16th August, 2023

**To**
**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**

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

Dear Sir(s)/Madam(s),

**Sub**: **Transcript of the Conference call for Unaudited Financial Results for the Quarter ended 30th June, 2023**

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, 09th August, 2023 for Unaudited Financial Results for the quarter ended 30th June, 2023.

The same shall also be available in website of the Company at https://www.starcement.co.in/investor/earnings-call.

This is for your information and record.

Thanking you,
**For Star Cement Limited**

DEBABRATA THAKURTA
Digitally signed by DEBABRATA THAKURTA
Date: 2023.08.16 13:47:47 +05'30'

STAR CEMENT LIMITED KOLKATA

**Debabrata Thakurta**
**(Company Secretary)**

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ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 CERTIFIED COMPANY.
CIN : L26942ML2001PLC006663

"Star Cement Limited

Q1 FY '24 Earnings Conference Call"

August 09, 2023

**MANAGEMENT:** **MR. TUSHAR BHAJANKA – EXECUTIVE DIRECTOR – STAR CEMENT LIMITED**
**MR. VINIT TIWARI – CHIEF EXECUTIVE OFFICER – STAR CEMENT LIMITED**
**MR. MANOJ AGARWAL – CHIEF FINANCIAL OFFICER – STAR CEMENT LIMITED**

**MODERATOR:** **MR. DHARMESH SHAH – EMKAY GLOBAL FINANCIAL SERVICES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Star Cement Limited Q1 FY '24 Earnings Conference Call hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dharmesh Shah from Emkay Global Financial Services. Thank you and over to you, Mr. Shah.

**Dharmesh Shah:** Thanks, Ryan. On the call, we have with us, Mr. Tushar Bhajanka, Executive Director; Mr. Vinit Tiwari, CEO; and Mr. Manoj Agarwal, CFO of the company. I will now hand over the floor to the management of Star Cement for their opening remarks, which will be followed by an interactive Q&A. Thank you and over to you, Tushar.

**Tushar Bhajanka:** Good afternoon all. My name is Tushar Bhajanka and I am the Executive Director of Star Cement. I would 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 give out the numbers of quarter 1 and then we can start the Q&A session. Thank you.

**Manoj Agarwal:** Yes. Hi friends, very good afternoon. I, on behalf of Star Cement Limited, welcome you all to our con-call for discussing our numbers for Q1 FY '24. 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.

Starting from clinker production, during the quarter ended June '23, we have produced 7.27 lakhs ton of clinker as against 6.92 lakhs ton same quarter last year. So far as cement production is concerned, we have produced 11.74 lakhs ton this quarter as against 9.90 lakhs ton, same quarter last year. There is a growth of around more than 21% over last year.

Now, I will take you through sales volume. During the quarter, we have sold 11.54 lakh ton of cement and 0.1 lakh ton of clinker as against 9.80 lakhs ton of cement last year. There is increase of around 19% in our sales. 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 8.36 lakhs ton as against 6.48 lakh ton during the same quarter last year. This is including our sale 10,000 ton of clinker sales. And as far as outside Northeast is concerned, we have sold 3.29 lakhs ton of cement this quarter as against 3.32 lakhs ton same quarter last year. In terms of blend mix, it is almost 9% of OPC, 1% of PCC and the rest is PPC and ARC. These are the quantitative numbers of the quarter.

Now I will take you through the financials. The total revenue figure this quarter is around INR755 crores as against INR628 crores, same period last year. As far as EBITDA figure is concerned, in the quarter, we have done an EBITDA of INR138 crores as against INR138 crores last year, that is more or less same to last year. Though there is increase in volume, but the same was negated by the decrease in our GST refunds and increase of our fuel cost.

Profit after tax is INR104 crores as against INR105 crores last year. On account of recognition of deferred tax asset of time difference of property, plant and equipment, in one the company's subsidiary account, tax expenses of this quarter was lower. On per ton EBITDA front, it is INR1,185 during this quarter as against INR1,410 per ton same quarter last year. The decrease is mainly on account of increased fuel cost, due to high-cost inventory, and reduction of GST refunds.

This is what our quarterly numbers are. Now I request all of you that if you have any queries, then you can ask the same and I will request Dharmesh to moderate the queries as it comes in. Thank you.

**Moderator:** The first question is from the line of Shravan Shah from Dolat Capital.

**Shravan Shah:** Sir, first couple of data points. Trade share, premiums share and lead distance for this quarter?

**Tushar Bhajanka:** So, the trade sales were about 88% of the overall sales. The premium sales were about 4% of the overall sales. And the lead distance was about 207.

**Shravan Shah:** Okay. And premium share, previously, we have talked about that we want to increase to double-digit in 2 to 3 quarters. So, this 4% -- in the last quarter also was 4%. So, what's the stand now?

**Vinit Tiwari:** Our stand is same. I think -- this is Vinit Tiwari. And the stand is same. We have taken initiatives, we have already seen the fruits coming in from the last month, that is the start of second quarter, and we are pretty hopeful that in next 2 quarters, we will be doubling our premium percentage.

**Shravan Shah:** Okay. And in terms of the volumes, definitely this quarter, we did good volume growth. We are looking at 12% to 13% for the full year. So, are we saying the same number or will it be on the higher side, 14%, 15% for this year, sir?

**Vinit Tiwari:** The growth, we have already forecasted, what we said last time. We are absolutely maintaining the same stand as of now. In the first quarter, it was better. Second quarter, considering the monsoon got slightly late set up in Northeast this time vis-a-vis last year if you would see, so in totality, you may see a variation between quarter 1 and quarter 2 because monsoon came late this time. So, quarter 1 was much better than last year quarter.

Now, as monsoon has set in, so we have -- we are seeing certain slackness in the demand. Also, these are the times when we try to take care of our maintenance work as well. So, in second quarter, I'll say, like in the first quarter, we may not see such a steep growth, but still, we will be growing and it will be a decent growth and most probably in double-digit.

**Shravan Shah:** Okay. And in terms of the pricing, so post-monsoon -- post-June exit, how are the prices in Northeast and East market where we operate?

**Vinit Tiwari:** As far as Northeast is concerned, prices are stable. And if we consider it from the 1 April versus June -- versus this quarter, there was an increase, but presently, if you ask me, the prices are stable. So, we have not seen any dip during this start of this financial year. We are more or less -- have increased prices and we are maintaining that.

**Shravan Shah:** But from the last month June exit, in July and in 10, 9 days of August, have you seen any decline in East market?

**Vinit Tiwari:** No, no. There is not declining in the East market and in the Northeast market. There is some billing corrections which has been taken, but it is not a price reduction because there was some billing support, which normally is prevailing in the industry, that has been withdrawn, close to INR15 price equalization support. It has been withdrawn and the billing price has been corrected by the equivalent number.

**Shravan Shah:** And now on the capex and the expansions of all the 3, 1 clinker and 2-million-ton grinding that we are doing, so close to INR2,300 crores capex. So how much we have spent till now and how much more we plan to spend in FY '24 and '25?

**Tushar Bhajanka:** So, we have spent about INR750 crores overall on these capex. We have a reserve in the company right now of about INR380 crores. The cement expansion that we are continuing will probably take a capex of about INR800 crores more. And this year, for the remaining year, we expect a cash profit of about INR400 crores. So, from that perspective, we probably may need to take a debt of about INR400 crores to INR500 crores to complete the status.

**Shravan Shah:** Sorry, sir, just to understand further, you said you have spent INR750-odd crores out of INR2,300 crores that we have envisaged for the ongoing expansions.

**Tushar Bhajanka:** Basically, we have 3 plants coming up. One is the Lumshnong plant, the Guwahati plant, which is the grinding unit, and the Silchar plant. So, most of the capex for the Silchar plant would happen in the next financial year. So, for this financial year, we have already spent about INR750 crores, and we have a capex plan of about INR800 crores for the remaining year.

**Shravan Shah:** And for FY '25, how much we want to spend? INR400 crores?

**Tushar Bhajanka:** Yes. So, FY '25 would roughly be about INR400 crores for the Silchar plant.

**Shravan Shah:** Okay. Okay. Because this INR800 crores, INR800 crores, INR1,600 crores plus INR400 crores, it is INR2,000. So total capex, I assume it was INR2,300 crores. So...

**Tushar Bhajanka:** Yes. So, I think this number that I'm talking -- so of course, the amount of -- the budget for the capex has actually come down a little. So, it's also an impact of that. And also, of course, it's INR2,100 crores, so these numbers are not exactly to the point. So, you would have to keep INR100 crores margin to it.

**Shravan Shah:** Okay. Okay. And in terms of the timeline, what we previously mentioned that by November, we would be starting and then that next August and September. So that timeline remains intact? Or is there any changes? For the clinker, we said it would be by January we'll be starting and for Guwahati, it will be November this year, '23.

**Tushar Bhajanka:** Yes. So, for Guwahati, we are still -- it is November to December. So, we're expecting between November to December. And for the clinker plant, it is January to February. And for the Silchar plant, it has gotten delayed by about 3, 4 months, also because it just took us more time to procure the land. And also, because now that we're getting our Guwahati plant, we'll not have shortage of the grinding capacity. So postponing Silchar by 3, 4 months will not hurt our sales.

**Shravan Shah:** Okay. So now December 2024 or January '25?

**Tushar Bhajanka:** Yes. So, December '24 is our target.

**Shravan Shah:** Okay. Okay. Got it. And the last is, on the other expenses, this quarter, we have seen a decent Q-o-Q decline, INR22-odd crores. So, any specific reason? And how one can look at -- in terms of the next 3 quarters, how one can look at the other expenses?

**Tushar Bhajanka:** So of course, that INR22 crores, most part of it was also the consultancy services that we took in that quarter from BCG and from other companies. In quarter 1, of course, we haven't taken those services, and that's why the cost is lower. And for the next 2, 3 quarters, though, we are engaging with one of the big 4, but the consultancy fees should not be too high and this cost should remain stable to where it is in quarter 1.

**Shravan Shah:** And in terms of the Kcal, so this time, power and fuel cost has actually gone up. So, Kcal cost last quarter was INR2.1. This quarter, how much and even we were expecting it to come down. So how one can look at -- are we looking at further reduction in the power and fuel cost?

**Tushar Bhajanka:** Yes. So of course, the Kcal cost was very high in quarter 1. That was mainly because the stock -- the opening stock in quarter 1 was very high. So, it was at about INR2.4, the opening stock, and that is why the Kcal is about INR2.35 TCE. What we can expect in quarter 2 is for it to come down to about INR1.95 TCE. We will be seeing reduction in the coal cost basically.

**Shravan Shah:** Okay. Because slightly surprised because last time when -- for the quarter -- fourth -- 4Q, it was INR2.1, and we were expecting in middle of -- so around May, when we did a call, we were expecting INR1.85, INR1.9, and now you mentioned that opening was at INR2.4, and that's why the overall Kcal was INR2.35, so not able to get it properly.

**Tushar Bhajanka:** No. So actually -- so there may have been a mistake in me saying it last time, but it was actually INR2.4. That was the opening stock. And it came down to -- right now, it is about INR2.05, our closing stock for quarter 1. And with the bamboo and all those other fuels that we use, which we were not able to use that much in quarter 1, which we are very positive of using in quarter 2, we can bring it down to about INR1.95. So that is what we are now targeting.

**Shravan Shah:** And last, fuel mix. So, in terms of the spot contract coal, how much Nagaland coal and biomass and AFR for this quarter?

**Tushar Bhajanka:** So, for this quarter, we had gotten about 30% from Nagaland coal. And about -- the biomass was actually very less. It was about 7%, which we normally try to take it to 15%. And that was also one of the reasons why the GCV has increased.

**Shravan Shah:** So, spot contracted coal was how much?

**Tushar Bhajanka:** Spot contract coal was about 55%.

**Moderator:** The next question is from the line of Utkarsh Agarwal from YellowJersey Investment Advisors.

**Moksha:** This is Moksha. So, I had a question. Could you please let me know which key markets are we focusing on, except East and the Northeast region? And are we looking for any geographical expansion or diversification? Do you want to consolidate your position in the existing markets?

**Vinit Tiwari:** So as far as our existing capacity is concerned, we are best placed to cater to the Northeast market. And our focus is absolutely there. If you will see in quarter 1, we have consolidated on our trade market share. So, we have an opportunity to expand in the nontrade segment, which we are deliberately not expanding to looking into our current capacity. So, our target obviously is to solidify further our market share and take it to close to 30%, 32% in Northeast. That is the main market.

The other aspect is we are working on the rest of the East market for our Siliguri plant. We are taking a number of initiatives to bring down the cost at our Siliguri plant, which will help us slightly to expand and sell full capacity of our Siliguri plant. Because Siliguri plant, presently, we are operating at around 70%, 71% capacity. So, we hope that we will be able to utilize it fully. So, this is our focus area at this point.

**Moksha:** Okay. And in terms of pricing, like you've already mentioned that your prices are -- were stable in the last quarter. So, in the Northeast region, how do you expect this to move forward?

**Vinit Tiwari:** As far as if you speak -- talk about short run in this quarter, I feel it will remain stable.

**Moksha:** For the next quarter as well?

**Vinit Tiwari:** Next quarter, let's see how it turns up. But presently, I can tell you in this quarter, it will remain stable.

**Moderator:** The next question is from the line of Prateek Kumar from Jefferies.

**Prateek Kumar:** My first question is on your regional volumes. So, the Northeast volumes have grown around 30%, while East volumes are like sort of flattish year-on-year. Any logistic challenges which is resulting into evacuation of volumes or why the East volumes are like sort of flattish?

**Vinit Tiwari:** No, there's no logistical challenges as far as Northeast is concerned. We are well placed and supplying to the market demand.

**Prateek Kumar:** So, our market didn't grow or we lost some share in these markets, because our...

**Vinit Tiwari:** No, no. Absolutely, we have not lost share. We have market share in quarter 1.

**Prateek Kumar:** Okay. And on capex, you said you have incurred INR750 crores on your expansion projects. Was this all in like first quarter? I mean full year capex expectation is INR1,500 crores for FY '24 and INR400 for next year. Is that it?

**Tushar Bhajanka:** Yes. So, I think the INR750 crores capex which has been incurred, has been incurred over the last 2, 3 quarters, not only in this quarter -- in quarter 1. And the INR800 crores capex that we're talking about for the rest of the year will also be split across the next 3 quarters. And of course, after that, we'll have a capex of about INR400-more-crores -- INR400 crores to INR500-more-crores on the Silchar plant.

**Prateek Kumar:** So, FY '24 capex would be closer to like INR1,200 crores in that case and followed by around INR500 crores for next year.

**Tushar Bhajanka:** Yes, it will be about -- overall, it will be about INR1,000 crores to INR1,100 crores for this year and then followed by about INR400 crores to INR500 crores for the next year.

**Prateek Kumar:** And on, sir, Northeast demand, there have been like series of like new projects or new orders, which has been released in your market. Is this something which is showing up in nontrade demand for the region or...

**Vinit Tiwari:** The demand has been good. The demand has been good in quarter 1. As I said, we are focused more on trade, and we have remained focused there. We have -- in our mix between trade and nontrade, our trade mix have improved by a further 2%. So presently, we are focused there. Yes, there are projects which are coming up. Hydropower projects are coming up, which is a big cement guzzler, I'll say. So, we'll focus on that at the right time. Presently, our focus remains on trade.

**Prateek Kumar:** But is this -- nontrade is like growing so fast with all companies. Is there a significant infiltration from outside companies which are servicing these nontrade projects or if we are not like focusing on it?

**Vinit Tiwari:** No, there are local players who are also servicing the nontrade projects. It's not outside companies who are servicing it. There are players who -- for them, it makes sense. So, for us, it makes sense to be in trade at the moment. For them it may make sense to be in nontrade. There are outside players also. Earlier also, it was coming, presently also the outside players keep on coming into that market. So that's happening. So, it's fine, not a big threat of challenge as of now.

**Prateek Kumar:** What could be outside players like in your overall market of 12, 13 million ton of sales? What could be outside market -- outside players market contribution now?

**Vinit Tiwari:** It ranges around 12% to 15%.

**Prateek Kumar:** Okay. And my last question, there was this -- few years back, there was this initiative around coastal waterways used for cement transportation. It was like sort of a slow start, but has that picked up in any material way for movement of your volumes or someone else's volume in the region?

**Vinit Tiwari:** No, not really. No updates as of now. We don't have any updates on this development.

**Moderator:** The next question is from the line of Parth Bhavsar from Investec.

**Parth Bhavsar:** I had this one question on strategy. Let's say that once all the capacity that we are planning to come up with by '24, those come up and like they are utilized at a very good level, let's say, 70% -- 60%, 70% over the next 2, 3 years. Are there any plans to go outside East, and if yes, what regions would they be?

**Vinit Tiwari:** As I just said, our present capacities, actually, we are focused on Northeast. Taking these materials from these capacities to outside Northeast, it's not something which is a brilliant thought because the cost economics doesn't work like that. So present capacities, if we go outside Northeast, we need to have capacities at the right place. Our current capacities are focused on Northeast.

And as I said, we will definitely be expanding into the outside Northeast in the markets of Bengal and Bihar, whereby we are working on our Siliguri plant to make it more viable so that we are able to utilize it as 100%. Apart from that, we are not thinking about any other market as of now.

**Parth Bhavsar:** I meant -- I didn't mean that you move material from Northeast and East to other regions, but like we don't have -- currently have any plans to maybe set up a capacity in, say, South or anywhere else.

**Tushar Bhajanka:** No, no, completely. So, I think, of course, after setting these capacities for the next 3, 4 years, we would be fulfilling our demand for Northeast from these capacities. So, we are actually actively participating in auctions, trying to find mines outside Northeast as well in areas like Chhattisgarh, which will be a natural continuation to our market from Northeast.

We are also actively looking at the acquisition opportunities which are coming up in the industry. Of course, bigger companies like Saanvi would be something which we wouldn't be too interested in because it would be too big for our P&L. But a small opportunity, we are definitely looking, and we are exploring. So, we are participating in mines. We are very keen in taking a mine in the Eastern region. And -- but also, we are trying for mines in other regions, and we are interested in acquiring something which can fit our size.

**Parth Bhavsar:** Okay. So maybe something like as small as maybe 1 million ton or 2 million ton, maybe?

**Tushar Bhajanka:** Yes, yes. So, I don't think at this point, we'll want to go anything more than 2.5 million ton, also because the competition for something which is more than 3 million, 4 million ton is enhanced in India right now because of the bigger companies kind of fishing out for all these companies, smaller ones. So, our target range is about 1 million to 2 million, 2.5 million kind of a company.

**Moderator:** The next question is from the line of Amit Murarka from Axis Capital.

**Amit Murarka:** Just on the regional dynamics, so we see that Dalmia has announced a large expansion actually there. So, in that context, just wanted to understand like what kind of impact you think it will have? Like Northeast, if I'm not wrong, is close to 11 million, 12-million-ton market right now. And it's -- this is almost like a 20% expansion in the region there, and you also are coming up with your clinker expansion. So how do you think market dynamics will shape up in terms of capacity utilization and pricing and all that?

**Tushar Bhajanka:** So, I think it just depends on how fast the market grows, right, to accommodate that capacity. And I think the market is behaving quite fairly in terms of growth. So, I think if we continue with the same pace of growth, then I think it should not be too big of a problem. Also, our capacities are coming up much before Dalmia's capacities are coming up, by almost a year.

So, I think that 1 year would also give us more -- to actually attack more -- to get more market share. So, from that perspective, I don't necessarily think, and by the time Dalmia capacity comes, the market would have also grown. So, I think it is -- I think, given the prospects in North team, given how the nontrade is behaving in Northeast, given how there's so much potential in Northeast, I think it shouldn't be -- in the longer run, in a 3-, 4-year horizon, I don't think it seems like a major problem.

**Amit Murarka:** Isn't the current capacity utilization like below 80% for the region?

**Tushar Bhajanka:** No. So, I think we are looking at -- from a perspective, we are also including outside Northeast when we talk about capacity utilization in our numbers. So, if you only talk about the grinding capacity in Northeast, then we are actually exhausting our grinding capacity right now, and that is the reason why even the CEO was mentioning that we are cutting down on the nontrade. That is mainly because we do not have clinker at the moment, right? So, we are trying to cover trade market. And as soon as we get a clinker plant, then we'll also get into the nontrade market aggressively.

**Amit Murarka:** Okay. And just one last question. Like generally, blending ratio in Northeast is also lower, right? I think it's close to around 1.3x cement clinker. So how much scope is there, generally speaking, for that number to go up to, let's say, 1.5x or so that we see generally for other regions?

**Tushar Bhajanka:** So, you mean the clinker factor, right?

**Amit Murarka:** Yes, the clinker factor, yes.

**Tushar Bhajanka:** So, the clinker factor, I don't -- see, I mean, the more trade you sell, the lower would be your clinker factor and the more nontrade you focus, because nontrade is mainly OPC, that's why your clinker factor starts increasing. So right now, of course, our nontrade is 12%, out of that 12%, I think only 8% of the 12% will be OPC.

So -- but when we do get our clinker capacities, then we have grinding units, we'll also have to serve the OPC market -- OPC nontrade market, which we are not serving right now. So, you can expect a little increase in the clinker factor, but I don't think there'll be any substantial increase.

**Vinit Tiwari:** After the capacity.

**Tushar Bhajanka:** After the capacity, yes.

**Moderator:** The next question is from the line of Shravan Shah from Dolat Capital.

**Shravan Shah:** Sir, we, last time, talked about 12.3 megawatt WHRS that we started, but could not use much in terms of the cost saving benefit. So, have we now started getting the benefits?

**Tushar Bhajanka:** Yes. So, we actually started our WHRS properly in quarter 1. It -- so out of the 12.3 megawatt, on an average, it generated about 5.6-megawatt hour for us, which was much lower than, of course, the capacity, but it is also because we were stabilizing the kiln in the WHRS over the last 3 -- even in the first quarter. Now that -- and even though it ran at half capacity, it still made savings of about INR9 crores for us in quarter 1.

Now in quarter 2, it has been running well. It has been running on an average of about 10 megawatt hours -- 10-to-11-megawatt hours net. And I think from quarter 2, it will start reflecting.

**Shravan Shah:** Okay. So, we can see a INR40 crores plus kind of a saving for this year.

**Tushar Bhajanka:** Yes. Going forward, I think we will be seeing that saving. Of course, this quarter, we're also having a shutdown, the annual shutdown. So probably it may not reflect in our numbers as much. But from a WHRS perspective that the WHRS has stabilized, it is running at about 10 to 11 megawatt and also the cost price -- the size of power has also increased, so given all those factors, yes, we should be expecting that this year, we should be saving at least INR45 crores to INR50 crores from WHRS.

**Shravan Shah:** So, when you say the power cost has increased, so what's the grid power cost now for -- in Q1?

**Tushar Bhajanka:** So, I mean, different plants have, of course, different costs, right? But on an average, for Guwahati, for example, it has increased from INR6 to INR7.25 per unit right? In the clinker plant, we normally produce our own power. Because the coal prices were high, so of course, the cost of power was also high. So those were the factors that led to a higher unit price of electricity.

**Shravan Shah:** Okay. And sir, now our net cash is, I believe, should be closer to INR300-odd crores, so with the capex that we are doing, and you already mentioned, I think, INR500 crores kind of a more debt we will be taking. So, on a peak level basis, previously, we have talked about that the INR500 crores net debt would be the peak and that post the expansion in 1 year, we will be able to repay. So that remains intact?

**Tushar Bhajanka:** Yes, yes. I don't think we'll have to go for higher debt than INR500 crores, and we do expect to pay that INR500 crores by the next year.

**Shravan Shah:** Okay. So, then we'll -- again, we'll have a kind of a zero debt by end of FY '25.

**Tushar Bhajanka:** Sorry, can you repeat that?

**Shravan Shah:** So, by end of FY '25, we will be having a zero debt.

**Tushar Bhajanka:** Yes. I think by end of FY '25, we should be very close to having a zero debt.

**Moderator:** The next question is from the line of Rajesh Ravi from HDFC Securities.

**Rajesh Ravi:** My first question pertains to this capex. Could you again kind of detail what is the total capex outlook for this financial year? And how would they be stacked across various projects?

**Tushar Bhajanka:** So, the capex outlook for this year would be basically about INR800 crores as was told on the call earlier. And it is basically stacked between 2 projects, which is the clinker plant of 3.3 million ton and the grinding unit of 2 million ton in Guwahati. So, for the clinker plant, we have already incurred a capex of about INR580 crores. And for the grinding unit, we have incurred a capex of about INR142 crores. And I think the INR800 crores would be just adding to these 2 -- capexes to these 2 plants.

**Rajesh Ravi:** So, this INR580 crores and INR240 crores is till FY '23?

**Tushar Bhajanka:** Yes. So, this INR580 crores and INR142 crores is till quarter 1.

**Rajesh Ravi:** Okay. Till quarter 1, you have incurred almost INR720 crores and INR800 crores more would be spent on these 2 projects.

**Tushar Bhajanka:** Yes.

**Rajesh Ravi:** And additionally, what other capex -- how much would be maintenance capex and other -- so total capex out-go in this financial year?

**Tushar Bhajanka:** So, the total capex out-go in these 2 projects would be of about INR800 crores, how we spoke about. Besides this, we have 2, 3 smaller projects as well. One project is of AAC Block, which is also part of the Guwahati expansion, as part of the subsidy that we are going to get in Guwahati. So that is coming up.

That is a capex of about INR40 crores. Then we have a solar plant of about 25 megawatts, again, on which we get SGST benefit of 100%. So that capex is of about INR80 crores. So those 2 capexes will also be coming up this year. So, the overall capex besides the cement expansion that we're taking up would be about INR950 crores for this year.

**Rajesh Ravi:** Okay. And maintenance would be how much beyond this?

**Tushar Bhajanka:** I'm sorry?

**Rajesh Ravi:** Maintenance capex, beyond this INR950 crores?

**Tushar Bhajanka:** The maintenance capex would be of about INR80 crores to INR90 crores.

**Rajesh Ravi:** Okay. Okay. And sir, this project capex size remains same, this INR2,300 crores for the total across the clinker and the 2 grinding units?

**Tushar Bhajanka:** Yes. So, the numbers that were discussed last time remains intact. I think there would be some reduction that may be possible, but may be hard to comment, but it's really not exceeding the budget that we had set initially.

**Rajesh Ravi:** Okay. Okay. And could you enumerate like what sort of other cost initiatives that you're looking at? This WHR, obviously, you talked about it stabilizing and will start contributing significantly maybe Q3 onwards. What other cost savings -- when the new capacities come up, is there any benefits in terms of lead distance, fly ash sourcing, etcetera, which could add on to margins, given that the -- yes?

**Vinit Tiwari:** Yes. So, one thing, as sir told, the -- our WHRS obviously is coming up and the new unit is coming up with WHRS. Apart from that, as you rightly said on the fly ash. So, we are planning -- our current fly ash procurement, the way it happens, we are looking up at an opportunity and to introduce the BTAP wagons which is a concept of bringing it through a railway. I think that will bring in a substantial cost reduction on our fly ash procurement. This is a slightly long run process because these wagons are not off-the-shelf available. It takes time to build them. So, we are getting into that project. So that is one big project, which we are hoping to -- which will bring down our fly ash transportation cost.

**Rajesh Ravi:** Okay. And any special fly ash costing which you have advantageous position in Siliguri and Guwahati, etcetera, which you're looking at?

**Vinit Tiwari:** Yes. So presently, we are looking at to put up a BTAP system for our Siliguri unit because here, as I told, we are working pretty hard to bring down our cost of production in Siliguri down. So presently, we get these through rakes also but the handling is tedious and cumbersome, as well as from the -- by road.

But we have identified the source also -- the new source also from where we will be procuring fly ash. Northeast, as we all know, doesn't have a lot of fly ash available. So, there's only one source where the cost is not great. So, we are looking into logistical interventions to bring down the cost of fly ash.

**Rajesh Ravi:** Okay. Okay. Great, sir. And one last question. We hear that some players from -- Southwest players who have recently expanded capacity in East, even they have ventured in the Northeast market. So, are the pricing so remunerative that it makes sense? And do you see them as a sustainable competition?

**Vinit Tiwari:** For me, it's difficult to answer this. I think this question is for that player of whom you were asking. Because it depends, like if you see Star's philosophy is to work on margins, that's why we are consolidating in a shorter geography and trying to build up there. But for some people, it may make sense to just work on a variable cost, so they travel far further. So, it may be a question for them, not for us.

**Rajesh Ravi:** Okay. So why I'm asking because we have made major investments, Dalmia is also coming up with large capacities. And while we understand there are no other regional players who would be adding capacities or have clinker, but if there are big players from outside Northeast, if they start pushing volumes in your market, will that limit your pricing and margins?

**Vinit Tiwari:** I think we are well placed to handle that situation when it comes. When we have a capacity, I think we are much better placed to fight in the market.

**Tushar Bhajanka:** Because I think when we get the capacities, we'll also -- because we'll be getting a bit of scale and there will be lot of efficiencies which come with the kiln, we'll also be getting certain focus on marketing, right? We'll be also getting a lot of subsidies, which got over in quarter 1. Right?

And of course, I'm not saying that all the subsidies get passed on in the price, but you are in a much more capable situation to compete with others who are not getting that subsidy, right? So, from all that cost economics and also just the subsidy angle, your margins to actually compete become much higher, right? So, from a long-term competitive outlook, I don't see companies from outside able to effectively compete, right, because of many reasons, right?

And of course, they can play a game of contribution, right, where they sell at a variable cost or something above the variable cost. And that game keeps on happening in the industry and that we can't predict. So, I don't think that a certain arrival would happen from outside just on that strategy.

**Moderator:** The next question is from the line of Navin Sahadeo from ICICI Securities.

**Navin Sahadeo:** Just 2 quick questions. One is, how much are the incentives or subsidy amounts still receivable from both the central and state government? As on date, how much is yet to be received?

**Manoj Agarwal:** It is hardly any, because everything has been received. Only the last quarter of March is pending, which is around INR14 crores. So, there is nothing receivable from the government, everything we have received.

**Navin Sahadeo:** Okay. And then when do they get restored because I think we've exhausted on clinkers? So, if you could just run through when can we expect these incentives to get reinstated...

**Tushar Bhajanka:** So basically, we have right now -- of course, the centre is potentially planning for a new subsidy in Northeast, but there's no clarity about it as to what it would be. So, what we really have right now is the state GST in Assam, which we will get on our expansion of grinding unit. The state GST is basically a benefit of SGST of about 200% on the investments that we make in the grinding units of Guwahati and Silchar.

And we sell about 17 lakh tons right now in Assam. By the time the plant comes up, we'll be selling at about -- we'll be selling about 20 lakhs or 21 lakhs ton in Assam. And you can then surely calculate what the SGST per ton would be and you can multiply it by the number of tons and you'll get a fairly good number.

**Navin Sahadeo:** Sure, sure. And this 200% benefit is on the -- is as a cap, but it's available for how many years, 7 years? Or how should one look at it?

**Tushar Bhajanka:** So, it is available for 15 years, and we plan to consume this by lesser than -- in lesser than 7 years.

**Navin Sahadeo:** Understood. And great to know about this. In the previous regime or when the earlier incentives were there, they were roughly totalling to how much per ton as in state GST of 14% increase?

**Tushar Bhajanka:** So, in Jan 2023, basically this year Jan, we had -- till then, we had a subsidy which was giving us a benefit of almost INR300 to INR350 per ton, which has gone now. So, I think the quarter 1 results should also be read when you compare it to last year's quarter 1 results. Last year quarter 1, we did have the subsidy of INR300 crores, INR350 crores. And this year, quarter 1, we do not have the subsidy of INR350 crores. Still, I think the margins are healthy. Yes. So, I would read the results as that.

**Navin Sahadeo:** Of course, it's really heartening to know that. Just for the sake of repetition and maybe my ignorance, if you could please give the precise timelines for the capacities that are coming. Your first 2-million-ton grinding unit is coming by when?

**Tushar Bhajanka:** It's coming in November, December. The clinker plant, which is in Meghalaya, for which we don't get any benefit, is coming up in January, February. And the Silchar plant, because we already have a grinding unit coming up in Assam and because that grinding unit will be enough for us initially, the Silchar plant is coming by December '24.

**Navin Sahadeo:** So, November '23 is when we get the grinding unit at Siliguri.

**Tushar Bhajanka:** Yes. November, December.

**Navin Sahadeo:** Yes, November, December this year, right?

**Tushar Bhajanka:** This year, yes. This year, yes, yes.

**Navin Sahadeo:** November, December of '23 is when we get 2-million-ton grinding unit; Jan, Feb '24, we get 3-million-ton clinker, right?

**Tushar Bhajanka:** Yes.

**Navin Sahadeo:** And another 2 million ton at Silchar, as you said, comes next year November.

**Tushar Bhajanka:** Yes, next year December.

**Moderator:** The next question is from the line of Amit Murarka from Axis Capital.

**Amit Murarka:** Yes, just I had a similar question. So along with the timelines, could you also just reverify the capex per plant also, like unit-wise, that is?

**Tushar Bhajanka:** So, the capex for the clinker plant is about INR1,292 crores -- about INR1,300 crores basically. For the grinding unit, the capex is about INR400 crores to INR420 crores for the Guwahati plant and about INR450 crores for the Silchar plant.

**Amit Murarka:** And you are buying land for Silchar. So, is that done or still going on?

**Tushar Bhajanka:** Yes. So, I think we have purchased like 75% of the land that is required. Of course, the plot of land that we're taking is also bigger so that we can also think about a second line in the future. 25% of the land procurement is still remaining. I think in a month's time, we will be able to procure it. At the same time, we have started the paperwork for applying for the EC for the project. And then I think by December, we should have like the permission to start setting up the plant, and it will take about 12 months to commission the unit.

**Moderator:** The next question is from the line of Hiten Boricha from Sequent Investments.

**Hiten Boricha:** Sir, my first question is on the incentives. You mentioned we are getting the incentives for the expansion. Is it only Assam plant? Or are we also going to get in other 2 plant?

**Tushar Bhajanka:** No. So, we are only getting it in the new Guwahati grinding unit that we get and the Silchar plant that we get -- the Silchar grinding unit plant that we get.

**Hiten Boricha:** Okay. So, Assam where you get the GST benefit of 200%, similar is in Silchar plant also, right?

**Tushar Bhajanka:** Yes, exactly.

**Hiten Boricha:** Okay. Okay. So, sir, you have like given a very good bifurcation of this capex. So, can we get how much amount is spent in each -- now? So, for example, we have a capex of INR420 crores in Assam, how much is spent?

**Tushar Bhajanka:** Yes. So, in Assam, we have spent capex of about INR142 crores already for the grinding unit. For the clinker plant, we have spent a capex of about INR580 crores already, right? But these capexes will not give you a good indication of the progress of the project because a lot of capex and a lot of payments to the vendors happen towards the end of the project.

So even though they have supplied us with a lot of stuff, even though the civil has already been done, capex for a lot of those things will happen towards the end of the project. So probably just taking out the proportion of capex which has already been incurred will not give you a good idea of the progress of the project on ground.

**Hiten Boricha:** Okay. And then sir, you also mentioned something of INR80 crores capex we have done for solar plant. Can you please repeat it? I just missed that part.

**Tushar Bhajanka:** Yes. So, we are planning to set up a 25-megawatt plant for our grinding units in Guwahati. We have right now applied for SGST benefit, which we will get on the grinding unit -- on the current grinding unit of Guwahati, of 100%. So, suppose I invest about INR80 crores to INR90 crores in the solar plant, then I will get INR80 crores to INR90 crores back as SGST benefit in my Guwahati grinding unit. So that is the scheme which is part of the government's industrial policy, and we have applied for that, and we are now setting up a plant -- a solar plant on the basis of that.

**Hiten Boricha:** So, this plant is going to take next 12 months, right, to start?

**Tushar Bhajanka:** Yes. I think our target is about March for this, but it may get delayed by a month or two. So, I'm not in a position to really comment about exactly when it's going to start.

**Hiten Boricha:** Okay. And sir, last question is on the debt. As you mentioned, we are going to take debt of around INR400 crores or INR500 crores for this capex. Just wanted to understand, by when this debt will be coming in the books?

**Tushar Bhajanka:** So, I think it should come towards the third quarter of this year -- third to fourth quarter. Of course, we won't take the INR500 crores in one go, but we'll start taking it from third quarter this year.

**Hiten Boricha:** Okay. And what will be the rate, sir?

**Tushar Bhajanka:** Rate is something that we...

**Manoj Agarwal:** We are just in negotiation; we are discussing with the bank. Maybe it will not be more than 8% to 8.1%.

**Tushar Bhajanka:** Yes. I think the rate will be very competitive because the debt-to-equity ratio of the company or any other parameter of measuring leverage, I think the company is pretty healthy. So, I think that whatever the rate would be, it would be very competitive.

**Moderator:** The next question is from the line of Chandresh Malpani from Niveshaay Investment Advisors.

**Chandresh Malpani:** Sir, only one question on the Assam side, that Dalmia said that Assam like as a market itself is growing at 20%, 25%. So, like do we have any aggressive plans to -- like for inorganic growth in that region particularly?

**Tushar Bhajanka:** So, sir, there are -- of course, Assam is a very big market. It doesn't really have much of cement plants. The cement plants, all are located in Meghalaya, right? So probably what you mean to say is that is there an acquisition opportunity in Northeast, so that you can also secure some of the Assam market. So, from that perspective, I think all the other cement companies are small. They probably are not very interested in any of such activities right now. Once we get the capacity, we'll have to see how the dynamics work and probably if there is someone interested, we will be interested in taking them.

**Chandresh Malpani:** Okay. Sir, only wanted to understand that, going forward, the proportion of sales between outside Northeast and in Northeast, will that be favourable? Or like in Northeast, we will be contributing more? Or how is it?

**Tushar Bhajanka:** No. I think like our focus will always be in Northeast, right, because the margin in Northeast is much better. So, the first target that, of course, the team would have would, of course, be to sell more in Northeast. Anything that we can't sell in Northeast -- because pressurizing the market too much would also lead to a fall in the prices, right?

So, we don't want to pressure the market in such a way that the prices fall drastically, right? Because that will not be good for our sustainability in the long run. So, what we would, of course, do is take the extra cement, and we will try to sell it outside using our Siliguri plant, right? So, what I'm just trying to say is that when we get capacity, we need to be patient, right? Because in cement when we set capacity for 4, 5 years, we don't set it for 2 years. So first, initially, our Siliguri plant will help us in utilizing our clinker better. And we will be focusing outside Northeast. But the first priority is Northeast.

**Chandresh Malpani:** Okay. And sir, lastly, like you mentioned that the gross kilocalorific value will be coming down below 2. So, what EBITDA -- like power and fuel, we can expect savings from this?

**Tushar Bhajanka:** So, I mean, right now, it's at about -- this quarter, I think it was about 2.35, right? We are talking about a INR0.40 reduction in the fuel cost. You can multiply it by the heat rate, which is about 720. So that would be 0.4 x 720. That would be about INR300. So, you can expect -- and that is on clinker. So, you can expect a saving of about roughly about INR180 probably on cement.

**Moderator:** Next question is from Rajesh Ravi from HDFC Securities.

**Rajesh Ravi:** Sir, last call, you had mentioned that you will be discussing on your long-term growth plans road map. Can we hear anything on that front?

**Tushar Bhajanka:** So right now, again, at the cost of being repetitive, we are still doing it, right? We are still planning it out. There were some opportunities which were there in South and East, we're still evaluating it. At the same time, there are auction mines, which have come up. We are still -- we are participating in those, and we are seeing how that plays out. Right?

So, there are like 3, 4 different directions that we are, of course, evaluating, right, because the idea is not to only grow but to grow profitably in whatever other regions that we go to. And that what we are -- we keep on evaluating, right, because as a company, which is very profit-focused and profit-conscious, right, we would want to make investments, which give us a good ROI. And that is where we are kind of deliberating and seeing what the best strategy going forward could be.

**Rajesh Ravi:** So basically, I wanted to know, when you're looking for mines, it would be more of an organic expansion rather than -- what would be your preference order? Like grow organically, you get some mines and build your capacity over there? Or acquisition would be a...

**Tushar Bhajanka:** See, it just depends on -- see, one cannot just keep on setting for acquisition, right? Because acquisitions are [inaudible 0:57:22] and at the same time, when they do come, there are a lot of people who probably may be better placed in bidding for it, right? So, for example, like the big 3 companies in cement, the Shree Cement or Ambuja, UltraTech, they're much bigger and kind of bidding a more favourable bid for such acquisitions. Right?

So, I think the idea is, of course, to be looking at mines, to looking at organic opportunities which we can. Probably not -- will not pan out in the next 1 year or 2 years, but will pan out in the next 3, 3.5 years. So, we are looking at those opportunities as well, right? We are also looking at smaller opportunities of acquiring, which the bigger ones will not be too interested in. It's a long process of actually convincing someone to sell, right?

So, I think we are in that process. And yes, and then we're also looking at like products which may be very close to cement, like AAC Block, we are getting into AAC Block. So, we are looking at other products, which may be having a bigger market that we can enter, which are very synergetic to cement. And that is also a theme that we are working on. Right?

**Rajesh Ravi:** Right. Sir, one last question on the capex. The total capex size, INR2,200-odd crores. Till FY '23, you spent something like INR450 crores. And this year, you're targeting INR800 crores. So, the pending amount would be shifted into FY '25? Because from last quarter -- this last quarter guidance, this year, the guidance was a higher number.

**Tushar Bhajanka:** Yes. So basically, it is mainly due to the Silchar plant, right? So earlier, the guidance was that we'll get the Silchar plant by July, August, next year. But because the Silchar plant we have delayed or it got delayed because of the land acquisition, so of course, the capex has become more favourable, and which I don't ideally mind too much because we already are getting a grinding unit in Guwahati and that will be able to shelve for -- for at least 1 year. So, by delaying it by 4, 5 months, it also reduces the pressure on the debt side, which I don't think is there any which ways, but still like eases it out further.

**Rajesh Ravi:** Got it. And sir, the solar power plant, INR80 crores, which you're investing, you mentioned that you are getting different incentives. Why I'm asking this because most players in outside Northeast place prefer to go through a JV route where 75% is with the other party and 25%, 26% is by the cement company. Whereas here, you're going 100% captive?

**Tushar Bhajanka:** Yes, because I'm getting a subsidy on it. My economics works very differently from their economics.

**Rajesh Ravi:** Correct. So, it's the different economics you're getting?

**Tushar Bhajanka:** Basically, they're doing a group captive model, right, where they invest 26% and then at a fixed rate they'll get power at INR3.5 or INR3 or whatever, right? And our model is very different and our model can only work when we do the entire capex, right? Because it is a SGST refund on the investment that you make, right? So, we have to make that investment to get that refund.

**Moderator:** We'll be able to take one last question. The last question is from the line of Navin Sahadeo from ICICI Securities.

**Navin Sahadeo:** Just one last question that in your earlier comments, you said the intent is to increase the sale beyond Northeast market. I was just checking, from your clinker plant to Siliguri itself, I think the distance is a huge 670 or 650-plus kilometres, so to say. And from there on, then, to reach out to the other markets, which is Bihar or West Bengal, would be that much more. So, without, let's say, freight incentives, because I would like to believe in the hilly terrain, the cost of freight could also be high. And I don't know if prices are that much more remunerative, at least what last I know, for someone to travel all the way because prices are remunerative in East and incentives also. So that's where you'd make a very good EBITDA per ton. But just to understand this, will it really give us that extra some delta, given the huge lead distance or we will need some help from the government in terms of freight subsidy to travel the distance?

**Vinit Tiwari:** So, there's no freight subsidy as such. Presently also, we are operating our Siliguri grinding unit at close to 70%, 71% capacity utilization. So -- and we are already doing it. So, we are working on other raw material because I think we are able to -- generally, the grinding units are located far away from your integrated plant.

So that's nothing new. But the only difference is we have to move by road instead of rail, our clinker. That's the only difference which we have maybe from the other players, although many players also don't have rig connectivity. So that's the only difference. So that's not going to change.

The only thing, which is going to change, which we said, we are working on a model on reducing our incoming fly ash cost. So, we are investing there as well in those -- in that capacity to build up that capacity, which as and when it happens, we'll let you know because presently, the project is under consideration actively -- active consideration. And once we do that, that will help us bring down our raw material costs, which will make our Siliguri plant more cost-effective.

Another thing is we are aggressively pursuing premium portfolio in the outside Northeast market also. We have been working on our new premium products also, which we should hit in this quarter. So that should also happen. So, we are working on various agendas, right from the cost side to the revenue side of product category, everything, so it will help us in optimizing Siliguri plant.

**Navin Sahadeo:** Understood. And I'm sure, Vinitji, your previous experience of dealing with premium products will go a long way to help you get further at Star Cement as well. So, all the very best, and we look forward to your interactions.

**Vinit Tiwari:** Thanks, Navin.

**Moderator:** That was the last question. I would now like to hand the conference back to the management team for closing comments.

**Tushar Bhajanka:** Yes, so I don't think we have any particular comments as such, but we would just like to thank everyone who joined the call and is interested in the company. And we are very excited about the next 2, 3 quarters and how that shapes up. And yes -- and if there's any questions for us, you can always e-mail us or you can get in touch with our CFO for the clarifications. Thank you.

**Moderator:** Thank you very much. On behalf of Emkay Global Financial Services, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.