"Star Cement Limited Q3 FY-21 Earnings Conference Call"

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

Moderator: Ladies and gentlemen, good day and welcome to the Star Cement Q3 FY21 conference call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, Sir.

Vaibhav Agarwal: Thank you. Good afternoon everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q3 FY21 call of Star Cement. On the call we have with us Mr. Sanjay Kumar Gupta – CEO and Mr. Manoj Agarwal – CFO of the company. At this point of time, I will hand over the floor to the management of Star Cement for the opening remarks which will be followed by interactive Q&A. Thank you and over to you, Sir.

Management: Good evening, everyone. I am Sanjay Gupta, CEO of Star Cement Limited. I would like to welcome you all to this earnings call for Quarter 3 FY21 earning call. I have with me Mr. Manoj Agarwal, who is the CFO of the company. He will take you through the Quarter 3 numbers and the nine-month numbers. After that we will open the floor for an interactive session where you will be able to ask questions and we will be happy to reply. I will request Mr. Manoj Agarwal to take you through Q3 numbers. Over to Mr. Manoj.

Management: Hi friends. Very good afternoon. I on behalf of Star Cement Limited welcome you all to our concall for discussing the numbers of Q3 2021 as well as nine months ended FY21.

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 numbers followed by nine-month year-to-date number.

Starting from clinker production, during the quarter ended December 2020 we have produced 5.89 lakh tonnes of clinker as against 5.71 lakh tonnes of clinker same quarter last year. So far as cement production is concerned, we have produced 6.14 lakh tonnes this quarter as against 6.49 lakh tonnes same quarter last year.

Now I will take you through the sales volume; during the quarter, we have sold 6.62 lakh tonnes of cement and 0.9 lakh tonnes of clinker as against 7.19 lakh tonnes of cement and 0.34 lakh tonnes of clinker same quarter last year. This is a de-growth of around 8% in cement. It is mainly on account of restriction in movement of trucks imposed by state government due to the repairing of the bridge at Dwar Ksuid at Shillong bypass.

As far as geographical distribution of cement is concerned in Northeast, we have sold around 5.37 lakh tonnes as against 5.63 lakh tonnes during same quarter last year. And as far as the outside Northeast is concerned, we have sold 1.25 lakh tonnes of cement this quarter as against

1.87 lakh tonnes same quarter last year. In terms of blend mix it is almost 9% OPC, 1% PAC and the rest is PPC. These are all the quantity numbers of the quarter.

Now I will take you through the financials; total revenue figure this quarter is around Rs. 423 crores as against Rs. 450 crores same period last year. As far as EBITDA figure is concerned, this quarter we have done an EBITDA excluding exceptional items of around Rs. 91 crores as against Rs. 100 crores last year. PAT after minority interest is exceptional item of Rs. 64.57 crore is negative to the tune of around 2 crores as against profit of 70 crores in the same period last year.

On per ton EBITDA front, on apple-to-apple basis, that is without exceptional items it is Rs. 1322 during this quarter as against Rs. 1335 per ton same quarter last year. This is what our quarterly numbers. Now I will take you through out nine-month number. The total remaining figure for the nine-month ended December 20 is around Rs. 1117 crores as against Rs. 1292 crores same period last year. As far as EBITDA figure is concerned during nine month ended December 2020, we have done at EBITDA without exceptional items of Rs. 248 crores as against 292 crores last year. You know that April was totally washed out due to the COVID pandemic. PAT after minority is Rs. 102 crores as against Rs. 200 crores in the same period last year. This is on account of charging of exceptional items of Rs. 64.57 crores during this quarter. On per tonne EBITA front without exceptional items it is 1385 during the nine-month ended December 2020 as against 1402 per tonne same period last year. These are the quarterly and nine-month year-to-date numbers.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: A few questions from my side. Your sales volume outside of Northeast has fallen sharply. So, has it also been as that in logistic or are there more issues because your peers the larger peers outside mainly the Eastern region have done really well in terms of volume. So what is the phenomenon over there?

Management: I think the sales volume, even outside markets have got impacted largely because of the problems which were faced, logistic issues which were faced. One of the logistics issues there was an issue in the month of November as well as in the month of December. And there are two bridges we have faced some transport strike and after that there are two bridges to reach Shillong, both the bridges have developed a load restriction and government has imposed certain load restrictions on those bridges. There was some crack in one of the bridge which is under repair. I think which is going to get ready by 15^{th} of this month. So, most of it as you are aware that our clinker capacity is concentrated only in Meghalaya. So that is one of the reason that we were unable to evacuate tinker from Shillong to the grinding unit at Guwahati which normally feeds to outside Northeast markets. So the volumes there also got impacted because of the logistic issues.

Indrajit Agarwal: So, we see some follow on except in this quarter as well in terms of values?

Management: There are issues in this quarter. Till now there are issues, and the s are getting impacted because of but hopefully by 15th of this month there's another bridge which is getting prepared and it is almost ready and they are going to start the bridge by 15th. Once that is there I think we can expect complete normalization of operations.

Indrajit Agarwal: My next question is on pricing. How are the spot prices versus last quarter's average and what is the kind of trend that you are seeing?

Management: The prices are stable as of now. We haven't seen any increase in prices so to say. In northeast because of the shortage obviously there is a small amount of shortage of material in Northeast also because it is not the only question for Star Cement because most of the cement plants are all concentrated in and around Lumshnong which is a hub of all cement activity. So, the dispatches of all the cement plants have suffered. That has created some kind of a scarcity, most of the material which has…so the prices are firm in northeast, there have been some increases in some pockets in northeast. I would say northeast, definitely in East the prices have actually come down and I will say in this quarter the prices must have come down by around Rs. 25 to Rs. 30 a bag.

Indrajit Agarwal: So this is from last quarter's average prices are down by Rs. 25 to Rs. 30 a bag?

Management: If you look at an average it will be somewhere Rs. 15 to Rs. 20 a bag.

Indrajit Agarwal: Lastly, any update on the Siliguri grinding unit, when are you trying to commission and ramp up?

Management: It has already been commissioned. The Siliguri grinding units have already been commissioned and it was inaugurated by the Chief Minister so that is there. And we hope that in this particular maybe in this month we will be able to increase the volumes there and going forward Siliguri will definitely contribute to the increased volume of the company.

Indrajit Agarwal: So what kind of exit utilization we can see in this fiscal year?

Management: There are only 45-50 days to the close of the year. So, it will take a little bit of time in terms of coming back. So we can still expect around 50%-60% of capacity to be utilized in these two months.

Moderator: The next question is from the line of Pankaj Tanna from Varun Investments.

Pankaj Tanna: I just wanted to know what is your future outlook on the progress of the company?

Management: So, actually in terms of volume definitely in this year in a setback these logistical issues are one of the issues which our company has never faced in 15-16 years of its existence. And I think this will get resolved in by 15th of this month. Going forward, definitely Siliguri is going to continue because it's a 2 million tonne grinding plant and it is taking up our grinding capacity by 2 million tonne. So it will significantly contribute to the volumes in FY22. Going forward in the next 2-3 years we are setting up a 2 million tonne Clinkerization plant in Meghalaya. We also are putting up a WHR plant of around 15 megawatts in Meghalaya and we will be looking at adding a grinding unit in Guwahati. So, these are the plants which we have already lined up for the next 2 years to come.

Pankaj Tanna: And a follow-up on that is it, transporting your clinker to across, how do you do it, you do it by truck or is it done by rails generally?

Management: Part of it is on road and part of it is on rail.

Pankaj Tanna: Because competing, producing in Northeast and transporting it say to Siliguri and things like that, I would have probably felt logistically costs would be very high and competing with locals may probably be a little more difficult.

Management: It doesn't look like that because in West Bengal all the branding units, anybody who is having the branding unit in West Bengal is essentially transporting the clinkers all the way either from MP or from Chhattisgarh. And our transportation to Siliguri in fact the cost of transportation is lower than the competing brands.

Pankaj Tanna: And so much money planned to be spent in the Northeast, say Assam and all, as per the latest budget, so the next 3-4 years should be good for us?

Management: Yeah, that is what we expect, definitely we expect from the budget and we have got that. I think there are a lot of infra plans which are already there in Northeast and the demand is still healthy, it is very good in northeast, so there is no demand issue as of now.

Pankaj Tanna: So presently our manufacturing capacity is what 4 million tonnes?

Management: 4 million tonnes was our earlier capacity. With this addition of 2 million tonnes of Clinkerization we will have around 6 million tonnes of cement.

Pankaj Tanna: That includes what were are planning for Meghalaya at a later stage.

Management: That is excluding that. The clinker is a backward integration which is going to come.

Pankaj Tanna: So that means today we would say, we would be operating at roughly about 60% of our based on about 4 million tonnes capacity and slightly less based on 6 million tonnes?

Management: In terms of cement definitely we will be operating at around 60%. In terms of clinker we must have been operating at around 80%.

Moderator: The next question is from the line of Mangesh Bhadang from Nirmal Bang.

Mangesh Bhadang: First question is you had mentioned earlier that the vision of the company is to reach 10 million tonnes of capacity. After this Siliguri expansion where can we see this cement capacity coming up?

Management: I just mentioned to the previous person who had asked the question. I think Siliguri is already done. Now we are already working towards setting up a 2 million tonne Clinkerization plant in Meghalaya because today we have 3 million tonnes of clinker and 6 million tonnes of grinding. Just to back that up we need an additional clinker. So there is a 2 million clinker plant which is going to come up in Meghalaya. And after that there is going to be around 1.5 to 2 million tonne grinding plant is going to come up in Guwahati. We are definitely looking at setting up a plant in Bihar and also in southern part of West Bengal which is near Durgapur and a Clinkerization plant either in Chhattisgarh or in MP. So, I think all the plants are definitely aimed towards reaching a 10 million tonne capacity in coming next 5 years' time.

Mangesh Bhadang: So from 6-8 will be in Northeast and from 8-10 will be in the eastern part, is that correct?

Management: When I am saying 10 million tonnes probably it will be 10-12 million tonnes, it does not necessarily mean that exactly 10 million tonnes because we will need Northeast capacity to be high. It can be little higher from that because we will need one grinding plant of approximately 1.5 million tonnes to 2 million tonnes in Bihar. Another 1.5 million tonne to 2 million tonne plant in Durgapur and just to back that up around 2-3 million tonnes Clinkerization plant either in Chhattisgarh or in MP. So, if I put all this up, it'll be somewhere around 12 million tonne of grinding and around 8-8.5 million tonne of Clinkerization.

Mangesh Bhadang: Second question is, Siliguri has started now. So for FY22 what kind of utilization you are looking at based on the current demand trend? And how does the profitability of the owned unit differ from the leased unit? If you can say in terms of cost also what could be the cost differential between leased units and your current owned unit, that could also be okay.

Management: For such full year of operation of Siliguri plant we are expecting the capacity utilization be anywhere between 60% to 70%. In terms of cost, as of now also in whatever cement we are selling, last year we have sold around 2.95 million tonne of cement. This year maybe a slightly lower than that because we are already short of last year figures. But surely, we are going to grow over and above whatever we have achieved in FY20. So we are expecting at least a 20%

top line growth. So what will happen is the cost and in present situation also we are trading around 30% of our volumes from Meghalaya and from Guwahati to outside Northeast, in Bengal and Bihar market. This will completely be replaced from Siliguri plant. That will additionally save and we have also given up, we had two hired units also, one was in Durgapur and the other unit was in Siliguri. We have given up those units and it was the 2 million tonnes grinding plant has already started of our own. This shuttle also saves on lot of grinding costs for us. And the fly ash we are still sourcing, and we used to take it to Guwahati that will only be honed up to Siliguri. There'll be an element of cost saving which is going to be accruing to the company. So, definitely cost of production on Siliguri will be lower than what we used to do earlier.

Mangesh Bhadang: Is it safe to assume that Rs. 400-500 on a per tonne basis cost should be lower?

Management: It's very difficult to put a number to it because it will all depend on how things pan out over a period of time. But definitely there will be a saving, I am not in a position to put any number to it, but even as an estimate the landed cost of fly ash used to be anything between Rs. 1600 to 1800 in Guwahati and 30% to 35% is going to get replaced, so you can just calculate that and you will get that number.

Mangesh Bhadang: Lastly, on your fuel cost, you have seen the increase in petcoke and imported coal prices. How do you see that impacting yourself?

Management: As of now we are sourcing most of our coal requirement from Eastern Coalfields and we have not actually imported any coal in last quarter. And hopefully we continue to, and we have advance arrangement with Eastern Coalfields, we have already participated in lot of coal auctions which have taken place. Yes, definitely the international coal prices are going to have some impact on the way Coal India actually starts pricing its coal. We have seen some increase in prices by Coal India in comparison to the international prices and in case the coal prices actually do firm up in next quarters also, we think that we will be in a position in the Northeast at least to pass on to the customer.

Moderator: The next question is from the line of Prateek Kumar from Antique Stock Broking.

Prateek Kumar: The first question is on your expansion and clearances regarding expansion. Have you progressed on that on Meghalaya clinker?

Management: Meghalaya clinker we have just made an application for environment clearance. That initial application has already been done. And we are getting necessary local clearances, there are a few local clearances which are required, in the admin clearance and Durbar clearances which are there in Meghalaya, they are typical to make there. So, we hope to get those clearances by end of this month or maybe early next month. We have already initiated the process in that.

Prateek Kumar: This should at best come by 23, this expansion of 23 second half?

Management: 23 second half will be fair to achieve, because it will at least take 24 months to 30 months.

Prateek Kumar: In that case FY24 it should be?

Management: FY24 correct.

Prateek Kumar: What was the cost realized of fuel cost during the last quarter? I think we had around 7000-8000 kilo cal. What was the cost of fuel we realized this quarter?

Management: I think the cost of fuel was 7500 to 7800 in this quarter.

Prateek Kumar: So there was no increase as such from the previous quarter and any anticipated increase we should see in future quarters only?

Management: Yeah. There will be some in increase in this coming quarter definitely.

Prateek Kumar: And how much has the domestic coal, I mean, the auctions which you have been participating or buying, how much have those fuel prices impacted by higher international coal prices? International coal prices have jumped like 30%-40% higher.

Management: I will say that the Coal India has already increased its basic coal price by Rs. 500 a tonne. So you can understand, so approximately 5% to 6% coal cost increase has already taken effect actually on an overall cost basis that is what I am saying. But otherwise, earlier increase of around Rs. 1000 a tonne, but again the prices have again come down. Coal India reduced the basic price of the coal. So the net effect cost is Rs. 500 a tonne. You can look at it on overall basis the impact of 6%-7% in all.

Prateek Kumar: How is the trade and nontrade mix moved in this quarter and the premium segment antirust, which we sell, how is that as a percentage of sales now?

Management: I think in this quarter, trade is around 87% as compared to only 13% nontrade because we had a cement shortage in this particular quarter and we have produced very less amount of OPC which is largely going to nontrade segment. And what was your second question?

Prateek Kumar: What is the proportion of premium sales which would be like Star Antirust cement which we sell? Has that also increased?

Management: As of now Star Antirust contribution is going to be somewhere around, I think for Northeast volume you can take it around overall it is going to be 3%.

Prateek Kumar: So for Northeast it would be higher?

Management: No, when I am saying this number, this is an overall number.

Prateek Kumar: Last question on pricing, in January you said Rs. 20 decline in price in East market, is that correct?

Management: Yeah.

Prateek Kumar: You are talking about Q3 pricing.

Management: I am saying Q3 pricing.

Prateek Kumar: So in Q4, what will be pricing?

Management: There is a further decrease around Rs. 10-15 in the month of January.

Prateek Kumar: And there have been like failed attempts of any increase like past month or so?

Management: As of now there is no indication of price firming up. Till December there was issue in terms of I will say that year end lot of big players in East, so that has impacted the pricing. And still, I think people are keener on getting volume numbers than concentrating on price. I think that is having an impact. But going forward I will definitely expect that because these are going to be the peak demand months of East and normally East the prices actually firm up in February, March and April. So we hope that there will be some firmness in prices going forward.

Prateek Kumar: What about Northeast in January, how have they been?

Management: Northeast the prices have remained flat and they were largely flat with a definitely upward bias. We do not foresee any, barring of a small upper movement in prices, we hope the prices will remain somber.

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

Ritesh Shah: First question is can you highlight the new capacities which are expected in the region both in East and Northeast, that's the first question over next 6 to12 months?

Management: Northeast there is no other capacity which is coming up in next 6 to 12 months. And coming back to East I don't think in Bihar there is no other capacity. In Bengal in next 6 to 12 months I think there are going to be approximately two plants which may commission. I think a capacity of around 3.4 million tonnes.

Ritesh Shah: Which one will this be?

Management: As far as my understanding is Shree is looking to start the plant. And there is going to be, I think, Dalmia Salboni they are adding something, so that may come on stream. That's what my understanding right now.

Ritesh Shah: Besides Bengal in Chhattisgarh, Odisha, any other major plants which are coming up?

Management: I think Chhattisgarh capacity is not there. People are adding but they are not going to come on stream as of now. Odisha also, Bihar there is nothing I suppose. In the next 3-4 months there is nothing going to come up.

Ritesh Shah: Secondly, any update on coal mining? Coal India was supposed to come into the region in Northeast. Has there been any formalization to coal mining in the region? You did indicate that we are not importing any coal now which is good news. Can you explain something on sourcing as well as any change in the regulatory part which has actually helped us?

Management: I think the government is moving very slow on this, both the state government and the central government. Coal India has not…there was a hope that they are going to get some coal out of stocks which we have around 3.6 million tonnes of coal stock which is still lying. Still, that is stuck up in the legal tender between the state government and Coal India and the **(Inaudible)** 30.18 panel. We haven't got any orders from there. As far the coal mining is concerned that is also is a pretty tedious task because in Northeast starting the coal mining, the way the traditional mining it goes it becomes very difficult because the entire landholding pattern in Meghalaya is pretty fragmented and as per the directions of Ministry of Coal, all those blocks needs to be consolidated at one place so still the government have not been able to come out with any clear guideline on this.

Ritesh Shah: How should we look at our sourcing of coal from the region? Is it from the old inventory or is it from fresh mining?

Management: What they are looking at it is that, as you said, we are on a 100% on Eastern Coal Fields so there is no local coal which is available as of now. Yes, as I said that 3.6 million tonnes will be still lying outside. Once the government reaches a consensus with the NDT) committee and rather definitely that coal will be available but the timeline at this point of time is very difficult to pinpoint any timeline on that.

Ritesh Shah: Specifically on the public hearing for clinker expansion, for some reason there has been a lot of delays and there has been a lot of protest. What is the underlying fundamental issue over here and how is it that we are looking to tackle this because I know that this has been going for almost like 6-9 months and for some reason the location of hearing keeps on changing or some other problem comes in? What is the solution over here, how are we looking to resolve this because it is something which is important from a mass balance point of view?

Management: Definitely we are putting all our efforts in terms of getting this public hearing done. From last 6 to 9 months the whole problem was because of this pandemic and the public gathering was actually not allowed by the NHA guidelines so that has hampered any development in this front but as soon as this is started we have tried to conduct another public hearing and we have also represented to Maihar, to waive off that condition of publish share because we are looking at some response from MoEF on that because we have already made at least two attempts on that and we have not been able to successfully do it and the issues remain largely they all vested interest people will always have that so we are trying to resolve it. Hopefully next hearing will be done pretty shortly, and we hope to clear that.

Ritesh Shah: You did indicate that we are looking for expansion even in Chhattisgarh and South of West Bengal so are we looking at inorganic expansion over here like is it something which would excite us given our balance sheet is in very good shape because the clinker distance will actually move significantly. I am sure that it would be something or do we already have these in place in Chhattisgarh and MP that is something that we will look to exploit?

Management: We are continuously pursuing our part in terms of getting into the 10-12 million tonnes capacity in East. We have already completely charted out plans for in terms of going an organic way but in case there is an any inorganic opportunity which is available to us within our limits and within the way we want it, we are happy to look at those kind of inorganic opportunities but we are not completely waiting for that, we are still going ahead with our organic plans.

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

Amit Murarka: My question was also on the MP-Chhattisgarh plant. There was just not clear from the previous reply. You said we already have leases at these locations?

Management: We don't have leases at this location in the company. We have certain mining rights in some of the other group companies in MP. Chhattisgarh, we don't have anything, in case we do it for Chhattisgarh we will be acquiring mines to auctions.

Amit Murarka: It is then, in that case it will take time to see these plants come off and all. Maybe 5 years or something like that?

Management: We are definitely saying that this 10 to 12 million tonnes plan is actually a 5-year plan, it's not a short-term plan.

Amit Murarka: Earlier in the last call you had mentioned that there has been some increase in material's price from East to Northeast and I believe the price gap has only widened. Is there any incremental flow coming in from East like between this quarter and last year quarter?

Management: There is an inflow which has been there in this quarter, we have visible largely because of the inability of Northeastern player to supply cement to the customers due to the logistical problems in the month of December and November-December which we had faced. That has definitely increased the supply but as soon as in January the most of that supply has been re-stored, it has not yet come back to the normal but large part of that already been restored. Hopefully by 15^{th}

of February the complete normalcy will reach now, and we will be again coming back to the normal volume.

Amit Murarka: Will you be able to share what percentage of Northeast demand is made from supplies coming in from East, last time you mentioned it had 15% odd?

Management: Usually if you look at it, a period before, in FY21 it is somewhere around 14%-15%. It used to be earlier around 10% to 11% so they have gained a market share of around 3%-4% during this year.

Amit Murarka: On the WHRS you had mentioned that it's going to be orders. Has that happened now?

Management: We have only placed orders for turbine, we have already placed orders for ACC, the processing of so we are in process of completing the orders by this month end.

Amit Murarka: Commissioning will be done by when?

Management: At least it will be 12 to 15 months from now.

Moderator: The next question is from the line of Dipen Sheth from CRISIL Investment Advisors.

Dipen Sheth: This exceptional write-off or charge of 64.5 crores that you have taken into consol accounts in this quarter; I am not very clear in my mind and pardon my ignorance here but will this result in a cash out go from the company or is it just a receivable that you were expecting, a credit that you were expecting which you will now adjust against?

Management: Half of this is a cash out go from the company and half of this is just a write-off of receivables.

Dipen Sheth: I don't see this as of course it's a large enough amount to be of some concern but if there is a legal setback we have to live with it. I don't see this as a deal breaker in the investment thesis however I am not sure whether this kind of issue will spill over into a larger issue later on? Is there some kind of a contingent legal overhang on any other part of our prior period productions in excise booking etc. which this might spill over and might have implications for?

Management: I don't think so. This is definitely a fallout of a legal thing which was there, that's a fallout of that and we don't think anything which is going to spill over to anywhere. All other issues remain absolutely settled there and there is no legal pending cases against the company for or against the company.

Dipen Sheth: We will actually have to part with cash of close to about 30-35 crores on this issue, on this setback?

Management: Yes.

Dipen Sheth: Much of the investment thesis around Star is based on the exceptional circumstances and tax structure or the indirect tax structure that apply to the company and some sense of again understanding the funnel of this benefit, how long and for what residual period or volume is this going to last. Eventually it will go away or how should we look at it?

Management: We have been repeatedly saying this that only thing which is available to the company is GST refund which is there with the company and that is going to continue in some of the facilities which are there with the company in Guwahati and Clinkerization plant at Meghalaya and that is going to continue up to 2023. There is no overhang of any sort either policy or in terms of a await of refunds and we have been very smoothly getting these refunds without any sort of any doubts anywhere.

Dipen Sheth: The 2023 thesis is still completely legally intact. There is no second thought there and it's not that we are bumping up receivables with anyway on that account as well?

Management: No question about it.

Dipen Sheth: The beauty of whatever investment thesis can be made is based on your cash richness, your ability to stew out more than what I would say our normal profits for the cement industry could see, the tax structure and the unique location and I must confess the excellent operations that you guys run. So if that is intact, I will look at this 30-35 crores of cash out go as just bad luck which is what time and life has to go on.

Management: There is no change as such. As I said very clearly this is only a regular thing which has come up from the legal side and we had no other option but to challenge that and as on thing that there is anything as I said, there is no pending case against the company of any of the past thing and I don't think any of this all is going to come in future for the company.

Dipen Sheth: The GST benefits currently apply to what fraction of our overall production volume?

Management: It is partly on clinker and partly on cement. It's very difficult for me at this point of time…

Dipen Sheth: This will also change from quarter to quarter depending on the sales mix and so on but approximately where is the trend going, where are we right now? Are we at 30%, are we at 60%?

Management: On an overall volume thing, if you want to just put a number, I don't have any numbers with me but I can say around Rs. 150 to 200 a ton that we will work out like that.

Dipen Sheth: On the overall volumes on a blended basis it translates about Rs. 150-200 of benifit.

Management: Turnover, yes.

Dipen Sheth: On the entire volume?

Management: Yes.

Moderator: The next question is from the line of Romil from DAM Capital.

Romil: I had two questions, one is more of a clarification where you mentioned that in Q3 versus Q2 there was about 20% to 25% a bag correction in prices and the fourth quarter has seen about another 10 to 15 odd per bag correction over Q3. Am I right on this part?

Management: This is only East not in Northeast. This is related to only East. Price correction is only related to East not the Northeast. Northeast prices have remained absolutely stable with an upward bias of…

Romil: I wanted to speak about East only and secondly since some few players you know already they have some capacities and trying to gain some share and to ramp up volumes there have been some these price corrections which we have seen and following in the coming about 2 years there is about another 30 million tonnes odd of capacity which is coming in the East, right. Dalmia, Shree, UltraTech is adding so my point was that for the coming next 2 to 3 years is it possible that we would see some sustain sluggishness in the Eastern markets because companies would try to continue ramp up volumes and then there would see some suffering on a pricing front?

Management: I will say that since the prices at this point of time, we should not be reading too much into it because of overall lumpiness in terms of the demand also and also in terms of the people have suffered volumes in the month of April-May and they are all trying to cover up that particular volume by pushing the prices down and getting into the volume but if I look at in the overall contours of East I don't see that addition of around 20-22 million tonnes of capacity or as for my number goes it is around 20-22 million tonnes in next 3-4 years. That kind of a capacity can get easily absorbed because the East has used to grow at around 6% and even in this particular year; in spite of all the problems which we had till November the East is almost at either 2% negative or probably almost flat and that's what my sense is. Hopefully still in this year, East will still turn out to be positive year. The growth will take care of it. I'm not extremely worried about that it is going to be a dampener on prices because the volumes and the people will be pushing down the price I don't really think so.

Romil: Can we look at it and this way that there would be some downside cap but then upside would be a bit limited. I agree there the capacities would be absorbed but then there would be some upside feeling or not a feeling but then some upside resistance in prices with some downside Cap that they would not fall much below the current levels?

Management: I am only saying that the prices can go up and fall depending on the lumpiness of demand supply which is always there in East region, so I really don't think but there is not going to be any structural change in overall demand supply situation that's what. It's not going to be overly over supply zone so as which is there in South and everywhere else largely in South. We are not looking at any scenario of that sort. Our view is very clear, there can be some lumpiness depending on when the capacity is coming on stream and when the demand is there and then it takes time to get it, absorb any capacity will take time to get absorbed. To that extent I can agree but I don't think there is any structural change.

Moderator: The next question is from the line of Uttam Kumar Srimal from Axis Securities.

Uttam Kumar Srimal: Can you please outline the CAPEX plan for this year and the next year?

Management: This year we have already done with, there is nothing which is there. Next year we will be spending money on two of our projects which is largely 2 million tonnes Clinkerization plant and our WHR plant. The total CAPEX is around 950 crores for these projects, and we hope that around Rs. 200 crores will be spending next year.

Uttam Kumar Srimal: 200 crores next year and the balance thereafter?

Management: The balance will be thereafter, in next 2 years.

Moderator: We take the last question from the line of Rajesh Ravi from HDFC Securities.

Rajesh Ravi: First on the WHR what is the quantum we are looking at?

Management: We are looking at somewhere around anything between 13 to 14 MW that's what the design is.

Rajesh Ravi: CAPEX for the same would be?

Management: Around 125 crores.

Rajesh Ravi: On the Siliguri grinding where would we sourcing this fly ash from?

Management: The fly ash is going to be sourced from NTPC Kahalgaon and NTPC Farakka, Barauni and the other places.

Rajesh Ravi: This is with regards to you now letting go the all these units because they were closer to fly ash sources so out of that not relatively a remunerative proposition in terms of fuel lead distance would have been lower for the fly ash movement?

Management: I don't think that is the concern Ravi because what happens is if you see people who have their cement plants near to fly ash source, but they are away from their clinker source. It's a trade-off, you need to see that which are the markets where we are setting up a plant. Siliguri, if you go to Siliguri in and around Siliguri nearly 400 km of distance you will not find a single cement plant and as per in Siliguri and in the North Bengal market the prices are still better. I will say the price decline which we have said of around Rs. 20 average in last quarter and Rs. 10-15 here I think the same impact is lower as far as the North Bengal is concerned because most of the people actually transport their cement all the way from South Bengal to North Bengal. There is a secondary freight cost which actually used to impact. It all depends on where you want to set up; if I would have set up a plant in Kahalgaon my clinker freight cost would have been more than fly ash and I need more of clinker than fly ash.

Rajesh Ravi: With this Siliguri what is your expected Northeast and East sales which that you are looking at for next 2 years FY22 and '23, before your next clinker unit gets ramped up?

Management: As of now we are already at I will say on a nine-month basis, we are already at 75-25. Going forward I will definitely expect this will turn out to be maybe around 60-40 kind of a ratio that will definitely be there.

Rajesh Ravi: Would be in your electricity grid power cost be cheaper at Siliguri compared to what you are incurring at may be Guwahati or in this Meghalaya?

Management: No, I don't think, the power is there, the power cost is not cheaper at Siliguri.

Rajesh Ravi: It would be similar or higher?

Management: It will be a little bit higher but we are already getting into higher share also, so I think it will be in line with what is available.

Rajesh Ravi: This year what is the total CAPEX which have been incurred including completion on the Siliguri work?

Management: Rajesh exactly what is how much is invested we need to check. You give me a mail I will send you the details.

Moderator: We take one last question from the line of Ashish Jain from Macquarie.

Ashish Jain: Can you share some more concrete timeline for your expansion in the East because from what you said it seems more at a thought process level at this point of time. Where are we in terms of land and all or that is still some time away?

Management: The plants which we have for next 2-3 years, 3 years is Clinkerization, WHR and Guwahati expansion, they are all in place. For Shillong we already have land, we already have mines, we only need clearance and to set it up. WHR we have already ordered for machines so that is on track and Guwahati already have land so there is I don't need anything else there. I need land and permission and in existing plant also only we have land so there is not an issue there. Coming back to the East expansion in Bihar we are looking for some plant there which is already there with some industrial house so we will be taking that land. Yes, definitely in MP as I said we do have a mine outside the auction, within the group, we are looking at that particular mine. So once that is chosen and once that is there, definitely we will crystallize these plants but those are definitely a 5 year plan they are not a near-term plan.

Ashish Jain: The MP mine is at a PL level or its more like ML prospect?

Management: We are in process of getting ML executed.

Ashish Jain: Can you just tell me the net cash level as of December?

Management: By December is around 370 crores. We have a net cash.

Ashish Jain: Did you say 370 crores?

Management: Yes.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited for closing comments.

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital I would like to thank the management of Star Cement for the call. Many thanks to the participants joining the call. Stanford you may now conclude to the call. Thank you very much sir.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of PhillipCapital (India) Private Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.