



Star Cement Limited (SCL)

Investor Presentation

Cementing growth.
Branding success.



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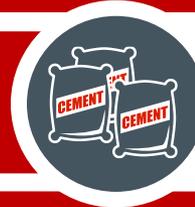
From North East to East



From Growth to Efficiencies



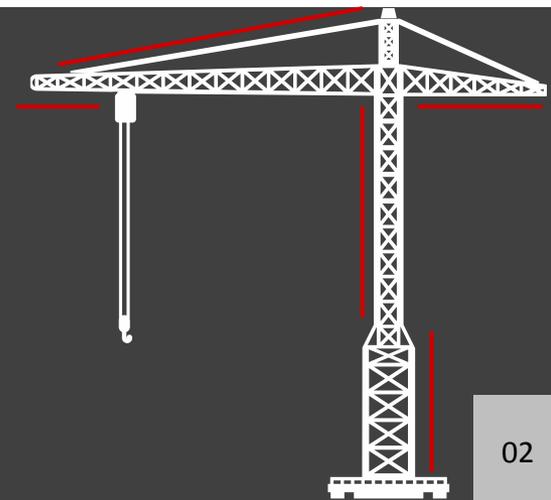
From Commodity to Brand



From Capacities to Capabilities



We are expanding the growth horizon and creating a differential.



The Birth of a Star

- ★ **2001** The Star was **born**
- ★ **2005** Operations commenced
- ★ **Largest** Cement manufacturer in **NER**



- ★ **Emerging market player** in Eastern India (WB & Bihar)
- ★ **Strategically located Cement Manufacturing Facilities**
- ★ **Cement Business operates under SCL & its subsidiaries**



- ★ **Star Anti-Rust Cement** is a **marque product** in the value-added segment – sold in **NER, West Bengal & Bihar**
- ★ **Quality endorsement** ISO 9001:2008, ISO 14001:2004 and OHSAS 18001 certified
- ★ Selling different varieties of cement **OPC, PPC & PSC Cement**



Counting the Stars

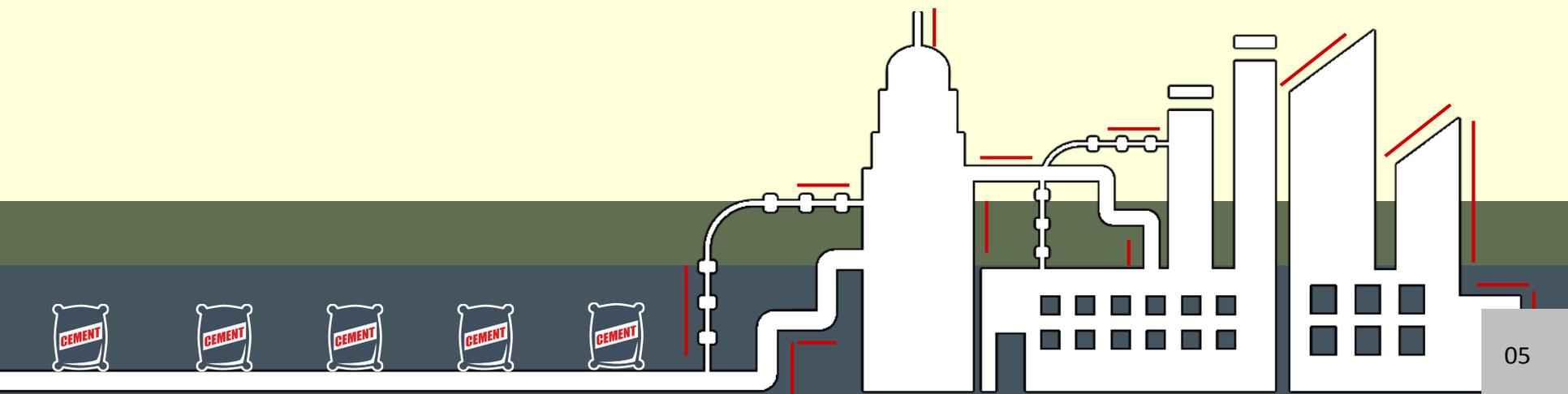
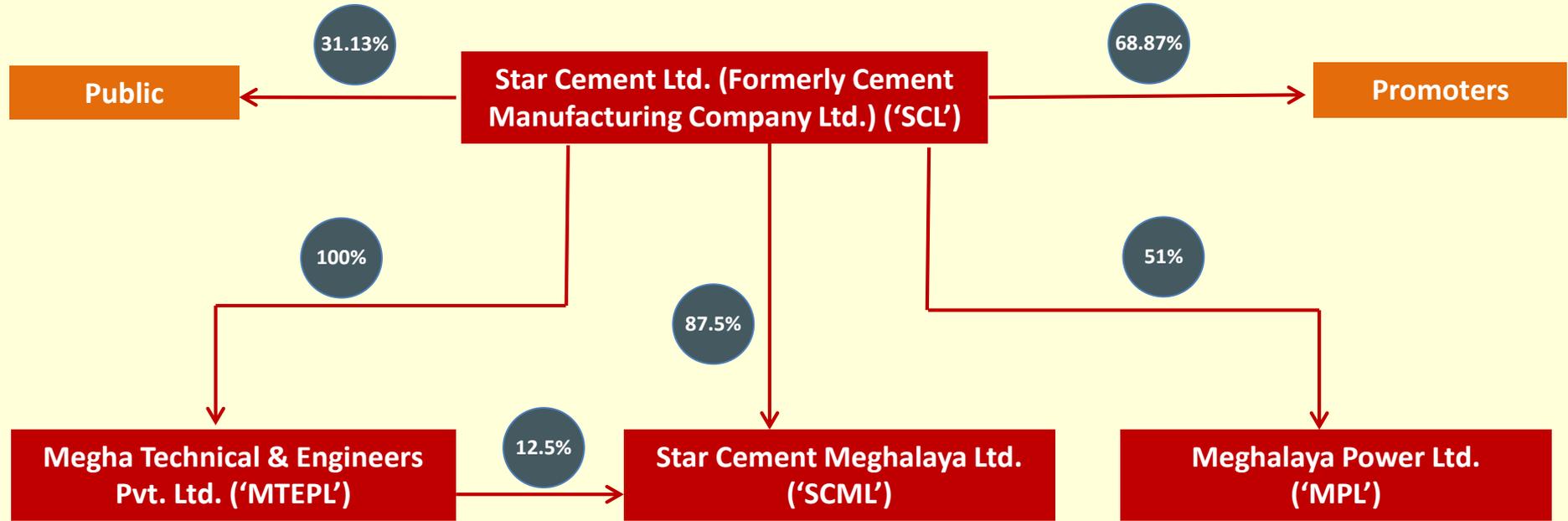


NER – North Eastern Region includes Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim

During FY 17-18
*As on December 2018



The Star Bandwidth



Strong NER Roots

Promoters have strong links with NER - a crucial factor behind SFCL's success

Mr. Sajjan Bhajanka, *Chairman & MD*

Experience

- ★ Graduate with 49 years of industry experience in Plywood, Laminates, Ferro-Alloys and Cement Industry

Other Memberships

- ★ Chairman of Century Plyboards (I) Ltd
- ★ Considered as icon of Indian Plywood industry
- ★ President of Federation of Indian Plywood and Panel Industry & All India Veneer Manufacturers Association
- ★ Past President of Bengal Chamber of Commerce, 'Friends of Tribals Society', Bharat Chamber of Commerce

Mr. Rajendra Chamaria, *VC & MD*

Experience

- ★ Rich experience of 34 years in cement and concrete sleepers industry with excellent project execution skill and production knowledge

Other accolades

- ★ Well conversant with all acts, bylaws and procedural matters relating to Environmental and Forest Act, Factories Act and Commercial & Labour Laws

Mr. Sanjay Agarwal, *Managing Director*

Experience

- ★ Graduate with 34 years of industry experience

Other memberships and accolades

- ★ Instrumental in successful marketing and branding of 'Century Ply' and 'Star Cement'
- ★ MD of Century Plyboards (I) Ltd.

Mr. Prem Kumar Bhajanka, *Director*

Experience

- ★ Graduate with 41 years of industry experience

Other accolades

- ★ Excellent site management and project execution skills
- ★ Instrumental in execution of SCL's projects

Professional Management

Key Management personnel running the organization in a very professional manner

Mr. Pankaj Kejriwal, *Executive Director*

Education

- ★ Chemical Engineer with experience of over 20 years

Responsibilities

- ★ Manufacturing operation
- ★ Responsible for erection & commissioning of new projects

Mr. Jyoti S. Agarwal, *President, Sales & Marketing*

Education & Experience

- ★ M. Com with varied experience of over 34 years in cement industry

Other experience

- ★ Worked at senior positions in Aditya Birla Group and Ambuja Cement Limited

Mr. Pradeep Purohit, *VP, Supply Chain*

Education & Experience

- ★ B.Com, Graduate Dip. IIMM with varied experience of over 32 years in Cement & Engg Industry.

Responsibilities

- ★ Responsible for Overall Supply chain planning, Logistics, Materials and commercial functions.

Mr. Sanjay Kr. Gupta, *CEO*

Education & Experience

- ★ FCA with varied experience of over 26 years with 22 years in the cement industry

Responsibilities

- ★ Responsible for overall growth & profitability of the company and meeting company's operating & financial goals

Mr. Manoj Agarwal, *CFO*

Education & Experience

- ★ FCA with varied experience of over 25 years including 10 years in the Cement industry

Responsibilities

- ★ Responsible for F&A, Taxation, Statutory Compliance & Vendor Management

Mr. A.K. Sinha, *Senior Technical Person*

Experience

- ★ 48 years of rich experience in cement industry

Other experience

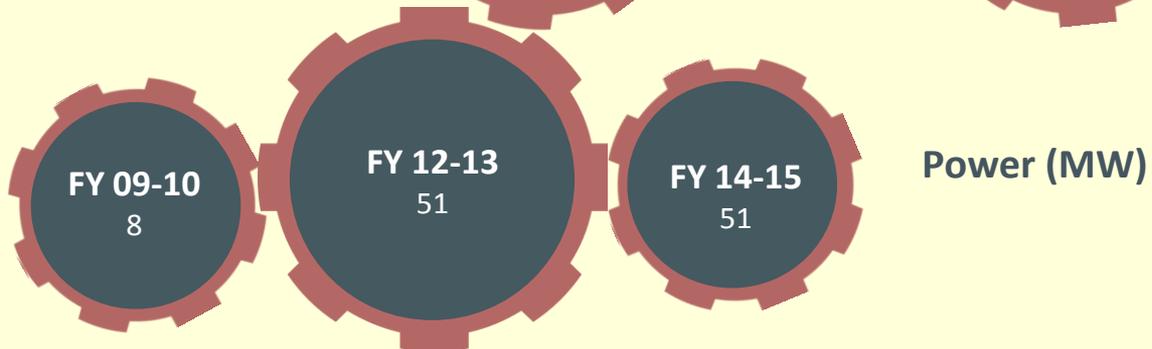
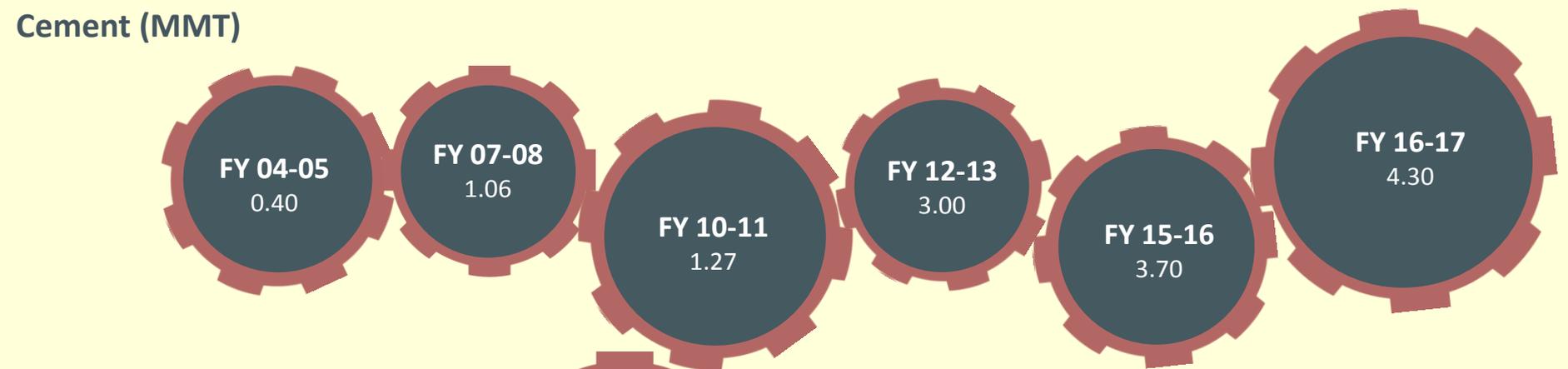
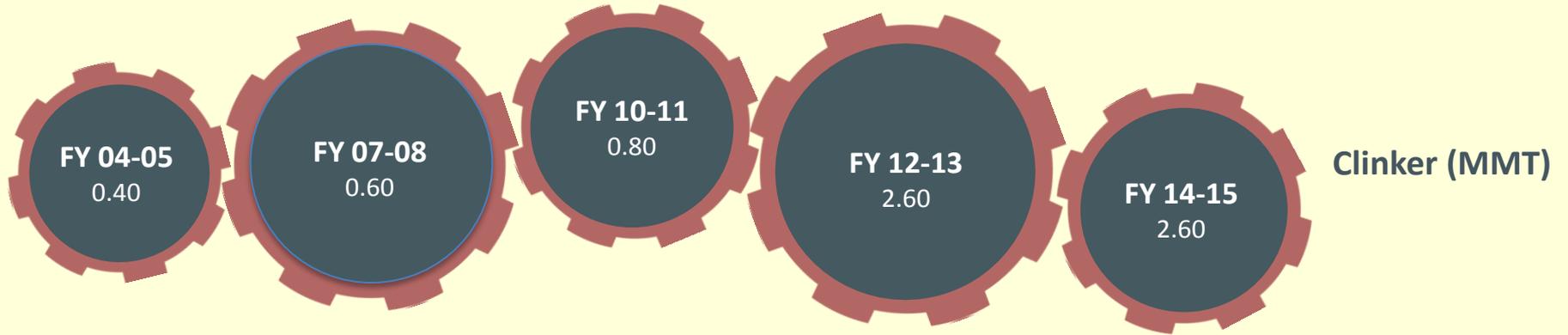
- ★ Worked for 17 years in Birla Corp. and 19 years in CCI

Responsibilities

- ★ Contribution in project planning, process and machinery, techno-economic evaluation etc.

Journey of a Star

Cumulative capacities at the end of financial years



What Makes Star Cement Tick?

Strategic Location,
Proximity to Raw
Materials & Market

Adequate plant
capacities to cater
to the market

Dependable
raw material
source and easy
availability of
power

Beneficiaries of
fiscal incentives

Well-established
brand in NER with
strong consumer
focus

Superior Brand
mix and innovative
marketing
strategies

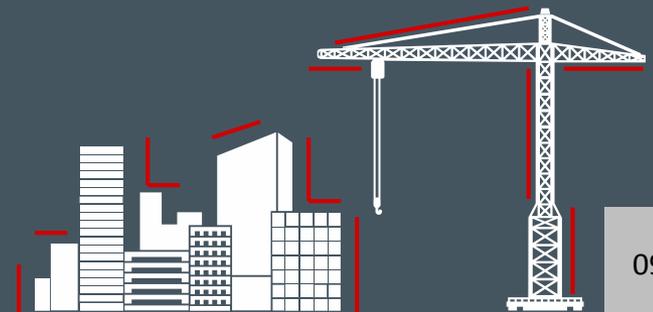
Market
dominance steered
by strong network
and retail-centric
business model

Strong NER roots

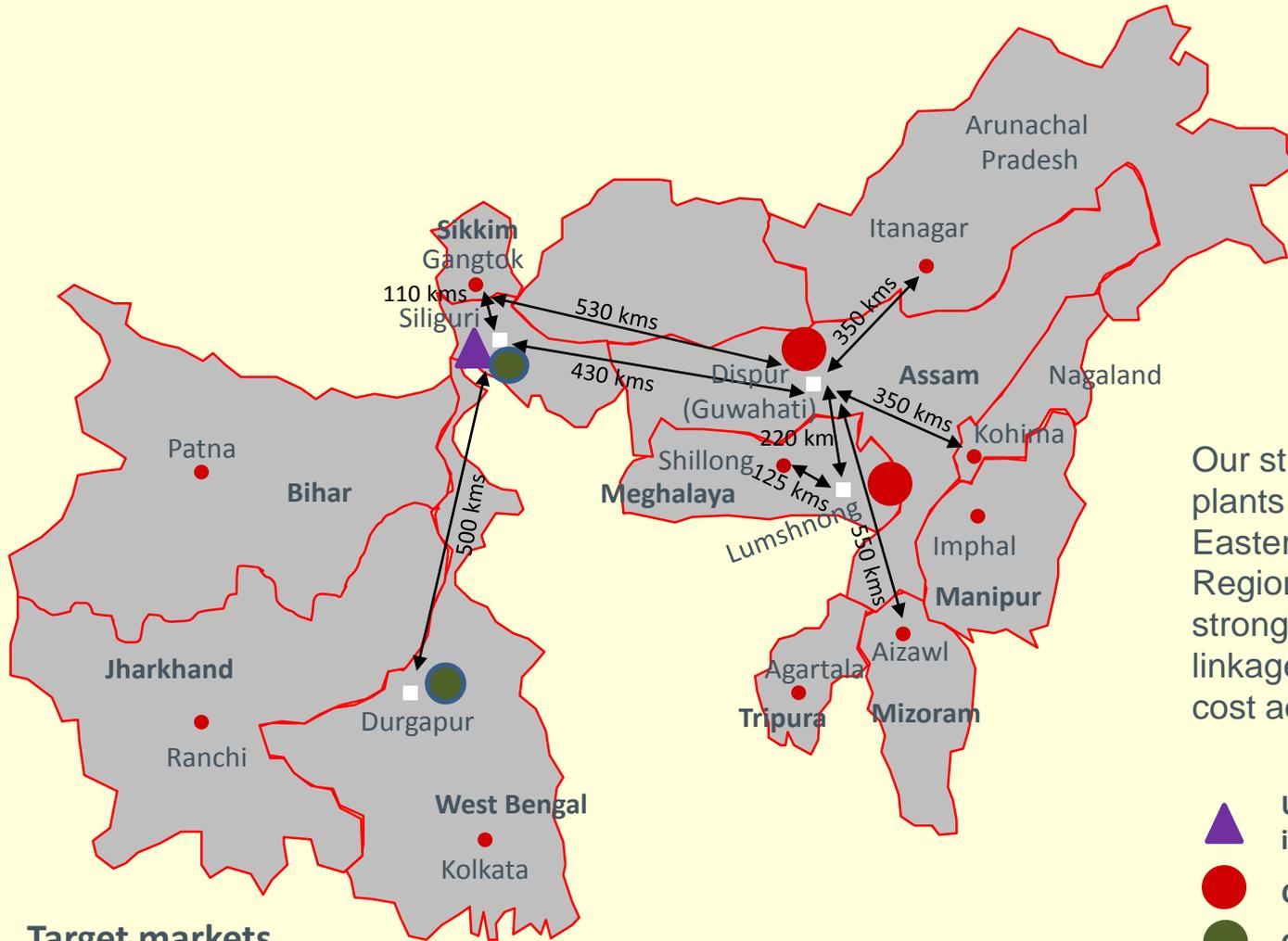
Successful
Financial Track
record - Highest
EBITDA margins in
the industry

Eyes on replicating
the success of NER
to Eastern India

A look at each of our trigger strengths.....



Location Advantage: The Game Changer



Our strategically located plants cater to the Eastern & North Eastern Regions, giving us strong customer linkages and competitive cost advantage

-  Upcoming grinding unit in Siliguri
-  Company's plants
-  Grinding Arrangement
-  Distance to markets

Target markets

Assam, Meghalaya, Arunachal Pradesh, Manipur, Tripura, Nagaland, Sikkim, Mizoram, West Bengal & Bihar

The Star Logistics Edge

- ★ Limestone mines are located within 2-3 kms of our plants, providing strong raw material linkage, easy accessibility and uninterrupted supply of raw material
- ★ Coal is available in close proximity, ensuring cost and operational efficiencies
- ★ Availability of coal also provides strong back-up for the Company's 51 MW power plant
- ★ When compared to peers, our strategically located plants cater to the Eastern & North Eastern Regions, helping us optimise and rationalise costs.

Proximity to raw material leads to lower logistics costs, which otherwise constitute a significant component of the overall cost of production. This, coupled with the ability to supply at the doorstep of customers and end-users through a well-established dealer-distributor network, gives us a distinct advantage compared to our peers.

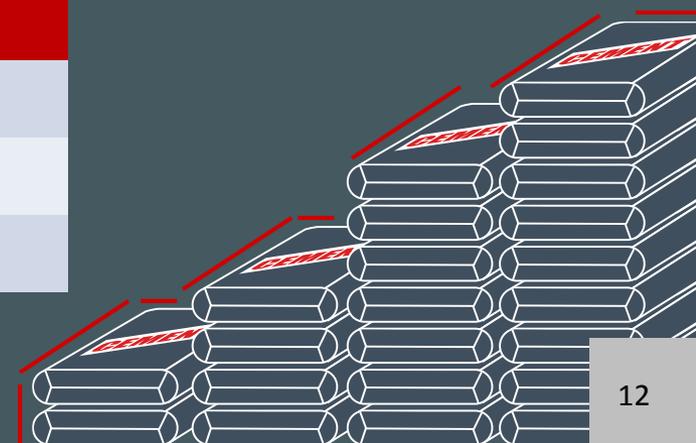


The Star Logistics Edge

- ★ Untapped NER and Eastern markets have strong potential for further growth
- ★ Over the last few years, cement arrivals in NER from mainland players has come down to 12% from 30% - owing to strong location advantage for the existing players in NER
- ★ Strong entry barriers for new players in these regions
- ★ No new significant capacities in pipeline in NER
- ★ Captive mines that are home to high quality limestone having calcium oxide content greater than 49% (higher than rest of India), having limestone reserves of more than 80 years
- ★ Availability of high quality coal in proximity
- ★ Star's established presence, extensive distribution network and high brand recall

Star enjoys the highest volume growth in NER and has adequate capacities to cater to growth targets over medium to long term , allowing it to serve the high potential market

Manufacturing	Units	Capacity	
Meghalaya	4	Cement (Mn Ton)	4.3
Assam - Guwahati	1	Clinker (Mn Ton)	2.6
WB (Hired Units)	2	Power (MW)	51



The Star Fiscal Edge: Financial Incentives

SCL's plants enjoy many fiscal benefits granted by Central / State Governments

Exemption	Balance Exemption period**			
	SCML	SCL-GGU	SCL-LMS	
Income Tax	100% under Section 80 IE, subject to MAT	> 4 years	> 4 years	-
IGST / CGST on Clinker	29% / 58%	> 4 years	-	> 8 years
IGST / CGST on Cement	29% / 58%	-	> 4 years	> 8 Years
SGST Cement	100%	2 years ~	₹ 8.4 Crs	-

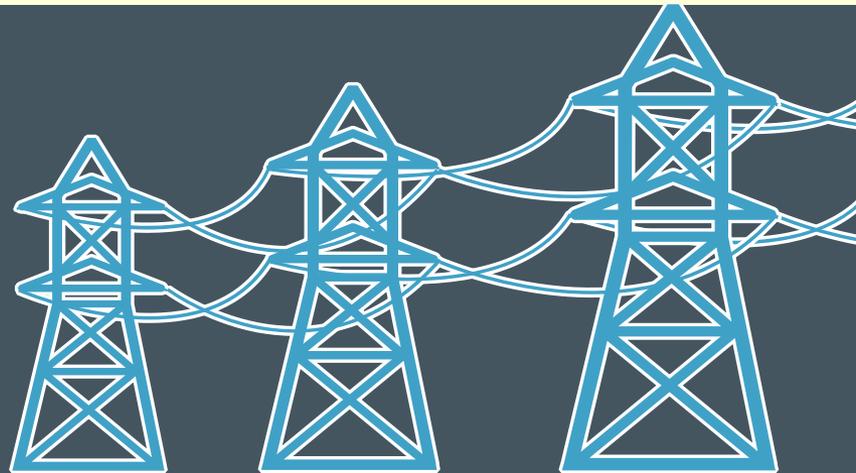
^^At GGU unit, SGST Refund is 100% up to 200% of FCI

** As on 31.12.2018

Powering Growth

Power

- ★ Availability of best quality low cost coal ensures increased benefits for power plant
- ★ Captive power ensures non-dependency on grid power
- ★ Fly ash generated from power plant is used in cement plants at almost nil cost

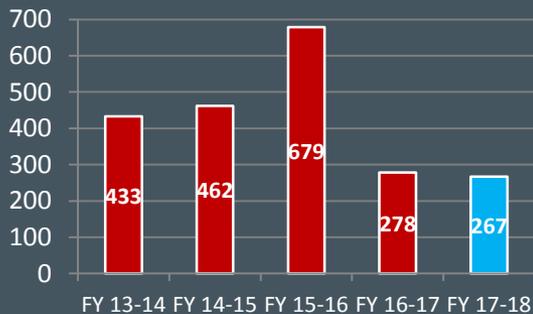


The Mark of a Star: Branding Success

- ★ For Star, cement is not merely a commodity and therefore, we do not sell cement, rather we build and sell brands
- ★ Star as a Brand have a very high recall value, enabling repeat customers
- ★ STAR CEMENT is the most preferred brand in NER and is witnessing consistent growth in the markets of Bengal & Bihar

Concentrated launches in select markets backed by strong budgets, innovative aggressive marketing and sufficient plant capacities

Advertising and Brand Promotion spends annually (₹ Mn)



* FY 16-17 & FY 17-18 results are reclassified as per IndAS standard

Regular Brand Investment

- ★ Aggregate Brand investment of ~ ₹ 2,800 Mn in the last decade
- ★ Very aggressive campaign for Brand Launch in WB & BH

Celebrity endorsements

Bipasha Basu, Hima Das, Debojit Saha, Saurabhee Debbarma, Lou Majaw, Mami Varte, Late Bhupen Hazarika, Pranjal Saikia, Simanta Sekhar

- ★ Star Cement organized North East's first International half marathon in which more than 20000 people united for a single cause 'Run to support a clean India'
- ★ Very aggressive and comprehensive 360° campaign in NER, WB & BH involving masses in OOH, TVC, Radio & Press
- ★ Huge increase in brand awareness in outside North East, making Star Cement a household name even in markets where it is relatively new

Awards and Accolades

ZEE Business “Emerging Company of the Year FY 2017-2018

Mahindra Transport Excellence Award 2016 - National Award in Mining as well as in the Construction segment.

Award for “Best Practices in Employee Engagement“- National HRD Network (NHRDN) in 2016

Award for “Fastest Growing Company” above Rs. 1000 Crs at Economic Times Bengal Corporate Awards 2016

Gold award (Alternative Media – Any single execution on non-conventional OOH) and Silver award (Outdoor Media Plan of the Year - Local) at OAA 2016

Certification of Appreciation from the Office of the Deputy Commissioner, Kamrup for serving food and water to the devotees during the Ambubachi Mahotsav, 2018

ICC Environment Excellence Award 2012 (Category: Large Business Organization

Awarded first prize in the Thermal Power Station Sector - National Energy Conservation Award, 2015 & 2014

Award for ‘Most preferred Cement brand’ for 5 years consecutively at the North East Consumer Awards in 2015

Silver award at The Economic Times India Manufacturing Excellence Awards 2011 (Manufacturing and Supply Chain excellence)

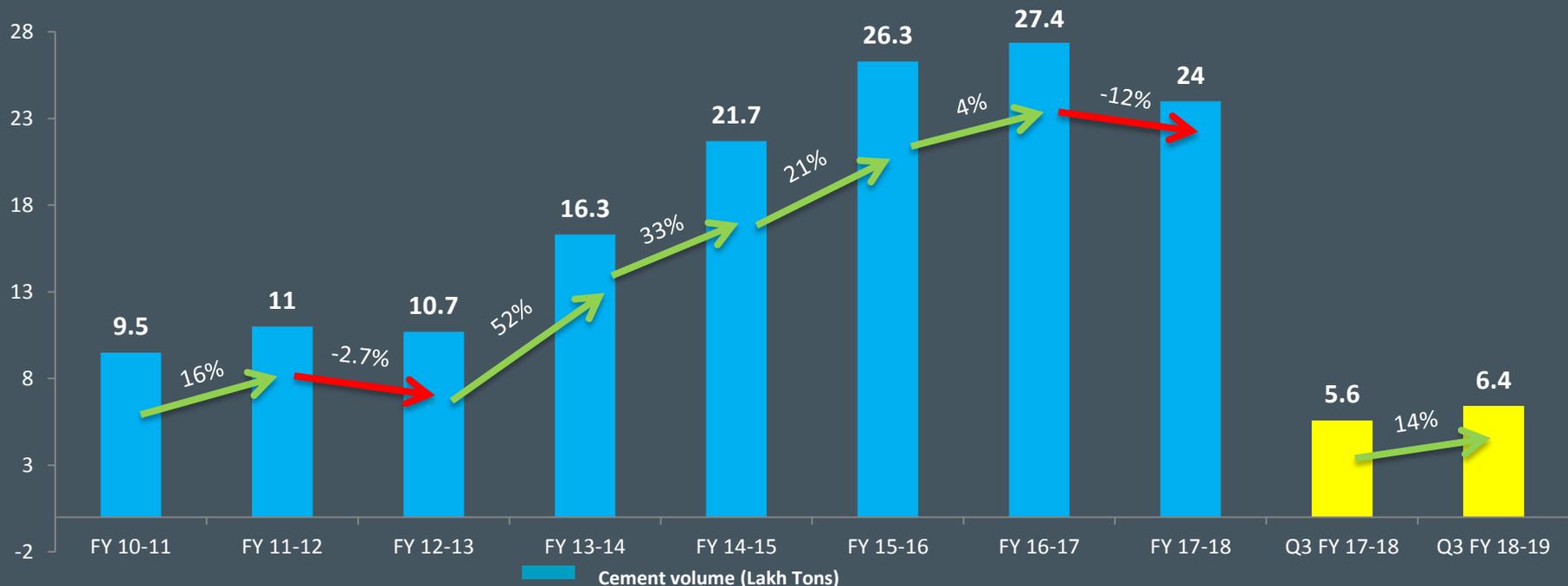
Silver awards (Cement sector) at Greentech Environment Awards, 2010 & 2011

Most preferred cement brand by AREIDA from 2010 to 2013



The Star Shines Bright and Strong

- ★ Enjoys a leadership position in the North East with market share of more than 22%
- ★ Gradually increasing share in the Eastern region through concerted efforts
- ★ Strong dealer and distributor network built over the years, steering year-on-year growth, enabling leadership position in market



Highest Volume in NER and adequate capacities for catering demand growth over next few years.

Marketing the Star Brand

Innovative strategy, large distribution network, pioneering initiatives

- ★ Pioneers in initiating distribution through direct network, i.e. Dealers rather than C&F agents in NER
- ★ Building the Brand aggressively and innovatively in the markets of West Bengal & Bihar
- ★ Consumer-centric strategic approach - initiated attractive schemes like 'Kismat ki Bori' offer, 'Bag Me Chandi' offer, 'Dhan Varsha', Gifts to dealers, masons, customers etc.
- ★ An out-of-the box marketing strategy to build highest recall and positive brand perception through innovation in communication and media - advertisements at important road crossings, 'Pan' Shops, local TV, in addition to the traditional billboard/hoarding advertisements
- ★ Increasing visibility through focus at Block level, Haats and village congregation points etc.

Complete Portfolio of Grey Cement

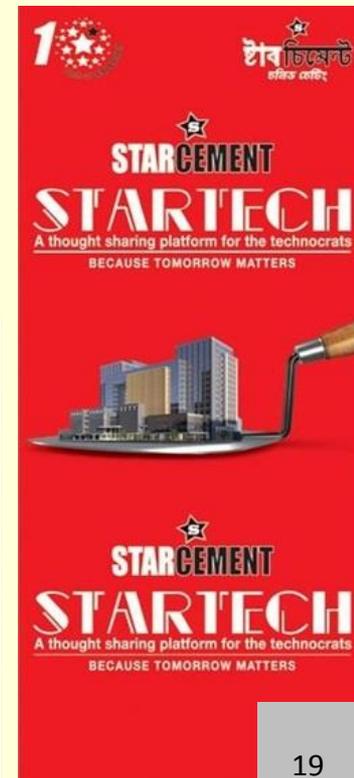
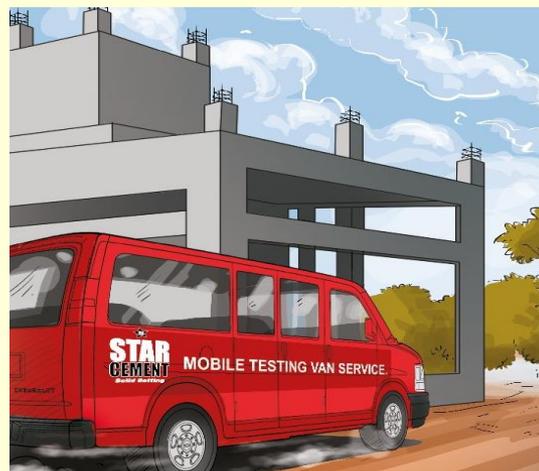
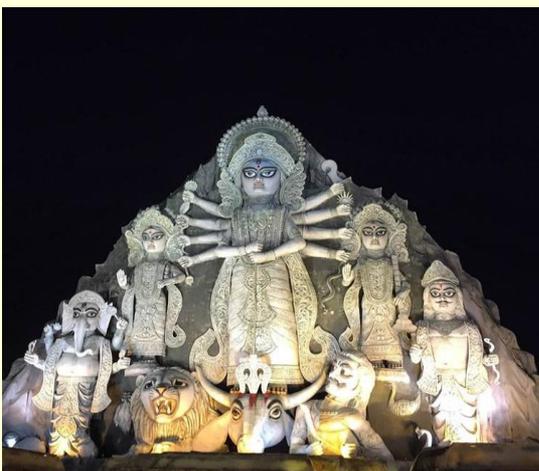


Marketing the Star Brand

Innovative strategy, large distribution network, pioneering initiatives

Technical assistance to retail consumers to ensure better connect - drives demand and builds brand confidence

- ★ Value-enhancing technical marketing for customers
- ★ On-site technical support to customers through unique concept of mobile vans manned by experts
- ★ STARTECH - a unique forum to bring together architect, engineers, professors and experts for knowledge sharing & value enriching discussions *Star Technopedia*
- ★ Star Technopedia : Monthly e-newsletter to informed influencers covering new initiatives & development in construction industry
- ★ Toll-free Customer care number – 180034534500
- ★ Mobile application on iOS and Android for all dealers “STAR SAATHI”

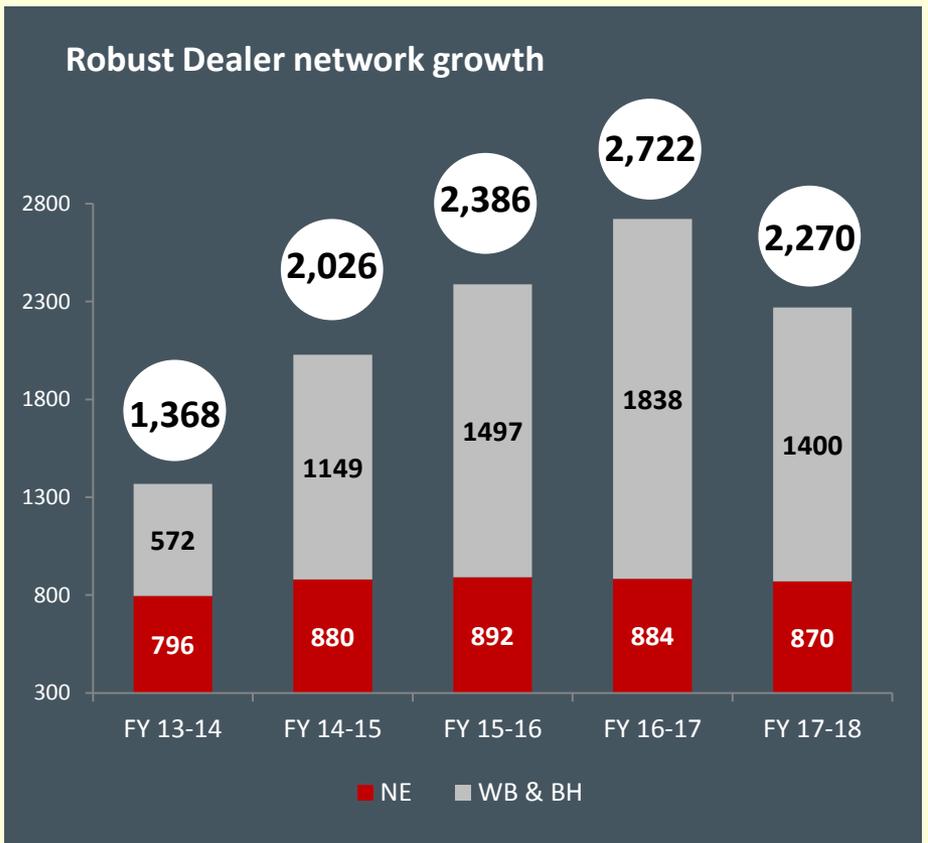


Retail-driven Marketing strategy

Distribution Network

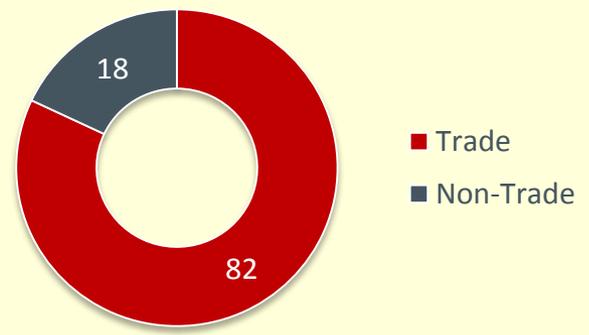
Retailers	~9,000
Dealers	~2,270

- ★ Distribution network spread across 10 states
- ★ While our peers adopted the wholesaler model, we have built on our strong network of partners over the last decade
- ★ The result – Deeper penetration, greater reach, higher market share



Higher proportion of trade sales resulting into higher Cement realization per ton

Sales mix (%)



CSR – Assam & Meghalaya

HEALTH & SANITATION

- ❖ Organised regular health camps in Lumshnong and Chamata Pathar
- ❖ Donated Ambulance to initiate ambulance service at Shillong
- ❖ Public toilets are under construction in social institutions and household
- ❖ Eye check up camps were held at Sonapur and patients were supported with spectacles
- ❖ Installation of Napkin Destroyer in schools to ensure menstrual hygiene and proper disposal



LIVELIHOOD DEVELOPMENT

- ❖ Eri-silk project to enhance earnings of farmers
- ❖ Supported fish farmers by pond renovation, supply of fish seed and training to enhance fish production
- ❖ Pig farmers are supported with low cost pigsty, training and piglets at free of cost
- ❖ Initiated duck rearing program in Sonapur
- ❖ Tailoring Institutes are functional in Chamata Pathar and Lumshnong
- ❖ Beautician Training Program was started in Lumshnong in collaboration with Indian Institute of Entrepreneurship
- ❖ Started Dairy Farming project in Sonapur
- ❖ Started Goat Project: Residential training at ICAR and subsequent cattle induction
- ❖ Agarbatti Making unit was established at MatriKalyan old age home to enhance livelihood of the occupants



CSR – Assam & Meghalaya

EDUCATION

- ❖ Under Star Pragyajyoti Project, around 10 LP schools are covered under computer literacy Program
- ❖ Additional class rooms and facilities were constructed in Chamata LP school in Sonapur area
- ❖ Scholarships were provided to promising students of Lumshnong and Sonapur area
- ❖ Remedial class started for students in Meghalaya
- ❖ Inter school Football tournament was organized in September in Sonapur
- ❖ 5 Schools were supported for infrastructure development



RURAL DEVELOPMENT

- ❖ Roads, drains, markets are under construction in Lumshnong
- ❖ Public Utility area of Nabagraha Temple in Guwahati were constructed
- ❖ Installation of Solar Street lights are underway in 4 villages of Meghalaya
- ❖ Infrastructure supports like CGI Sheets, plastic chairs were provided to Social institutions of Lumshnong

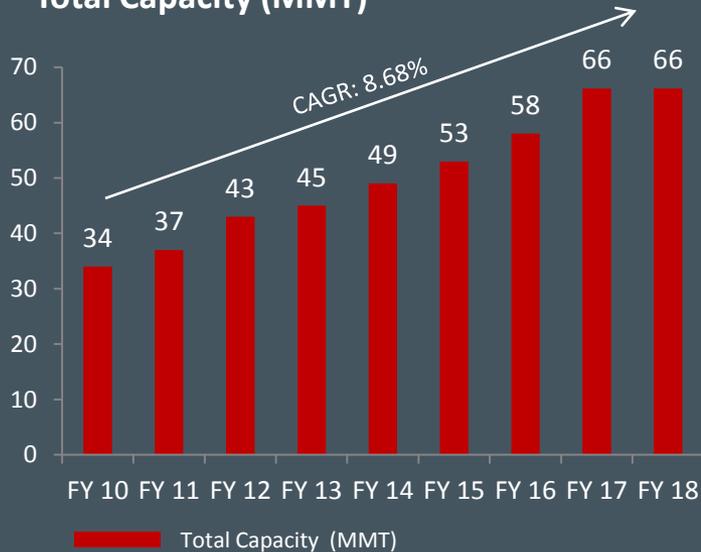


Opportunities Beckon... and Star's Journey Continues

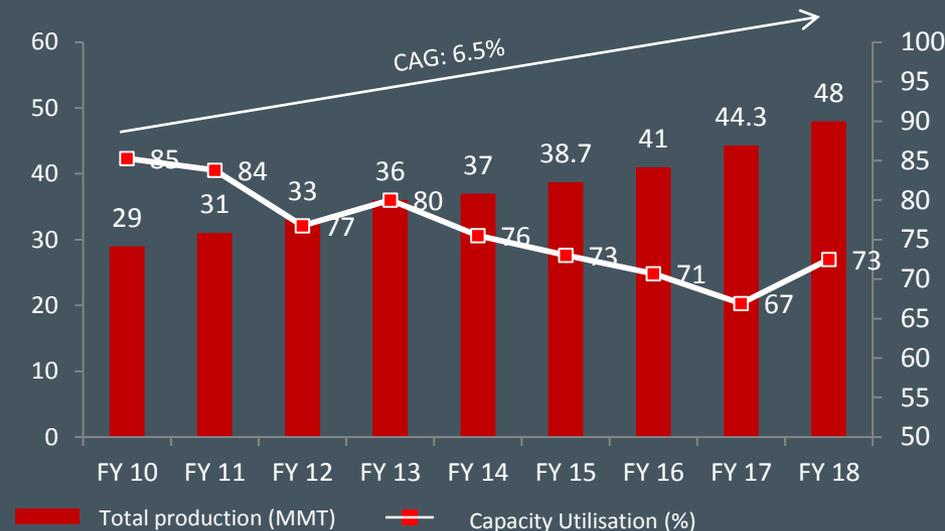


East India: Huge Untapped Potential

Total Capacity (MMT)



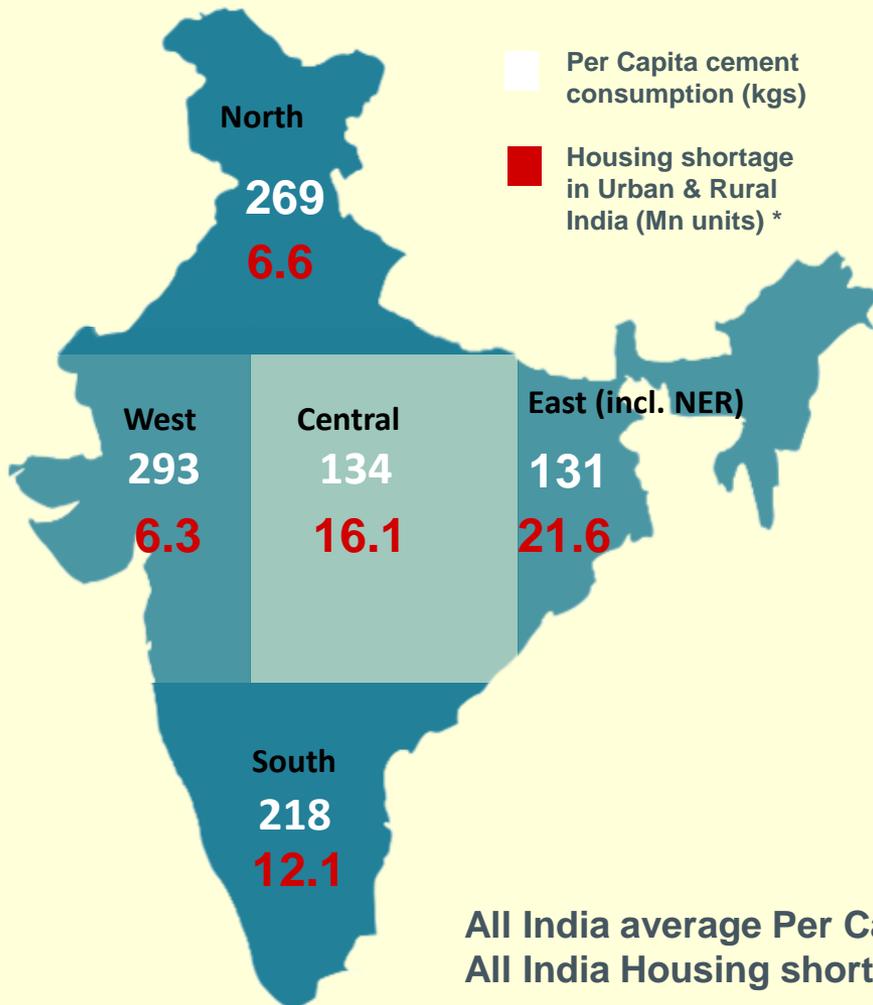
Total Production (MMT) and capacity utilization (%)



* Data cited from external publications

- ★ Cement production in the Eastern regions has grown at a CAGR of 6.5% and is expected to grow at a CAGR of 9-10% in the next 5 years
- ★ Demand is expected to grow at a steady pace through increased allocation
- ★ Government focus on infrastructure to boost growth through increased allocation in housing, infrastructure and commercial real estate segments will drive the cement demand
- ★ Special focus on rural and semi-urban areas through large infrastructure and housing development projects

East India: Huge Untapped Potential



Per capita cement consumption in East is the lowest, thus underlining huge potential for growth

Housing shortage in Urban India - Of the total housing shortages in urban India, East alone contributes to 35%. East and Central put together contributes ~60% of all India urban & rural housing shortages

At 131 kg, per capita consumption is among the lowest in East (national average – 225 kg per year)

Eastern India (including NER) account for urban housing shortage of 4.6 million units & 17 million units for rural housing shortage

Demand for cement is expected to grow in high single digits in East India

A pick-up in infrastructure development will trigger cement consumption demand in these states

All India average Per Capita cement consumption - 225 kg
 All India Housing shortage in Urban (19 mn) + Rural India (44 mn)- 63 mn units

North East Region: An Expanding Opportunity Landscape

8 states with abundant

Natural Resources

Limestone, Coal, Dolomite,
Quartz, Granite, Sandstone, Shale



Separate **Ministry for the Region** –
Doner (Development of North Eastern Region) to
boost development



Central government's infrastructure development thrust



Roads - Central government is planning to undertake highway projects worth about Rs 1.45 lakh crore, spread over 2-3 years. A total of 197 road development projects are being implemented under various programmes and schemes of the road transport and highways ministry in the north eastern states. India's longest bridge connecting between River Brahmaputra Dhubri (North Bank)



Airports - 5 sanctioned, 8 in pipeline, ₹ 5,000 Crores Investment is expected during next 10 years. Guwahati & Agartala airports to be upgraded for international operations



Railways - Indian Railways has lined up several projects worth at least ₹ 40,000 crores to connect capital cities of five North Eastern states which includes laying over 1,500 km of rail lines and several engineering marvels such as India's longest double decker rail-cum-road bridge, one of the longest tunnels in the country and the world's tallest pillar-based rail bridge



Hydro Power - Largest Hydro power potential in India is in NER with 98% still untapped, 63000 MW of Hydro Power capacity identified; 14000 MW already allotted to Pvt. Players which will result in ~14 Mn Tons of Cement Demand

Smart Cities – Fund of Rs 14,124 crore approved for 464 projects in 8 Smart Cities in Northeast.

Non-Lapsing Central Pool of Resources – Unspent amount
of **10%** Budgetary allocation for **NER**
Infrastructural Development

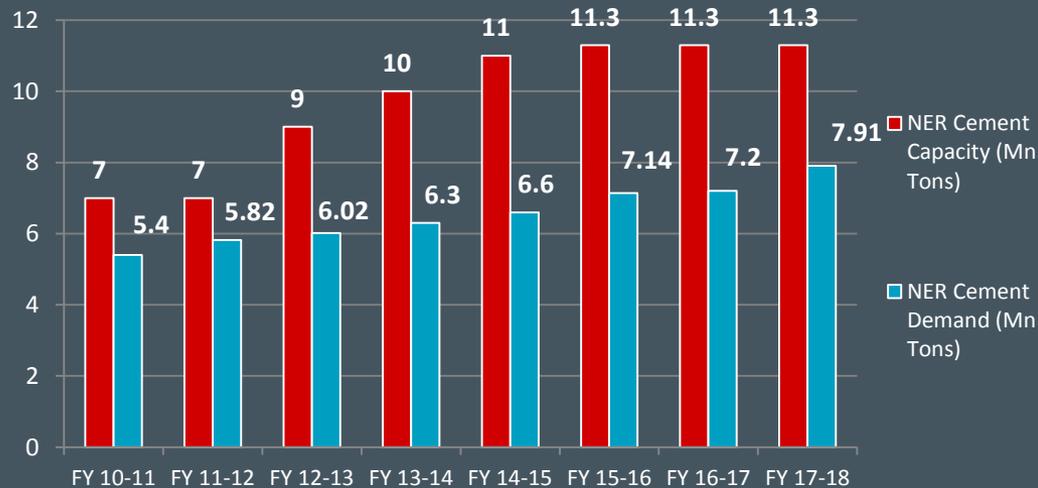


Increased Allocation to Rural Low cost
housing under **Pradhan Mantri Awaas**
Yojana – Gramin Scheme to Rs
31500 Crs



**Four-lane concrete roads are expected to shore up cement demand– 2,000 tonnes of building material goes into creating every 1 km of road
(Source: The Hindu Business Line, January 27, 2015)*

North East Region: Opportunities Galore



Five-year Plans	2007-2012	2012-2017	2017-2022
NER GDP Growth	10%	13.7%	16.4%
NER Per Capita growth	8.6%	12.4%	15.2%

- ★ 7-8 % p.a. projected growth of cement industry (CAGR of 7% in last 5 years)
- ★ Potential for growth - current per capita cement consumption is 142 kg in NER
- ★ Major players - Star Cement and two others - catering to 50-60% of cement demand and deriving benefit of economies of scale
- ★ Consolidation on the cards as small players expected to be edged out eventually
- ★ No new major capacities in pipeline in the region
- ★ Cement arrivals in NER from mainland players have come down from 30% to 12% - gives advantage to players in NER

The Star is Set to Shine Brighter: More Frontiers of Growth

- ★ Further growth in high potential areas by leveraging operational and financial efficiencies
- ★ Seize the growth opportunities in NER, Eastern Region – partner the government's initiatives to boost infrastructure
- ★ Strengthen and expand dealer/distribution network to capture Eastern markets and deepen penetration into NER
- ★ Explore and tap new markets to boost margins
- ★ Grow product portfolio with new, niche and quality brands
- ★ Set-up capacities to cater to incremental demands of the region
- ★ Focus on retail services
- ★ Expand technical services to enhance customer service and brand building
- ★ Enhance brand recall through innovative marketing strategies, more CSR initiatives



The Numbers Speak: Successful Financial Track Record

CONSOLIDATED FINANCIALS
Star Cement Ltd

In ₹ Crores	2014-15	2015-16	2016-17	2017-18	Q3 FY 18	Q3 FY 19
Gross Sales	1,473	1,763	1,552	1,629	373	415
Net Sales	1,430	1,715	1,522	1,606	376	415
EBIDTA	437	401	411	526	142	123
EBIDTA Margin (%)	31%	23%	27.00%	32.73%	37.63%	29.61%
Cash Profit	345	311	319	457	125	110
EBIT	213	229	293	405	108	97
PBT	126	145	215	353	94	94
PAT	119	134	195	331	90	82
PAT Margin (%)	8%	8%	12.80%	20.58%	23.80%	19.81%
Net Fixed Asset	1,069	968	918	820	837	780
Total Capital Employed	1,935	2,144	1,973	1,963	2,136	1,887
Long Term Debt	691	575	372	199	317	32
Share Capital	42	42	42	42	42	42
Net Worth	921	1,055	1,146	1,477	1,454	1,634
ROE (%)	12.9%	12.7%	17.0%	22.4%	24.6%	20.1%
ROCE (%)	11.0%	10.7%	14.8%	20.6%	20.2%	20.5%
Debt Equity Ratio	0.75	0.54	0.32	0.13	0.22	0.02
EPS	2.83	3.20	4.64	7.88	2.14	1.96

* FY 2017-18 and FY 2016-17 financial results are stated as per IndAS standard



STARCEMENT
Solid Setting

**BHAAG
NORTH EAST
BHAAG**

**NORTH EAST'S
1ST INTERNATIONAL
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