



“Star Cement Limited Q1 FY-22 Earnings Conference Call”

August 17, 2021



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

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



*Star Cement Limited
August 17, 2021*

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY22 Earnings Conference Call of Star Cement Limited hosted by PhillipCapital (India) Private Limited. As a reminder, all participants' 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 the 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 Lizann. Good afternoon everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q1 FY22 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 their opening remarks which will be followed by interactive Q&A. Thank you and over to you, Sir.

Management: Good afternoon, everyone. I am Sanjay Gupta – CEO of Star Cement Limited. I would like to welcome you all to this Earnings Call for Quarter 1 FY22. I have with me Mr. Manoj Agarwal, who is the CFO of the company. He will take you through Q1 numbers and after that we will open the floor for the 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 Q1 earnings. Over to Mr. Manoj.

Management: Hi friends. Very good afternoon. I on behalf of Star Cement Limited welcome you all to our con call for discussing our numbers of Q1 FY22.

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

As you all are aware that on account of COVID second wave, there are restrictions imposed by many state governments regarding the restriction on the movement of vehicles as well as the opening of the markets, so that has impacted our dispatches in Quarter 1.

Starting from the clinker production, during the quarter ended June 2021, we have produced 4.31 lakh tonnes of clinker as against 3.31 lakh tonnes same quarter last year. So far as cement production is concerned, we have produced 7.72 lakh tonnes this quarter as against 4.16 lakh tonnes same quarter last year. This quarter we had been facing shut down in our main clinker unit that is why clinker production's lower.

Now I will take you through sales volume. During the quarter we had 7.60 lakh tonnes of cement and negligible quantity of clinker as against 4.47 lakh tonnes of cement and .02 lakh tonnes of clinker same quarter last year. This is as far as cement and clinker sale is concerned.



Star Cement Limited
August 17, 2021

As far as geographical distribution of cement is concerned, in North-East we sold around 6.03 lakh tonnes as against 3.43 lakh tonnes during the same quarter last year. As far as outside North-East is concerned, we have sold 1.58 lakh tonnes of cement this quarter as against 1.04 lakh tonnes during the same quarter last year. In terms of blend mix it is almost 8% of OPC and the rest is PPC. These are the quantity numbers of the quarter.

Now I will take you through the financials. The total revenue figure this quarter is around Rs. 511 crores as against Rs. 292 crores same period last year. As for as EBITDA figure is concerned this quarter we had done and EBITDA of around Rs. 101 crores as against Rs. 71 crores last year. PAT is Rs. 68 crores as against Rs. 43 crores in the same period last year.

On the per ton EBITDA front, it is Rs. 1330 during this quarter as against 1586 same quarter last year. This is about our quarterly numbers for the first quarter.

Now I will request all of you that if you have any queries you can ask the same and I will request Vaibhav to moderate the queries wherever it requires. Thank you. Over to Vaibhav

Moderator: Thank you. We will now begin with the question-and-answer session. The first question is from the line of Shravan Shah from Dolat Capital Market.

Shravan Shah: First of fall on the Siliguri plant last time you said that due to some issues, we were able to only produce 0.1 million tonnes of cement. So now how is the situation how much you are producing in this quarter and considering July-August are **(Inaudible) (5:30)** working?

Management: I think this quarter we had produced around 1,59,000 tonnes of cement from Siliguri. As you are aware that, these are largely the, we could get only two months' time and after that we have started setting rains there in North Bengal, and the capacity utilization as of now is around 35%, but that we are going to ramp up this capacity utilization in coming quarters as we go along. Because we are still looking at a very robust demand as for the North Bengal and the East Bihar is concerned with other primary markets.

Shravan Shah: I was saying that post June-July-August in terms of demand how it is and previously we were looking at double-digit volumes, is there any uptick in terms of guidance on the volume front and also on the pricing. So how is the pricing post June-July-August, how much decline we are seeing in East and Northeast, whatever you can explain that would be helpful?

Management: You have asked all the questions in one question. Let me take you through demand first. In North-East demand I will say still remains robust, we had seen last year the market has still grown at around 6%, we hope to see the same kind of demand may be probably, otherwise better than in the last year, the restriction of 8% overall cement demand growth in North-East. The East market has grown at around 4% last year, we hope to see at least 6% overall cement demand both in East and in the areas we operate. That is what our overall expectation is. As far as the price is concerned there is a small decline in prices in North-East and I'll say that prices have



*Star Cement Limited
August 17, 2021*

gone down by somewhere around 3 to 4%, there is a decline of about Rs.10 -Rs.15 a bag. Outside North-East the prices, if I compare them the prices in the month of May and then in June-July and today prevailing prices are at least down by about Rs. 25, but these are nothing unusual I still feel that we continue to see some kind of pressure on the prices, but I think by September we will see the decline to arrest and surely will look forward in Quarter 3 there will be upward momentum in the prices, that's what the expectation we are having. Is it clear?

Shravan Shah: I was saying just for clarification, the Rs. 25 decline what we are talking it is from the June exit or average of first quarter?

Management: I will say the peak of what we have seen in the month of May, from the peak it has come by Rs. 25 it is not the average of first quarter.

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

Mangesh Bhadang: My question is regarding volumes. So last couple of quarters we faced some hurdles because of the connectivity issues and bridge that was under repairs. What is the status on that? And second is, we've been hearing about some political situation developing Assam and Meghalaya and I'm hearing some curfew is also imposed there. Is there any impact of that situation on our production and dispatches?

Management: I think the overall as you asked about two bridges, I think that problem has been resolved and I think must have mentioned in my last call also that, the one bridge which was under repair, there is a new bridge which has already been constructed by the Border Road organization, so the movement is as usual and is normal.

Mangesh Bhadang So there is no load restrictions now?

Management: As of now there is no load restrictions, and we are freely being able to move whatever load we want. As far as the recent development in few Northeastern states, like there is some problem between Assam and Mizoram, just now clashes have happened and there is curfew in Shillong from last two days after the post-Independence, I think these are sporadic incidents that which keeps on happening. I think curfew is only in the containment area of Shillong, there is no state-wise curfew as far as Meghalaya is concerned and there is no impact as far as the movement of goods is concerned. Because most of the goods actually go bypassing the Shillong city, there have been highways, so it does not affect the moment of goods. These are I think sporadic instances and over a period of time will definitely be able to solve all this.

Mangesh Bhadang: Then, what was the reason for very low volumes from the new unit, Siliguri unit, have you restarted sales there so that in future, if there is any problem, we can still continue production there or you're just basically you don't want to flood the market very soon. That's why the ramp up is very slow in that segment?



*Star Cement Limited
August 17, 2021*

- Management:** As you understand that Siliguri is a unit which we have just started, I think the ramp up is going to happen because as we cater to commercial operation, we entered into a lean season. Definitely the ramp up is going to happen, and we will see good amount of ramp up happening in Quarter 2, Quarter 3 and thereon onwards. So, that is nothing to fear, definitely last year there was some impact of production got impacted because of the flow of clinker from the mother plant. I don't think that any of those situations are prevailing at this point of time. So hopefully Siliguri ramp up will take place in coming 2-3 quarters.
- Mangesh Bhadang:** Lastly, if you can, share it what has been your coal prices in this quarter compared to last quarter?
- Management:** The coal of prices has been somewhere around, we have as I said, there is no, the prices are almost same, there's nothing because we are largely dependent on Eastern Coalfields, so we are taking coal from Eastern Coalfields, there has been supply disruptions because of excessive rain taking place in Bengal and some part of Jharkhand. But we have, taken a lot of coal in beforehand only, through auctions and that is why we've been able to maintain the prices. We had good amount of coal stocks also to carry over the entire lean season. We are not facing any coal issues at this point of time, but yes, prices of coal in the other international market and imported coal has actually gone up, but for us it still remains in the range of Rs. 8,000 a ton.
- Mangesh Bhadang:** That's the landed price?
- Management:** Yes that's the landed price correct.
- Mangesh Bhadang:** And per Kcal for it would be in excess of 2.3 then?
- Management:** Come again.
- Mangesh Bhadang:** On a per Kcal basis, rupees per Kcal basis, because it's a domestic coal it will be in excess of 2.2- 2.3 right?
- Management:** No, it will be somewhere around, the landed cost, we call it a per JCB cost, so JCB of this coal will come somewhere 5000, 5500, so it will be somewhere around 1.5.
- Moderator:** The next question is from the line of Milind Suresh Raginvar from Centrum.
- Milind Suresh Raginvar:** I just missed on out the number of what is sold in the Eastern market was .76, can I get that number please?
- Management:** The total sale in the entire quarter, total volume has been 7.6 lakh tones, North-East volumes are 6,50,000 tonnes and the outside North-East volumes are 1,58,000 tonnes.
- Milind Suresh Raginvar:** Is it safe to assume that all of this is gone from Siliguri?



*Star Cement Limited
August 17, 2021*

- Management:** Yes. As I said total production is absolutely hundred percent. If you look at the Siliguri production also it is somewhere around 159.
- Milind Suresh Raginvar:** What would it be the corresponding number for the March quarter? If you can share that, that is March'21 quarter?
- Management:** Cement sale is 9.06 lakhs.
- Milind Suresh Raginvar:** I want to share of North-East?
- Management:** North-East it was 7.46 lakh.
- Milind Suresh Raginvar:** The remaining is coming from Eastern side. Again, is it safe to assume that all came from Siliguri?
- Management:** No at that time because Siliguri we started in January, so mix of both Siliguri and as well as our North-East plant.
- Milind Suresh Raginvar:** In terms of the coal prices that you have shared of about Rs. 8000 per ton in the previous question, this is the average price of 1Q FY22?
- Management:** Yes, I am saying the Quarter 1 the prices have been somewhere around Rs. 8000 per ton and we hope that to continue with the single prices yes, definitely we have not taken entire requirement so eventually when the auction starts I think at this point of time the Coal India is not inviting any fresh auction, so I think as soon as the auction starts definitely the prices will tend to go up because looking at the intrinsic prices the way the coal is behaving definitely there will be an upward pressure on coal prices.
- Milind Suresh Raginvar:** Any color on what would be the prices, spot prices the current prices?
- Management:** The Coal India has not offered any auction and they have not declared any spot prices in last one month. So, it will be hard to say what prices the Coal India fixes for their spot auction and we are also eagerly waiting for the same.
- Milind Suresh Raginvar:** And what would be our mix in terms of auction coal and other procurement?
- Management:** We are completely dependent on auction. So, 100% of our requirement is coming from auctions.
- Milind Suresh Raginvar:** What would be our inventory then? Because if there is no auction in one month then what will be our inventory and up to what level can we...
- Management:** We will at least inventory in the plant and the auction bids which we have already won, that will account for at least quarter two's entire requirement of quarter two.



*Star Cement Limited
August 17, 2021*

Milind Suresh Raginvar: What would be the maintenance shutdown that we have taken, can you please share the number in the other expenses that is going in for maintenance shutdown?

Management: Milind, what do you want? How much is the repair maintenance cost in other expense?

Milind Suresh Raginvar: Yes.

Management: It is around 15.42 crores, total repair maintenance. You must note this Milind that this year we have taken a shutdown in April itself because of the lockdowns which have taken place and we have taken the shutdown. Normally we take shutdown in Quarter 2. This is a one-off for this particular quarter which actually it had got postponed so that an additional cost which is appearing in this quarter.

Milind Suresh Raginvar: Lastly, what would be the status of our Lumshnong expansion that we are planning for, the clinker expansion?

Management: Clinker expansion we have made already the application for environment clearance. That application has already been filed. And we are talking to various equipment suppliers finally. And as soon as we get the environment clearance and finalize this technology roadmap and talking to the suppliers, once we get the environment clearance we will go ahead with giving orders to the vendors. So, that is a success as far as the clinker unit is concerned. WHR plant is continuing as per scheduled. We said initially that 15 to 18 months' time we will definitely be able to complete that plant and that is on track to achieve that.

Moderator: The next question is from the line of Lohit Bharambe from Canara Bank Securities Limited.

Lohit Bharambe: My question would be, can you just give me freight and forwarding expense and power fuel expense for this particular quarter?

Management: Power and fuel cost is 84 crores. And carriage outward is 86.6 crores.

Lohit Bharambe: And corresponding quarter?

Management: Carriage outward is 55.5 crores and power and fuel 50.7.

Lohit Bharambe: The second question would be like, as we are selling from eastern from our Siliguri plant, so we are approaching to cost efficiency as we have earlier selling through our northeastern capacity?

Management: See, northeast the whole purpose of setting up Siliguri plant was that we wanted to be near to the market and get the benefit of lower freight cost on the raw material. So, we used to take all the fly ash from Siliguri, Kelgaon, and all these places in West Bengal and Bihar and then take it to Guwahati, grind it at the grinding plant in Guwahati and then bring back to north Bengal and east Bihar part of it. So, as of now the clinker is already coming from Meghalaya and the fly ash



*Star Cement Limited
August 17, 2021*

has already been hauled up to Siliguri. It is getting converted into cement there and then it is catering to the market. So, definitely we will be having savings in respect of transportation of the basic raw materials like fly ash.

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

Prateek Kumar: My question is on this clinker expansion in Meghalaya. Do we expect this to commission, based on some outlook on environmental players, would this get rolled out in FY24 or can it spill over to FY25?

Management: Prateek, we were trying to do it in FY24, that's what is going to be the date, but it all depends on how early we get this environment clearance for our way. That is more important. Internally we will be definitely taking a target for FY24. It's very difficult to predict a timeline before we get that clearance.

Prateek Kumar: Meanwhile, I think, competition like Dalmiya Bharat has announced some expansion in the Northeast, have the other players also announced some expansions, like we are like looking to do another company has done it?

Management: I don't think any other company has announced any expansion in northeast. I am really not aware of even Dalmiya has announced any expansion in northeast or not. But yes, definitely we are going ahead with our plans.

Prateek Kumar: Regarding this other expense which is non-power in fuel and freight, other expense, so that number looks again elevated to at 75 crores during the quarter. So, is this related to this 15-crore maintenance and that's why next quarter we will have only 30 crores odd other expense?

Management: Definitely that looks elevated on 2-3 accounts. One account is definitely related to, as I said, the maintenance cost here. The other account and also there will be some, because there are certain expenditure the political donations have happened because of the elections in Assam and Bengal. They are two states which have gone into elections in the month of April and May. So, that is having an impact in this quarter. Again, in the last year, April-May was largely washout because of the COVID situation. This year April was not that bad. So, there was an advertisement expenditure which we have launched a new campaign owing to the new plant in Siliguri. We have taken Akshay Kumar as the brand ambassador and launched a new campaign. So, part of the branding expenditure has also come in this quarter. So, I think that as I understand, which you are seeing is the combination of all three bullet items.

Prateek Kumar: So, this political funding and an impact of 9-10 crores in 4Q and similar in this quarter as well.

Management: 5 to 6 crores in this quarter.



Star Cement Limited
August 17, 2021

- Prateek Kumar:** Last question on premium segment mix. How has the premium segments stay put and during this second wave how is that mix now?
- Management:** I think I'll say that the premium segment is still in the very nascent stage of development. We have just started this journey. It will take time till we are actually in a position to quote as a percentage of the total sales. We are developing that market. We are really hopeful about this segment picking up in new markets like Bengal and Bihar and we are seeing early signs of it. But I don't think that it will be right on my part to put any number to it at this juncture. We are sensitizing the market. The product is well-accepted in the market where it has already been launched. So, hopefully going forward in coming quarters, we will be able to tell you about what percentage of sales its contributing. As this point of time, it is pretty insignificant.
- Moderator:** The next question is from the line of Uttam Kumar Srimal from Axis Securities.
- Uttam Kumar Srimal:** Can you give the CAPEX guidance for this year and next year?
- Management:** I think what we are looking at is that WHR is the sure short CAPEX guidance coming this year. It is approximately 125 crores which is there that will be coming in this year. And in other CAPEX we only expect to be around anything between 100-155 for the clinker project in this particular year. The overall project cost will be definitely much-much higher. So, looking at the grinding plant, at the clinker plant, this is somewhere around 1300 that kind of a CAPEX which is going to be overall CAPEX. But this year, 125 crores and 150 is around 275 the overall CAPEX we are looking at spend in this year.
- Uttam Kumar Srimal:** What has been our trade mix during this quarter?
- Management:** The trade non-trade will be somewhere around, trade around 87% and 13% in non-trade.
- Uttam Kumar Srimal:** And blending ratio this quarter?
- Management:** The blending ratio, see, we are 92% is the PPC and balance 8% is OPC.
- Uttam Kumar Srimal:** Lead distance during this quarter?
- Management:** I don't this there been any change in the lead distance, anything between 300-325 kilometers will be the distance. I don't have the exact number with me.
- Moderator:** The next question is from the line of Hiten Boricha from Joindre Capital.
- Hiten Boricha:** My first question is on April shut down. You mentioned our plant was shut down for maintenance in April. So, can you quantify for how much days it was shut down?
- Management:** It was shut down for around 25 days.



Star Cement Limited
August 17, 2021

- Hiten Boricha:** My next question is on WHRS plant. By what time it is going to commission in FY23 and what are the savings we are expecting from this plant?
- Management:** Largely it is a 13-megawatt plant. Overall, my requirement of the power is somewhere around 27 megawatt, and 13 megawatt is going to be substituted. So, around 45% of my overall requirement. And we are expecting somewhere around say Rs. 150 a tonne on this. And maybe initially we will save around or maybe a little lesser, but definitely anything between Rs. 150-200 a tonne we are going to save on this.
- Hiten Boricha:** And it is going to come by end of FY23, right?
- Management:** As I said that we started the groundwork and activities in the month of June only and I think the excavation, and everything is going on pretty smoothly. And from June we are looking at anything between 15 to 18 months to start it. By end of FY23, definitely we will start somewhere in the second quarter or third quarter.
- Hiten Boricha:** Final bookkeeping question is what is the current cash and gross debt in the book?
- Management:** Net cash position is around 670 odd crores.
- Hiten Boricha:** And gross debt?
- Management:** Net cash is somewhere it is around 520 crores, cash balance, plus we have the **(Inaudible)** **(34.03)** it is about 670 crores, but net cash you can say around 120-125 crores.
- Moderator:** Ladies and gentlemen, we will take the last question that is from the line of Shravan Shah from Dolat Capital Markets.
- Shravan Shah:** Just a clarification, you said net cash is 520? Can you repeat both the numbers, gross debt and the gross cash and net cash?
- Moderator:** Ladies and gentlemen thank you for patiently holding. We now have the lines of the management reconnected. Over to you, sir.
- Shravan Shah:** I was not able to hear clearly. So, the 490 crores gross cash and 14-15 crores gross debt including the working capital which was there in March. So, what are the numbers as on June?
- Management:** June number was around 546 crores is net cash and 23 crore is the debt. So, net debt cash is 523 crores.
- Shravan Shah:** One on the clinker expansion. Last time we were talking that there are groundbreaking (35.56) coming in next two quarters. Any update there, so is it just that we are waiting for the environmental clearance? Any timeline on that aspect?



*Star Cement Limited
August 17, 2021*

- Management:** I don't think that we can do before we get the environment clearance. We will wait for the environment clearance to arrive and then only we will start the groundbreaking.
- Shravan Shah:** But there also difficult to say at least 2-3 quarters it can come? Any broad timeline?
- Management:** Largely it takes 6 to 9 months' time in terms of getting the final clearance from the environment. But it all depends on how it goes. We are hopeful to get this in 2-3 quarters.
- Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Vaibhav Agarwal for his closing comments.
- Vaibhav Agarwal:** Thank you. On behalf of PhillipCapital (India) Private Limited, I would like to thank the management of Start Cement for the call and thanks to the participants joining the call. Thank you very much, sir.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.