Sir I am trying to understand what would be our normalize profitability would be across a broad math would like transport subsidy going away will knock off Rs. 300, but we have been saying is we are trying to rationalize markets. So, sir just trying to understand how it will look at it from a profitability point of view?

**Management**: I think I have always been saying this that this year the full profitability that Rs. 2000 I have always been saying that. This quarter if you look at the numbers the EBITDA is around Rs. 1850 right. And I have always been saying that if you take out of Rs. 350 we will easily be able to recoup at least around Rs. 100, Rs. 150 by rationalizing all these things and that will take it and that is reflected in Q4 profitability also. If you look at the Q4 profitability is 1835 right. So that is the profitability which is already there right. And that is net only one month transport subsidy is there. So if you need to knock off Rs. 50 is going to somewhere between Rs. 1800 to Rs. 1900. Net off transport subsidy

**Ritesh Shah**: Should I assume this is assuming flat realization to what the prices were in Q4, what you are guiding is Rs. 2000 is a sustainable number?

**Management**: Our view is that the prices should remain flat because of at the same level where they are. There is no reason the prices to go down because the demand supply is actually favoring and there is please understand that there is no capacity in pipeline in Northeast right. As I said there is already 8 million ton cement which has been sold last year and if you look at the overall capacity which is there in Northeast the clinker capacity is somewhere 7.5 million ton. So effectively with that kind of clinker we will be only be able to make 9.5 million ton of cement. So, we are almost there and there is no capacity addition taking place. It does not look towards that the prices are going anywhere.

**Ritesh Shah:** Secondly, you indicated on volume growth are 8% to 9%. Now you did indicate that we will have debottlenecking I am assuming it is at the Lumshnong plant from August and it will go on till March. So will there be a disruption on clinker production and can it impact clinker captive supplies how should one look at that?

**Management:** No, I do not think that is going to have an impact. The major part which you are going to do is we are going to just shut down. There will be tidbits which will continue to happen. Yes, we may not be able to get the same kind of production till such time we have the balancing equipment in place at each section on the plant. So that we may take while, but I think the major part of work we have already completed in this shut down and that has not any capacity utilization of the plant.

**Ritesh Shah**: factoring this debottlenecking we are giving a guidance of 8% to 9% volume growth is that fair?

**Management**: Yes correct.

**Ritesh Shah**: Sir third question is transport subsidy it has it has gone away for us is it the same situation for all the players in Northeast or is goldstone only exception to that is my understanding, right?

**Management**: Goldstone is only exception to this because gold stone is the last plant which has come. It is the only exception which is there. Apart from that all the transport subsidy is over, all the plant is over.

**Moderator**: We will move to our next question which is from the line of Srikanth Srinivasan he is an Individual Investor. Please go ahead.

**Srikanth Srinivasan:** I would like to get an idea on what is being the latest price trend we will say the major states like Meghalaya, Assam, Sikkim?

**Management:** Whatever our sales trend is there more than 60% to 65% of the total sale of the Northeast happens from Assam and then after Assam there is a Nagaland. Then more or less you can say similar all the other 7 states these are more or less similar kind of thing percentage wise.

**Srikanth Srinivasan:** If you can give us a flavor of price as prevailing price as right now?

**Management:** The prices are stable. We have the Q4 prices are there. We have seen about Rs 5 increase in the month of April after that the prices has been stable. The rains have already picked up in Northeast. So we would not feel that the prices are going to go anywhere from here and then next two quarters definitely there will be some pressure in prices, but I think that has always been the trend as far as the cement industry is concerned. And we hope to recover those prices in next two quarters.

**Srikanth Srinivasan:** Sir, based on the demand where do you see will be more attractive, where do you see the maximum price premium?

**Management:** The price premium in Northeast we are definitely to the second player which is Dalmia we are at least Rs. 5 to Rs. 10 higher than them in most of the markets. In Bengal we are at par with Ambuja and in markets like Bihar we are at par with Lafarge. So these are our stated price position I think we have been maintaining this price position.

**Srikanth Srinivasan**: Also I was wondering you have told the outflow that is from Northeast plants to Bengal has reduced and gap has reduced. I was just wondering what is the inflows from West Bengal to Northeast how has situation been has it increased?

**Management**: Total 7% to 8% of total volume in northeast actually comes from outside.

**Srikanth Srinivasan**: One last question on the fly ash since the Bongaigaon has started, do you see that the fly ash prices may come under some pressure?

**Management**: We are expecting that, but I think the plant has started it is a 250x3 so it is a 750 megawatt plant, but I think there are only one unit which they have started and availability of fly is poor from them. But yes going forward definitely we see that is another source of fly ash for Northeastern players.

**Srikanth Srinivasan:** What would be the prevailing prices at the moment?

**Management:** All these pricing thing as of now the Bongaigaon has not yet started the auction process. And it will be very difficult to judge at what prices they are going to auction and what prices they will switch in the auction.

**Srikanth Srinivasan:** No, sir I am asking about the current prices at the moment?

**Management:** At this point of time the landed cost of fly ash for most of the player in Guwahati is going to be around Rs. 1600 a ton.

**Srikanth Srinivasan:** One last question sir if you can also give us the flavor of conversion factor?

**Management:** I think it has already been mentioned previously the conversion which we are doing is we are the blended cement is around 80%. So mostly PPC the full year basis we have a 75% is the total blended cement and OPC will be 25%.

**Srikanth Srinivasan:** No, sir what I am asking is the cement to clinker ratio that is what I was asking?

**Management:** If you look at the total cement to clinker ratio normally the fly ash addition is somewhere around 30% and 25% is an OPC right. So, you can take that from there.

**Moderator:** The next question is from the line of Ujwal Shah from Quest Investment Advisors. Please go ahead.

**Ujwal Shah**: Just to understand our move to rationalize our positions especially Eastern markets, so what lead us. I understand one was the better realization, but we were actually seeing this market as next growth markets. So I do understand that we are totally moved out of those markets what actually has transpired this move and outlook on the Eastern market where we are present Bengal, Bihar etcetera.

**Management**: The rationalization actually the cost of the rationalization depends on you can please understand this that the Siliguri plant as this point of time. It is one and half years away from us. We will be presenting Bengal and Bihar there is no doubt in that. And there are lot of markets we are still supplying to these markets. So, Bengal and Bihar we have not withdrawn, but there are certain market in the pockets of Bengal and Bihar which has become uncompetitive for us.

**Ujwal Shah**: Pricing scenario has deteriorated in those markets or players have more competitive?

**Management**: There is a pricing pressure. There is no denying the fact that there has been no pricing pressure there is a pricing pressure largely in South Bengal markets. In markets like Midnapore East and West Midnapore and these markets which are really closer to Orissa. So there are places in West Bihar which is very close to Satna belt. So there are markets where the pricing pressure is there and because of the withdrawal of transport subsidy it become further unremunerative for us to go to those markets. We may have retracted a little from this market for the coming time to come, but it does not mean that we are going to leave these markets for all time to come. As soon as we see the plant at Siliguri and we have a visibility that which month and which quarter is going to come in you will see a renewed marketing activity and sales figure in these markets.

**Ujwal Shah**: Sir can you just let me know on this what kind of capacity are we bringing in Siliguri?

**Management**: We are bringing in 2 million ton.

**Ujwal Shah**: Is it integrated.

**Management**: No it is not. The clinker is going to come from Meghalaya.

**Ujwal Shah**: Power?

**Management**: Power is going to be a state power.

**Moderator**: We will take the last question from the line of Sanjay Kumar from Vision Investments. Please go ahead.

**Sanjay Kumar:** Just joined in late. So just wanted to know other expenses is gone up hugely to 289 crores versus 190 crores which has muted the results can you please give exact breakup of why there is sudden increase in other expenses?

**Management:** Since you have joined late let me say in terms of results which we are looking at that profitability PAT in down and EBITDA is down I will request you to because there are two important factors which you need to take if you want to do an Apple to Apple comparison of PAT and EBITDA reported for this quarter. There is a 25 crores one-time item in Q4 FY17 and the transport subsidy for this quarter has gone up which has an impact of around 20 crores on this quarter PAT and EBITDA right. So you have to adjust from 45 crores from PAT and EBITDA last FY17 Q4 numbers to see FY18 Apple to Apple comparison. Second is that what is the reason for the other expenses going up. The most important reason for the other expense going up the freight rationalization which has taken place. The freight earlier most of the dispatches used to happen on an ex-factory basis. Once the freight subsidy has gone up these dispatches has been converted into FOR dispatches. And we are also eligible for certain incentives as far as the GST is concerned. FOR dispatches helps us in maximizing this GST in funds. Most of the x dispatches has been converted into FOR. So if you look at it my number in terms of raw material that will show a decline and the freight cost will show an increase that is the most significant region for other income we have.

**Sanjay Kumar:** So this is the normal figure which you have to take as a base for our upcoming quarter?

**Management:** Yes.

**Sanjay Kumar:** Just going to the balance sheet there has been assets have come down from 863 crores to 784 crores and deferred tax has moved up, can you just share what is the reason for this?

**Management:** We have adopted the IndAS balance sheet first time adoption. So whatever the net sale because we are in the Northeast we are eligible 80-IE and 80-IA benefit. So whatever MAT credit entitlement we are having our books which we have shown under the advances that has been reclassified under the deferred taxes. So that is why we are saying deferred tax has gone up and the other assets have come down.

**Sanjay Kumar:** But there is a direct correlation between the two?

**Management:** Yes.

**Sanjay Kumar:** And the tax base whether it will be in the same range or where there will be chances of moving higher this time around as all the incentives are concerned?

**Management:** More or less it will be in the same range.

**Moderator:** Ladies and Gentlemen with the time constraints that was the last question and I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.

**Vaibhav Agarwal**: Thank you. On behalf of PhillipCapital (India) Private Limited, I would like to thank the Management of Star Cement for the call and also many thanks to the participants for joining the call. You may now conclude the call. Thank you very much sir.

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