

STAR CEMENT LIMITED
(Formerly CEMENT MANUFACTURING COMPANY LTD)

08th August, 2022

**The Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block-G
Bandra Kurla Complex, Bandra-East
Mumbai-400 051
Stock code: STARCEMENT**

**BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai-400 001
Stock code: 540575**

Dear Sir(s),

Sub: Transcript of the Conference call for Unaudited Financial Results for the Quarter ended 30th June, 2022

In terms of Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we forward herewith the Transcript of the conference call with Investors and Analysts held on Wednesday, 03rd August, 2022 for Unaudited Financial Results for the quarter ended 30th June, 2022.

The same shall also be available in website of the Company at www.starcement.co.in.

This is for your information and record.

Thanking you,
For Star Cement Limited

X



**Debabrata Thakurta
(Company Secretary)**

STAR CEMENT
Solid Setting

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AN ISO 9001, ISO 14001 & OHSAS 18001 CERTIFIED COMPANY

CIN NO. L26942ML2001PLC006663



“Star Cement Limited Q1 FY23 Earnings Conference Call hosted by HDFC Securities Limited”

August 03, 2022



MANAGEMENT: **MR. TUSHAR BHAJANKA** MEMBER PROMOTER
GROUP AND EXECUTIVE DIRECTOR, STAR CEMENT
LIMITED
MR. MR. MANOJ AGARWAL CHIEF FINANCIAL
OFFICER, STAR CEMENT LIMITED

MODERATOR: **MR. RAJESH KUMAR RAVI** HDFC SECURITIES



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Moderator: Ladies and gentlemen, good day and welcome to Star Cement Limited Q1 FY23 Earnings Conference Call hosted by HDFC Securities 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 the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajesh Kumar Ravi from HDFC Securities. Thank you and over to you Sir.

Rajesh Kumar Ravi: Hi, everyone. Good afternoon. On behalf of HDFC Securities, we welcome you all to the Earnings Conference Call of Q1 FY23 of Star Cement. From the management we have Mr. Tushar Bhajanka – Member Promoter Group and Executive Director and Mr. Manoj Agarwal – Chief Finance Officer of the company. I now hand over the call to the management for their opening remarks after which we will start the Q&A. Over to you, Sir.

Tushar Bhajanka: Good evening all. My name is Tushar Bhajanka. I am one of the Executive Director at Star Cement. I will like to welcome you all to the earnings call of Quarter 1. I have Mr. Manoj Agarwal who is the CFO of the company. He will take you through the numbers of Quarter 1 after that we will be able to have a Q&A session and answer the calls. Thank you.

Manoj Agarwal: Hi friends. Very good evening. I behalf on behalf of Star Cement Limited, welcome you to our concall for discussing our number of Q1 FY23. 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 number starting from clinker production during the quarter ended June 22 we have produced 6.92 lakh ton of clinker as against 4.30 lakh ton same quarter last year. So, far as cement production is concerned we have produced 9.90 lakh ton this quarter as against 7.72 lakhs ton same quarter last year. Last year we have taken a shutdown in our main clinker unit that is why clinker production was lower.

Now, I will take you through sales volume. The quarter we have sold 9.80 lakh tons of cement and negligible quantity of clinker as against 7.60 lakh ton of cement increase is around 29%. This is as far as cement and clinker sale is concerned. As far as geographical distribution of cement is concerned in Northeast we have sold around 6.48 lakh ton as against 6.03 lakh ton during same quarter last year that is a growth of around 8% and as far as outside Northeast is concerned we have sold 3.32 lakh ton of cement this quarter as against 1.58 lakh ton same quarter last year that is it is around we have doubled the number. In terms of blend mix it is almost 11% of OPC and rest is PPC these are the quantity numbers of the quarters.



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Now I will take you through the financials. The total revenue figure this quarter is around Rs. 665 crore as against 511 crore same period last year. As far as EBITDA figure is concerned this quarter we have done an EBITDA of around 138 crore as against 101 crore last year. PAT is almost same at the level of 168 crore in this quarter and the corresponding previous quarter this is on account of increased tax expenses due to the sunset of tax exemption period in respect of our company Guwahati grinding units and its subsidiary Star Cement Meghalaya Limited.

However the cash outflow will be met only. On per ton EBITDA front it is 1,410 during this quarter as against 1,330 per ton same quarter last year. This is what our quarterly numbers are. Now I request all of you if you have any queries you can ask the same and I will request Rajesh to moderate the query wherever it requires.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: So, first couple of data points in terms of the trade share was how much for this quarter?

Manoj Agarwal: Trade sale is about 86% of the overall volumes that we did and overall we did about 9.8 lakh tons and 14% for the nontrade sale.

Shravan Shah: And what was the lead distance?

Manoj Agarwal: 230 kilometer.

Shravan Shah: 230 so it has marginally increase from last quarter of 218 odd kilometers. Sir, now in terms of first come down the volume so last time we guided around 4-million-ton volume for this year so we have already done kind of 1 million ton, so that target remains?

Tushar Bhajanka: So, even internally we are meeting the target that we had set for the first quarter and we are in line to meet the overall target of 4 million by year end.

Shravan Shah: And regarding the Siliguri utilization for this quarter how much was the utilization for Siliguri?

Tushar Bhajanka: So, the utilization was about 67% for Siliguri.

Shravan Shah: So, for full year then we can easily do a 65% kind of utilization?

Tushar Bhajanka: What we have basically seen in Siliguri that Quarter 4 of last year should have been ideally better historically than Quarter 1, but our volume in Siliguri have remained constant between Quarter 4 of last year Quarter 1 because we are really working on a dealer network at the



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moment. So, my expectation would be that yes the utilization overall should be about 55% to 70% on a year around level.

Shravan Shah: Now sir on the pricing front and then I will ask on the costing so pricing post the June how much price decline have you seen in the month of July and August?

Tushar Bhajanka: I mean if we divide between outside Northeast and in Northeast. In Northeast we have not really seen a very big decline in the prices as such. So, the prices have more or less remains stable and that is mainly because of the higher fuel cost at the other players Northeast are facing that the prices have not fallen. In outside Northeast because of the comparative scenario the prices have dip by about Rs. 20, Rs. 25 per bag. So, that is broadly the price range.

Shravan Shah: So, both in Bihar and West Bengal same Rs. 20, Rs. 25 kind of a decline?

Tushar Bhajanka: It is similar in both the states.

Shravan Shah: Now on the costing front so it is a great that for the entire quarter we have not seen any increase in terms of the overall OPEX per ton, so how do we see particularly see on the power and fuel also and the entire costing now how do we see and are we having actually in terms of the coal supply from the Coal India?

Tushar Bhajanka: There are couple of reasons why our cost per ton has not really increased. One is that we of course have diversified our fuel mix. So, like we discussed last time we have gotten into AFR, we have been using bamboo, we have also gotten into right now we are looking at other options like **(Inaudible) 9:23**. We have our FSA agreements, we are buying right now coal from Nagaland. So, we have actually explored many other areas through which we can source fuel and that is what is helping us limit the extent of increasing our cost. Secondly, we have of course also optimize on our plant performance so we have reduce our clinker factor, optimize into just maintain the same quantity. So, I mean with all those changes. there has been a positive movement towards the cost and that is probably the reason why the cost are not increasing and we believe that in the next 9 months the trajectory should be same. So, I do not see the cost increasing by much. Of course, the fuel cost may increase by about 10% which is very unforeseen. So, I cannot comment about that, but generally I do not think that the cost should increase.

Shravan Shah: So, this 10% we are mainly expecting this quarter second quarter increase in the fuel?

Tushar Bhajanka: That maybe in the third or the fourth in the second I do not foresee any significant increase to what we have performed in the Quarter 1, but I cannot comment because it is such a uncertain time especially for fuel that I would not be able to comment about the third and the fourth quarter, but in the second quarter at least right now I do not see any increase as such.



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Shravan Shah: Lastly on the expansion 3 MTPA clinker and 2 MTPA grinding at Meghalaya and Guwahati. So, last time you said that construction to start by June, so what is the status and in terms of the overall CAPEX and debt front what is the status, how much we spent and what is the revised number for the full year and that is it?

Tushar Bhajanka: So, I mean the status in the last call we had discussed about the environmental clearance and how we are going to receive it. So, now we have actually got in the environmental clearance for all the 3-million-ton front and we have already started some of the civil work at the site and we will take up the civil work more aggressively when the rain stops because there is also heavy monsoon in Northeast. So, effectively we will be starting full-fledged construction by this month and in terms of the CAPEX outlay right now we have placed the orders from most of the machineries, we have finalized the contractors, we have started procuring some of the raw materials from our side and right now the CAPEX outflow would not be that much because we are just paying the guarantees to all the suppliers right now, but I think in the next month or two the CAPEX outlay would start happening.

Shravan Shah: So, last time we said around 1,000 odd crore this year and the next year also 1,000 odd crores so in this quarter how much we have already spent and how much now we expect?

Tushar Bhajanka: So, I mean till now we would have barely spent not more than 50 crores, but right now we have just paid the first installment to the machinery suppliers and to the contractors, but our estimates remains the same that in this financing year we would be spending about 1,000 crore and in the next financial year we will be again spending about a 1,000 crore and this is not only just for the 3 million ton clinker plant and 2 million ton grinding unit it also includes the second grinding unit at Silchar. So, this 2,000 crore CAPEX is basically for 3-million-ton clinker plant and two grinding units of 2 million ton each.

Shravan Shah: Sorry I missed the number how much we spent in the first quarter sir?

Tushar Bhajanka: We would not have spent more than 50 crore in the first quarter because we have just been paying the installment the first installment for the machinery and through the contractors but going ahead in the coming quarter and the quarter after that we will see a lot of outflow happening. So, the target remains to be the same as what we had discussed last year that in this year there will be an outlay of about 1,000 crore.

Shravan Shah: And in terms of the COD for this both clinker and grinding what is the COD and what is the net debt now?

Tushar Bhajanka: We are aiming to commission the plants. So, the clinker plant should be coming by December next year and the grinding unit should be coming by about Jan 24 next to next year. So, that is



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our timelines for these two plants and the grinding unit in Silchar should be coming about March of 2024.

Shravan Shah: And last on the net debt what is the number as on June?

Manoj Agarwal: Which number?

Shravan Shah: Net debt.

Manoj Agarwal: So, net debt.

Shravan Shah: Net cash sorry?

Manoj Agarwal: Net cash is around 750 crore.

Moderator: Thank you. The next question is from the line of Kashvi Dedhia from Centra Advisors LLP. Please go ahead.

Kashvi Dedhia: So, my question is on fuel mix, what will be our fuel mix for the quarter?

Tushar Bhajanka: Majority of our fuel mix is basically coming from FSA and that would be about 65% and then rest about 15% to 20% is coming from Nagaland coal which is the new growth that we have identified in Nagaland and about 10% to 15% is the **(Inaudible)** 15.50.

Kashvi Dedhia: And what is our inventory days for fuel mix?

Tushar Bhajanka: So, it is about 20 to 25 days roughly.

Moderator: Thank you. The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

Rajesh Kumar Ravi: This quarter number has been very strong what we see while the industry is ruling under cost pressure, your cost is stable for year-on-year on a sequential basis, so could you give some in terms of per kilocal what was the costing you have seen in the June quarter, how it has been towards the March quarter?

Tushar Bhajanka: So, I think the per kilo Cal fuel cost that we faced was about 1.75 and if we compare it to March quarter I think it was about 1.55 to 1.6. So, our fuel cost has increased by about roughly 10%. So, that is of course been there and one of the saving grace has been of course the FSA contract that we made early last year. So, that was at about Rs. 1.5 or Rs. 1.45 per GCV



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because we made a very major contract then so that is also something which is hedging us against the increase in the fuel cost which is of course for our entire industry.

Rajesh Kumar Ravi: In this quarter Q2 the costing was flattish at around 1.75 in the current quarter?

Tushar Bhajanka: I think there is no reason to expect anything higher than that.

Rajesh Kumar Ravi: And you mentioned that Q3 onwards there would be an increase in the costing because most of your FSA volume would be exhausted?

Tushar Bhajanka: Actually, we have a 5-year FSA contract. So, what I meant to say was not that the Q3 and Q4 the costing will be higher. What I meant to say was that I cannot predict how the coal is going to behave because we are still exposed to outside coal. Percentage of us is still buying from option and at the spot option than APL and imported coal. So, that exposure that remains. So, I cannot vouch for how that behaves.

Rajesh Kumar Ravi: Any positive development on the Meghalaya coal which was supposed to come for auction?

Tushar Bhajanka: Yes there is actually an auction tomorrow for that thing and we will be participating and the volume is of course very best. It is about 35,000 tons or 38,000 tons, but they are of course actively going to participate in the auction to win as much as we can.

Rajesh Kumar Ravi: The two-grinding unit one you mentioned is in Silchar the second one would be coming in?

Tushar Bhajanka: So, one grinding unit is coming in Guwahati next to our current grinding units so it is a Brownfield expansion and the other one is coming in Silchar and that will be available in million ton grinding capacity with the railway side.

Rajesh Kumar Ravi: And any update on the waste heat recovery project?

Tushar Bhajanka: Last time when we have spoken it is broadly in time, it was supposed to come in September and we are expecting it about end of October. There was a delay because in the middle there was an increase in the steel prices and then some vendors started to re-bargain because of that there was some delay in getting other things but now I think that problem is sorted and we should be commencing plant in October this year.

Rajesh Kumar Ravi: And on the new project what sort of WHR and is this 2,000 crores fraction in that WHR cost?

Tushar Bhajanka: So, the CAPEX cost is actually factored in already the cost of WHRS. So, that is already included we will be going for about 12 megawatt WHRS in the new plant as well.



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- Moderator:** Thank you. The next question is from the line of Uttam Kumar Srimal from Axis Securities. Please go ahead.
- Uttam Kumar Srimal:** My question is the grinding unit Silchar, so have you identified the location for that?
- Tushar Bhajanka:** So, we have identified the location for it. We are also in the process of finalizing the land. So, I think in this month we will be paying the advances for the land and finalizing and registering the land. So, we are at a very advance stage in terms of finalizing the location in the land. So, that is already going on. It would not be right on my part to disclose the exact location because that will be counterproductive for us, but we have already identified.
- Uttam Kumar Srimal:** Sir this grinding unit will get operational by January 24 as you said?
- Tushar Bhajanka:** So, the grinding unit that I was talking about was the grinding unit at Guwahati that should be coming in December to January 2024. The unit in Silchar should be coming about March of 2024 or March to April 2024.
- Uttam Kumar Srimal:** And sir clinkerization unit?
- Tushar Bhajanka:** The clinkerization should be coming in December next year, so December 23.
- Uttam Kumar Srimal:** And sir how has been our sale of premium cement so what project we have made in terms of premium cement sale?
- Tushar Bhajanka:** So, the ARC sale I mean we have three products mainly we have the PPC, OPC and the ARC which is our premium cement. Till April the sale of ARC was about 3.5% to 4% which is very less, but now we have actually started working on increasing the sales of ARC and the number I can give you is that in June our sale of ARC was about 8% because we have come up with many schemes and incentives to promote our premium cement and our target is by end of next quarter we should be targeting at about 10% sales of a premium cement.
- Uttam Kumar Srimal:** And sir what is the price difference between the normal cement and the premium cement?
- Tushar Bhajanka:** The price difference is about Rs. 20 per bag so that is about Rs. 400 per ton and the margin that of course we are right now promoting it so some of the margins is actually going and promoting the more premium cement, but once it stabilizes our aim is to earn about Rs. 150, Rs. 200 extra on the premium cement.
- Uttam Kumar Srimal:** This quarter we have done EBITDA margin of 18.6% so can this margin be sustained for the next few quarters?



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- Tushar Bhajanka:** I mean I think these margins in the first quarter of course higher because the prices were higher the volumes were good. In cement industry the second and third quarter usually not as good as the first and the fourth quarter. So, we may expect some decline in the margins not because of the cost pressure, but just how the number work and how the seasonality affects the business and in the fourth quarter I would expect the margins to again pick up. So, because I think the prices drop so the prices have already started dropping in outside Northeast. So, because of that of course there is a margin increase which happens.
- Uttam Kumar Srimal:** And any freight subsidiary that we have received this quarter so last quarter we have received around 37 crores and any freight subsidiary we have received in this quarter?
- Manoj Agarwal:** We have received 32 crore of freight subsidiary which we have outstanding for earlier years and also received the GST because we are online up to last quarter we have already received. So, there is no such outstanding receivable from the subsidiary side.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir just a clarification last time I think you mentioned that this five-year fixed price contract that we have for coal is at 1.35 Kcal and now you mentioned 1.45 or 1.5, is it right?
- Tushar Bhajanka:** I mean it is about that is a landed price and the landed price is about 1.4 to 1.45 it really depends on the freight right now because we are not getting the rack there is a rack availability problem. So, the landed cost is a bit higher because we have to pay higher for the racks, but that time the rack price may have been lower so the landed cost was a little cheaper. So, I think it just depends that in paisa actually is difference in the logistic cost mainly.
- Shravan Shah:** Second sir last time you mentioned that there will be truck availability issues so now has it sorted out or is still we are facing some issues?
- Tushar Bhajanka:** I think the truck availability issues were primarily because of two main reasons. One was that of course fourth quarter in terms of volume was the first time we were dealing such a large volume because of Siliguri and we were not as prepared, but now of course with the experience of dealing that kind of volume, our preparedness and our preparation for handling that kind of volume has increased and also the volume this quarter were lower. So, the pressure on logistics was also much lower. So, this quarter we do not face any problems in logistics whatsoever. So, right now we have a railway siding which is commissioned in Siliguri so that will also help us take care of some of the logistics problems in terms of clinker and cement dispatch. So, I think going forward I do not think that we will be having the same kind of problem that we did in Quarter 4.



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- Shravan Shah:** The other question is in terms of the tax rate so now this 35%, 36% tax rate for full year is the normal that we will see or for the full year how do we see the tax rate?
- Manoj Agarwal:** The tax rate will be 34%, 35% approximately will be there, but cash structural cost outflow will be met only because we have more than 30 crores, 40 crores of MAT saving entitlement so actual cash outflow will be only the MAT, but effective tax rate for PL purpose which will be 35%.
- Shravan Shah:** Just to clarify the ongoing WHRS is 12.3 megawatt that will be started by October and the new clinker will have a another 12 megawatt of WHRS?
- Tushar Bhajanka:** I just want to again emphasize on the point that he mentioned that of course our income tax exemption got over this quarter. So, that is why you can see in the books that we are paying about 35% of tax, but that is adjusted and for the next three years it will be adjusted from the MAT that has been accumulated in the company. So, from a cash outflow perspective that is not affecting us of course from the accrual perspective on which we make the books it is showing a lower amount.
- Shravan Shah:** And in terms of the other expenses, it has declined on QoQ basis so this 80 crore, 90 odd crores quarterly run rate is the sustainable number?
- Manoj Agarwal:** Maybe 1 crore, 2 crore here will be there because we have certain expense in March, there are certain other expenses items are there, professional contingencies and other expenses were there. So, it will be maybe 1 crore, 2 crore per quarter may vary, but between largely much larger impact.
- Tushar Bhajanka:** Yes I think it is really the per ton costing would really depend on the volumes as we do right now even in the second quarter we do seem to be doing good volumes and is that continuous then yes the costing will be in control. So, I think yes we are also targeting a similar kind of EBITDA year-round. So, yes we should be hopeful of meeting of maintaining the track record.
- Shravan Shah:** As you mentioned we have a 750 odd crore kind of a cash and 2,000 crore kind of a CAPEX will be there in two years 23-24, so how do we see in terms of this net cash turning into the net debt by FY24?
- Manoj Agarwal:** We of course have to though we are generating cash ourselves and in two years the situation would be that we have about 1,500 odd crores as cash reserve which we will of course plough in the CAPEX plans and we may need a debt of about 500 odd crores which we will pay as soon as our plants gets commissioned. So, there will be no long-term borrowing that we are looking at, we may be looking at a year or two borrowing to help us in this liquidity situation.



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- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Jefferies India. Please go ahead.
- Prateek Kumar:** My first question is on your fuel inventory so assuming like one and half month fuel inventory so this is particularly gone down because of fuel price impact or there is something which we are looking to have 25 days which you mentioned?
- Tushar Bhajanka:** So, I mean we have been able to maintain about two months one and half to two months inventory and that is why we were able to absorb some of the cost increases in the fuel, but right now we are having some issues in terms of recoverability because most of the racks have been diverted to the power plants by the government. So, because of that our inventory is falling short to about 25 days, but we are working with the railways to improve the availability of racks and with that I expect to go back to about one month and 10 days kind of a inventory.
- Prateek Kumar:** Secondly, when we talk about volumes of **(Inaudible) 33:07** for the year. We used to have 75%-25% mix of Northeast broadly which is for now 66% Northeast in this quarter, what could be this number for like let us say FY23 the 65%?
- Tushar Bhajanka:** So, we are expecting about 65-35 kind of a ratio for the entire year broadly.
- Prateek Kumar:** Next on net debt likewise you mentioned this in previous response peak net debt related to this project expansion we should expect Rs. 500 crore?
- Tushar Bhajanka:** Yes 500 to 550 range it should not be going more than that.
- Prateek Kumar:** And for the overall project cost for let us say 3-million-ton clinker and 4 million ton grinding plus 12 megawatt WHR, what is the total project cost which we have is it 2,000 crores or is it slightly higher?
- Tushar Bhajanka:** It is slightly more than 2,000 crore it is about 2,000 crores to 2,100 crore it will range between that and it just depends on the cost of putting up Silchar. So, our estimate is about 400 crores for Silchar, but if it exceeds because of the railway siding and because of the filing of the land in that case it may go to about 450. So, because of that there may be availability from 2,000 crores to about 2,100 crores.
- Prateek Kumar:** As because earlier we used to give data for 1,000 crore for 3-million-ton clinker so we are adding 4 million ton grinding for another 1,000 crores?
- Tushar Bhajanka:** Yes so I think the clinker with the WHRS at the moment is not going to cost you lower than 1,200 crores so that maybe a data points which may be true four, five years back or three, four years back, but given the increase in the steel prices I know it has come down now, but it is



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still higher than what it was year or two back. So, I mean given the increase in steel prices and just the inflation I do not think anyone is able to setup a plant below 1,200 even in our Brownfield expansion.

Prateek Kumar: So, when we say we have already put in order for CAPEX equipment etcetera, so would that be like cost of March, April for metal and other commodities or would that be like closer to like last month or have seen broad based?

Tushar Bhajanka: In terms of external benchmarking, we have ordered the mill, pyro and other major equipment for the clinker plant and they have come in a good price range. So, it has not really faced the brunt of the higher steel prices as such, but there is also lot of steel for fabrication and for other purposes that we need. And there we see that our cost have of course increased compared to what it could have been a year back or year and half back. So, from that point of view and also from a civil contracting point of view the cost have run up in the industries. So, that is why I was just saying I do not think 3-million-ton plant could be possible in about 1,000 crore it will probably require about 1,200 crore to put that kind of a plant.

Prateek Kumar: And lastly on cement prices you said that Rs. 20 to Rs. 25 they are corrected in July, August how do they stack up versus March prices?

Manoj Agarwal: Can you repeat that question.

Prateek Kumar: So, you said prices have corrected by Rs. 20, Rs. 25 in July, August how do these prices stack up versus March of this year?

Tushar Bhajanka: So, in March, for example, in Bihar the prices were about 400 and in as on date the prices are about 370. So, if you compare it to March then the prices have fallen by about Rs. 30.

Prateek Kumar: So, basically the whole of hike of Q1 is like wiped off and there is another Rs.30 drop from there? I think your just 400 was in April I think you were mentioning about the price after the increase which happened in April?

Tushar Bhajanka: This is from April and this is only in West Bengal and Bihar this is not in Northeast. In Northeast what I can see is that the prices are more or less remained stable. It has actually increased if you compare to March then the prices actually increased by Rs. 10 per bag from March.

Prateek Kumar: For Bihar and West Bengal price of March will be similar to prices today is that right?

Tushar Bhajanka: No, the prices of March would be about Rs. 20 higher than the prices today, the prices have fallen in West Bengal and Bihar.



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Moderator: Thank you. The next question is from the line of Mangesh Bhadang from Nirmal Bang. Please go ahead.

Mangesh Bhadang: Sir, couple of questions from my side firstly I just wanted to understand the competitive intensity in Northeast with eastern prices coming off in new capacities coming into that region do you expect more inflows in Northeast given the pricing that is prevalent there that is the first question and the second question is we are adding a very large capacity in Northeast which is 4 million tons and we have been present in Northeast for much longer and still we are doing close to 2.1 tons, 2.2 million tons of volume there, so what gives us the confidence that with existing capacity operating at say 60% utilization we would be able to ramp up those plants and penetrate the new market because I think for this new capacity we will have to gain market share substantially from other so these two questions if you can answer please?

Tushar Bhajanka: I mean to answer the first question within Northeast most of the players are running full capacity and that is the reason why there may be some inflow from outside Northeast. Outside Northeast I do not expect them to strengthen two Northeast now because the cost of production for them have increased. So, earlier they used to operate on variable basis or on contribution basis they have to basically dump in Northeast, but now because the cost of production has increased I do not think it is viable for them to dump and that is also been very clearly shown in the data. So, if we look at the June arrival from outside we can see that sharp decline compared to last year. So, I think that is not a threat of course about the utilization last year we did about 2.5 million tons in Northeast and that is after we have really cut down on the non-trade because we are not going to promote ourselves too much in the nontrade. Sir, once the plant comes of course we are going to be aggressive in nontrade and there is lot of government infrastructure projects which require a lot of OPC and nontrade sales. So, right now the focus is not in nontrade, but once the plant comes we will of course get into nontrade because nontrade also has a margin of about Rs. 800 per ton which we should not be missing. So, from that perspective the utilization would partially be fulfilled for the new clinker plant and the new grinding unit from nontrade.

Mangesh Bhadang: Are you confident of running that at 50% utilize at least within one or two years?

Tushar Bhajanka: Yes we are.

Mangesh Bhadang: And sir also wanted to understand on the existing plant in terms of what kind of growth rate that you expect for the next two years if you can specify in Northeast and east even if you can mention about the industry growth rate that you expect or what you are targeting that would be helpful?

Tushar Bhajanka: In this to just give you an idea let us just talk about this quarter. In **any** the market has grown by only 2% and there is of course a reason because we were hit by a very damaging flood this



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year most of the things washed out by that. So, that is the reason why major markets like Assam have not grown at all and the overall Northeast growth was only 2%. In West Bengal to the market that we serve because West Bengal do not see that kind of growth last year and because there is COVID last year which affected West Bengal and Bihar both you know the market is showing an improvement compared to last year and it is showing a growth of about 25% for the quarter and that is also primarily because COVID was hitting in the last year same quarter and the same is with Bihar. So, West Bengal and Bihar are broadly the same in terms of growth rate. I do not expect that to sustain of course, but I would expect that Bengal and Bihar would grow about 10% odd this year and our expectation of what our growth is so in this quarter when **any** was doing 2% we did 8%. So, we are in line to generating an alpha to whatever the growth rate in the market is. So, we do expect about 11%, 12% growth in NE and similarly in West Bengal and Bihar we have grown significantly. So, last year same quarter we had done about 1.6 lakh ton sales in West Bengal and Bihar. This quarter we have done about 3.2 so we have actually doubled our sales in outside Northeast in the last one year. So, I do expect our growth rate to be fast in outside Northeast.

Mangesh Bhadang: So, basically for the full year '23-24 high-teen growth can be expected or a high double-digit growth can be expected?

Tushar Bhajanka: And also, the growth is not untamed in the sense that in outside Northeast also we have actually left the markets where it was not very profitable for us to serve. So, it is not an untamed growth where we do not look at the EBITDA per ton or coming from those markets, this is a very sustainable growth and markets where we expect to receive decent EBITDA so that will also help in improving the bottom line and the margins basically.

Mangesh Bhadang: Sir, just last question for the markets you served in north Bengal the landed cost of clinker for the Chhattisgarh players and you how much would be the difference?

Tushar Bhajanka: So, that of course we will have to calculate, but my expectation right now is that we will be cheaper by about Rs. 500 per ton.

Moderator: Thank you. The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

Rajesh Kumar Ravi: My question in you mentioned that you have significantly cut down on the nontrade volume which is visible, could you share what was the nontrade volumes in Q4 percentage and in FY22?

Manoj Agarwal: Q4 it is 70-30.

Rajesh Kumar Ravi: So, 30% has now come down to below 15%, right?



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- Tushar Bhajanka:** Sorry you are talking about nontrade sales. So, it was 85-15 so it was 15% this quarter, so this quarter it has come to 14%, but the step of reducing nontrade has just been taken a month back. So, the quarter going ahead you will see a drastic fall in nontrade and it is coming down to about 8% to 7%. At the same time we would see a drastic increase in the premium sales or premium products where we earn more margins ARC from about 3.5% to about 10%. So, we are basically reducing our sales of nontrade which is the lower margin product because more clinker at the same side it is selling at a lower side and we are increasing the sale of premium products. So, you would see that the markets, the portfolio mix that the nontrade is losing the premium
- Rajesh Kumar Ravi:** And just for full year FY22 what was the trade, nontrade mix?
- Tushar Bhajanka:** It is 86-14.
- Rajesh Kumar Ravi:** And coming to Siliguri performance how is that in terms of EBITDA margin what would be the difference between Siliguri and the Northeast operations now given we are now north of 60% utilization for the last two quarters.
- Tushar Bhajanka:** I mean Northeast is very hard to compare with the profits that we earn outside because Northeast is our main market and also has a lot of competitive advantages as compared to other players which are serving from outside. So, if we earn about Rs. 700 in Siliguri or Rs. 800 in Siliguri per ton then outside we will be earning much higher so it is almost double. So, I think that may not be a fair comparison of course we are working on reducing our costing in Siliguri that would add to the margins. And we have gotten the railway siding we plan to get flash, get clinkers in peak season and get other raw material like gypsum through the railway and that should also play in the improvement of the margins, but I think comparing it to something like a Guwahati in our context will not be very fruitful because Siliguri will always be a secondary market that we are serving on top of what we primarily serve.
- Rajesh Kumar Ravi:** So, in terms of costing we are confident that railway siding start performing optimally in terms of your raw material and fuel sourcing your costing will fall in for Siliguri operations we will be in fact par with the industry on the cost increase?
- Tushar Bhajanka:** So, that is what we are aiming at of course the costing of serving Siliguri market for any company will be very high. All of them will be very high it is not that so we are anything against for the industry standard is in that market. We will be probably earning as much as UltraTech or an Ambuja would be earning in these markets. It is just that we are trying to better ourselves and earn some more.



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Rajesh Kumar Ravi: Two last questions first is as you mentioned the cement prices in Bengal and Bihar what would be the pricing in Assam and Meghalaya markets for you currently and you said that your prices have been marginally inched up only post June right?

Tushar Bhajanka: So, yes so I think I am not like seeing any decrease in the prices in Northeast right now that is also a function of a lot of cement which was dumped from outside Northeast to Northeast is not happening. So, I am seeing a decent price in Northeast of course it may fall like it does in the second quarter, but right now I am not seeing any signs of that happening. Of course, the prices have fallen in West Bengal and Bihar that has fallen not only in the area that we serve in West Bengal in Bihar, but overall, as well, but I do not see much scope of prices falling too much because of the cost pressure. So, even if our cost has increased or not increased we can see other results of other companies and their cost have really increased. So, I do not think they have that kind of a scope to play around too much with the pricing.

Rajesh Kumar Ravi: One last question if I look at sequentially the volume mix of Northeast has come down because there would be around 20% volume decline versus March in Northeast where the pricing base is higher versus outside Northeast which is flattish volumes quarter-on-quarter, so could you comment on this still higher share of lower pricing base sales in outside Northeast our realization sequentially have jumped by 5% like-to-like what was the price increases in Northeast and also Northeast?

Tushar Bhajanka: Sorry could you repeat that again.

Rajesh Kumar Ravi: I would want to know in how has the prices quarter-on-quarter moved in your Northeast market from outside Northeast in Q1?

Tushar Bhajanka: Compared to Q4 in Q1 the prices basically have remained stable probably increased a little in Northeast in outside Northeast I can see a Rs. 20 decline in the prices. So, in West Bengal and Bihar the prices have fallen by about suppose 5% and Northeast the prices have increased by about Rs. 10 so that is about 3%.

Rajesh Kumar Ravi: No, you are talking about the July or June quarter?

Tushar Bhajanka: June I am talking about the June quarter.

Rajesh Kumar Ravi: But then how come our realization has on a blended realization sequentially has improved by 5% quarter-on-quarter?

Tushar Bhajanka: One thing that sitting that I have is of the month of March so the prices increased from Jan to March. So, if we take the weighted average what the prices have been in the Quarter 4 compared to what the weighted price in Quarter 1 the weighted price will of course show an



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increase even this is not a weighted average price of the quarter that I am talking about. I am talking about the price in the month of March compared to the price in the month of June. So, I think that is where the difference is being created. So, if I take the weighted average price of the entire quarter of Quarter 4 and entire quarter of Quarter 3 that we have increased.

Rajesh Kumar Ravi: One last question is there any big incentive booked in revenues this quarter?

Manoj Agarwal: No there is no such increase there is same kind of simply what we have booked in the last quarter the same there is nothing new.

Rajesh Kumar Ravi: So, March quarter and June quarter the incentive number have not changed materially?

Manoj Agarwal: No.

Moderator: Thank you. The next question is from the line of Keshav from HDFC Securities. Please go ahead.

Keshav: Sir, I want to understand whether how has been your market expense in this month advertisement have it cool off in this quarter?

Tushar Bhajanka: Like I had mentioned last time as well we are cutting down our planning expenditure because we have done that a lot in the last year. I will just take out the actual numbers. So, there is a decrease of about 2 crores in sales promotion and marketing expenses, in advertisement basically this quarter and this number should be going down or the difference should be increasing even further going ahead because there were some of the contracts that we had to renew this quarter which the payment will not come in the next quarter. So, because of that you will see a difference of about 3 Cr to 4 Cr in the Quarter 2.

Keshav: So, what I remember last quarter you guided it was 45 crore for that quarter and now onwards you said it would not exceed 33 crores?

Tushar Bhajanka: No, it was for the entire year it was not for the quarter.

Keshav: For the year?

Tushar Bhajanka: It should be like this year right now in the Quarter 1 the advertisement cost was about 11 crore and that is also because we have to make some of the payments which will help us in Quarter 2 as well. So, I do not expect the cost of advertisement going above 33 crores for the entire year.

Keshav: And as you are now procuring the new stores that is Nagaland coal so will it make inch up in the upcoming quarter?



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- Tushar Bhajanka:** Sorry can you repeat that.
- Keshav:** Your Nagaland coal which is 15% to 20% of the fuel mix, is it expected to increase in upcoming quarter.
- Tushar Bhajanka:** I think it will broadly remain the same so that is the amount of coal that will source from Nagaland. So, I think that will not probably increase too much.
- Moderator:** Thank you very much. I now hand the conference over to Mr. Rajesh Kumar Ravi for closing remarks.
- Rajesh Kumar Ravi:** Thank you everyone for joining in the call. Tushar ji would you want to make any closing comments.
- Tushar Bhajanka:** No. Thank you so much for arranging the call and thank you everyone for joining. If there is any doubt outside the call as well you can of course reach to our CFO and then we are more than happy to answer any doubts or any queries that you may have. I am happy to answer any questions outside the call as well. Thank you.
- Moderator:** Thank you very much. On behalf of HDFC Securities Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.