Star Cement

Operator: Ladies and gentlemen, good day and welcome to the earnings conference call for the quarter and half year ended September 30, 2026 of Star Cement Ltd., hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, 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. Vaibhav Agarwal from PhillipCapital India Private Limited. Thank you and over to you, sir.

Vaibhav Agarwal – PhillipCapital India Private Limited: Thank you, {? Dovlin ?}. Good evening, everyone. On behalf of PhillipCapital India Private Limited, we welcome you to the Q2 and H1 FY27 call of Star Cement Ltd. On the call, we have with us Mr. Tushar Bhajanka, Managing Director and CEO, and Mr. Manoj Agarwal, Chief Financial Officer at Star Cement Ltd.

I would like to mention on behalf of Star Cement Ltd. and its management that certain statements that may be made or discussed on today's conference call may be forward-looking statements related to future business developments and anticipated company outcomes by its management. Such statements on today's call would be based on Star Cement management's current expectations, and these statements are subject to a number of risks, uncertainties and other important factors, which may cause actual developments and results to differ materially from the statements made. Star Cement Ltd. and the management of the company assume no obligation to publicly update or alter these forward-looking statements, whether as a result of new information or future events or otherwise.

I will now hand over the floor to the management of Star Cement Ltd. for their opening remarks, to be followed by interactive Q&A. Thank you and over to you.

Management: Tushar, you could take over. Thank you.

Tushar Bhajanka – MD: Hi, good afternoon, everyone. My name is Tushar Bhajanka and I am the MD of Star Cement. I welcome you all to the conference call for Q2 FY27. I would like our CFO, Mr. Manoj Agarwal, to give his remarks regarding the numbers, and then we can start with the Q&A session. Thank you so much.

Manoj Agarwal – Chief Financial Officer: Hi, friends. Very good afternoon. On behalf of Star Cement Ltd., I welcome you to our conference call for discussing our numbers for Q2 FY27 and the half year ended September 2026.

Starting from clinker production, during the quarter ended September 2026, we produced 9.08 lakh tons of clinker as against 9.18 lakh tons in the same quarter last year. As far as cement production is concerned, we produced 11.56 lakh tons this quarter as against 10.83 lakh tons in the same quarter last year.

Now I will take you through the sales volume. During the quarter, we sold 11.23 lakh tons of cement and 0.74 lakh tons of clinker as against 10.72 lakh tons of cement and 1.01 lakh tons of clinker in the same period last year. This is as far as cement and clinker sales are concerned.

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As far as the geographical distribution of cement is concerned, in the Northeast, we sold around 7.96 lakh tons as against 7.84 lakh tons of cement during the same quarter last year. And as far as outside the Northeast is [cut off]

Management: ...tons. We have sold 3.27 lakh tons of cement this quarter as against 2.88 lakh tons in the same quarter last year. In terms of blend mix, it is almost 18% OPC and the rest is PPC. These are the qualitative numbers for this quarter.

Now I will take you through the financials. The total revenue figure for this quarter is around 831 crore as against 811 crore in the same period last year. As far as the EBITDA figure is concerned, this quarter we achieved EBITDA of around 164 crore as against 194 crore last year. Profit after tax is 39.58 crore as against 71 crore in the same period last year. On the per-ton EBITDA front, it is 1,372 during this quarter as against 1,651 per ton in the same quarter last year. These are our quarterly numbers for the second quarter.

The total revenue figure for the half year ended September 2026 is around 1,774 crore as against 1,723 crore in the same period last year. As far as the EBITDA figure is concerned, during this half year ended September 2026, we achieved EBITDA of around 367 crore as against 424 crore last year. Profit after tax is 113 crore as against 169 crore in the same period last year. On the per-ton EBITDA front, it is 1,438 during the half year ended September 2026 as against 1,716 per ton in the same period last year.

These are the quarterly and half-yearly numbers. Now I request all of you to ask your questions, if you have any, and I will request Vaibhav to moderate the questions wherever required. Thank you. Now over to Vaibhav.

Vaibhav – Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will now wait for a moment while the question queue assembles.

Our first question comes from the line of Harsh Mittal with MK Global Financial Services. Please go ahead.

Harsh Mittal – MK Global Financial Services: Thank you for the opportunity. Good evening, team. My first question is on the volume front. We understand that the first half was quite subdued compared to last year, as we reported approximately 6% YoY growth in the first half, probably due to the elections and the heavy rainfall. My question is, how do you see the second half panning out, and particularly, how has the month of October been in terms of demand? Thank you.

Management: [pause] Sorry, members of the management, you are not audible if you are speaking. Oh, sorry. Can you hear me now?

Management: Yes, you are audible, sir. You may go ahead.

Management: Sorry. I was just saying that in the first half, the demand was subdued for two main reasons. One was the election, and the second reason was, of course, the floods that occurred in

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Assam, and Assam is our major market. That is why the demand in Q2 was very subdued. But in Q3 and Q4, we are seeing good traction in terms of volume. So we do expect the pent-up demand to show up in the second half of the year, and we do expect double-digit growth in the second half in terms of volume.

Harsh Mittal – MK Global Financial Services: Sir, can you provide any volume guidance, including clinker, cement plus clinker, for the full year?

Management: I think there should be about 12-13% growth in terms of volume in Q3 and Q4. I will have to calculate the exact absolute number in terms of tonnage. But I think there should be sequential growth compared to YoY of about 12-13%.

Harsh Mittal – MK Global Financial Services: Understood. My second question is on realization. We have seen price hikes across India in trade and non-trade. How has realization been, particularly in the Northeast region, in September and October?

Management: In September, the prices were broadly flattish, but in October we saw that prices had increased somewhat. I think there has been an increase of about 10 rupees in the Northeast. I think there has been an increase of about 10 to 15 rupees outside the Northeast, which is basically West Bengal as well. So there is a trend of increasing prices, but at the same time, the price increase is somewhat weak. We will still have to see how prices stabilize outside the Northeast. But in the Northeast, I think the price trend and the 10 rupees increase that we have taken are going to sustain.

Harsh Mittal – MK Global Financial Services: Understood. Thank you, sir. I will fall back in the queue. Thank you.

Vaibhav – Operator: Thank you. To ask a question, you may press star and one. Our next question comes from the line of Shravan Shah with Dolat Capital. Please go ahead.

Shravan Shah – Dolat Capital: Hi, sir. Thank you. I have a couple of questions. First, on the capex update and the expansion front, in terms of the last presentation that we uploaded for Q1, it seems that the capex number has been increased. So far in 1H, we have incurred approximately 203 crore of capex. I wanted to get clarity because in the presentation we have mentioned approximately 560 crore for this year, next year {? 1,910 ?}, and FY29 610 crore.

Particularly for Nimbol, we are now indicating approximately 3,080 crore of total capex, whereas previously that number was slightly lower. That is one aspect. Second, are we only looking at the 5 million-ton Nimbol expansion, or will the 2 million tons that we were considering in either Bihar or West Bengal also be considered by FY29?

Management: I think there must have been some increase in the overall capex because we have now decided to put 6 million tons rather than 5 million tons in Nimbol. Regarding our expansion in the eastern part, West Bengal has just announced its industrial policy. We have already applied for EC in Siliguri, next to our current plant, and the policy seems lucrative. So we are in touch with the government, and by the next call we will surely be able to give better clarity on whether the 2 million tons that we were planning to put in Bihar will come in Bihar or be shifted to West Bengal.

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In the next 3 years, these will be the grinding capacities coming up in the East, in Bihar or West Bengal.

Shravan Shah – Dolat Capital: Just to get more clarity, in Nimbol, clinker is 3.3 million tons and cement will be 3 million tons, while Jajpur will be a 3 million-ton grinding unit versus 2 million tons?

Management: Yes. The 3.3 million tons of clinker is the rated capacity. At full capacity, I think it can produce about 3.6 million tons of clinker. We have gone for a slightly larger size in the grinding units because the additional capex was lower, and we thought that it could be used in the next level of expansion as well.

Shravan Shah – Dolat Capital: Just to get more clarity, for the entire 6 million tons, including the clinker, what will be the total capex, and how will it be spread across 2027, 2028 and 2029? Will this entire 6 million tons come by Q4 FY28 or Q1 FY29, when will it start?

Management: This will come by about July-August 2028. I think that is about Q1, or about Q2 of FY29. Regarding the capex, we will give you an accurate breakup of the capex that we expect in our presentation. These are, of course, tentative numbers. We are trying to incur as little capex as possible and optimize it.

The numbers that we share in the presentation will be a reflection of the actual scenario that we see as the project progresses. But I think it should be within the 3,000 crore that was already showcased in our last presentation.

Shravan Shah – Dolat Capital: Roughly, for West Bengal or Bihar, if we go ahead with it, what would be the capex, and whenever we proceed, will it also come by Q2 FY29 or when will it come?

Management: The Bihar... [trails off]

Rajesh: The capex would, of course, be higher than West Bengal, and that is why we are considering Bihar and West Bengal. Bihar would be our greenfield plant, which would require its own railway siding, warehouse, land and so on, whereas in Siliguri we already have the land, we have already applied for the EC, and the railway is already there. So many things are already in place.

The capex would differ significantly. I think Siliguri would require about 350 crores of capex, whereas Bihar would require about 550 crores of capex. In the next results call, we will give full clarity on whether it will be Siliguri or Bihar. We have already applied for permission wherever we could so that, in case we decide on Siliguri, we are not wasting time and can start the groundbreaking as soon as possible.

Shravan Shah – Dolat Capital: Whenever we start, in terms of the broader timeline, when will it start? Also, for Nimbol, we were looking for the EC by this October-November. Has that EC come?

Rajesh: Yes. For the EC for Nimbol, there is a {? SEI ?} meeting that one has to conduct. The meeting has been successful, and we have received the minutes confirming a successful EC. The EC will be granted in a week or two. We are starting the groundbreaking at Nimbol from December 1.

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Shravan Shah – Dolat Capital: And Bihar or West Bengal?

Vaibhav – Operator: Sorry to interrupt, but we request you to please rejoin the queue for any further questions. Thank you. Ladies and gentlemen, you may press star and one to ask a question. Our next question comes from the line of Rajesh Ravi with HDFC Securities. Please go ahead.

Rajesh Ravi – HDFC Securities: Hi, Rajesh. A few questions. First, on the Silchar railway siding, what is the status of operationalization and the cost-saving outlook for that unit? Second, on the fuel cost, we were expecting a decline of 10 paisa in Q2 versus Q1. Why did this increase, or why did this remain steady at 1.55? Why did this happen, and what is the outlook for Q3 on fuel cost?

Rajesh: Regarding Silchar, we were supposed to get two things. We were supposed to get a power connection and a railway siding. The power connection is partially complete, but the railway siding, I think, will come by January, and that is when we will start seeing savings in logistics costs as well. What was the second question? Sorry.

Rajesh Ravi – HDFC Securities: On fuel cost, we saw in the Q1 call that you were expecting fuel cost to come down by 10 paisa quarter-on-quarter, from 1.55 to 1.45, while it has remained flattish at 1.55. Why did that happen, and what is the cost outlook for Q3?

Management: Rajesh, what we said was that we would reach 1.45 by the end of March. We will reach 1.45. We are gradually decreasing it. This quarter, 1.55 is actually 1.52. It will gradually decrease, and there was also an issue with AFR availability because it was the rainy season. But now it will gradually come down, and by the end of the year we will reach 1.45.

Rajesh: The other problem is that there is a coal shortage throughout the industry. As you see in other companies' presentations as well, fuel prices are going up because there is very poor delivery under the FSA by Coal India. So fuel prices across the industry and across many industries have gone up. All of them are projecting a fuel price increase of more than 2%.

But our booking is good. I do not think we will have to face that kind of fuel price increase. In Q3 and Q4, we will probably be able to maintain it at 1.5, which is probably a very good scenario compared to the industry, which is suffering because of the coal shortage.

Rajesh Ravi – HDFC Securities: Understood. Given that the industry will see a spike in Q3 and, expectedly, in Q4, if you are able to maintain it at 1.5, that itself is good for the numbers. You mentioned that the Silchar railway siding will be operational by January, so thereafter the benefit should start coming, right?

Rajesh: Yes, exactly. We were having some issues with the power as well, but that will also get resolved because there was a problem in the substation. The railway siding will also come. So the economics of the Silchar plant will become much better. I think we should see some operational savings in terms of cost from Q4 or Q3 onwards of this year.

Rajesh Ravi – HDFC Securities: You guided to 12-13% cement volume growth in H2 year-on-year, right?

Rajesh: Yes, year-on-year.

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Rajesh Ravi – HDFC Securities: How has demand or sales shaped up for you in October in terms of growth?

Rajesh: October was actually more than 12%. That is why it gives me some confidence that I think the remaining...

Rajesh Ravi – HDFC Securities: Understood. So the full-year 17-18% cement volume growth target will largely remain intact.

Rajesh: Yes, I think so.

Rajesh Ravi – HDFC Securities: On the incentive side, sequentially we have booked a higher incentive in this quarter, from 36 crore versus... Is there any specific reason? I believe you had reduced the guidance for the full year. Does this 56 crore contain some one-offs that will not come through in Q3 and Q4? How should one read it?

Management: [hesitates] Rajesh, in Q3 and Q4, as we have already said, there has been some change in the incentive policy of the Assam government. Accordingly, this quarter we received approval for the remaining period, from 20 years to 12 years. That is why there has been an increase in the subsidy.

In the next two quarters, we are expecting around {? 65 crore ?}. For the next half year, we will receive around 65 crore. For this half year, it is around 60 crore, and in the next half year, H2, it will be around 65 to 70 crores of subsidy.

Rajesh Ravi – HDFC Securities: Understood. So the Q2 run rate will continue in Q3 and Q4. I think that is all. Thank you and all the best. I will come back in the queue.

Vaibhav – Operator: Thank you. You may press star and one to ask a question. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah – Dolat Capital: Continuing on that, how are we penciling in the capex number for this year, next year, FY28 and FY29, broadly?

Rajesh: The capex numbers for this year, next year and FY29 will be shown in the presentation. I think we will upload a presentation within a week, so you can see those numbers there.

Shravan Shah – Dolat Capital: Broadly, if you can spell it out, it would be helpful directionally. Last time we said 500-600 crore for this year and approximately 1,500 crore for next year, FY28, which has obviously increased in the presentation to approximately 1,900 crore. Can we broadly go by the Q1 presentation number?

Rajesh: Yes, broadly, we can go by that number. In the presentation, we will try to optimize based on the capex we have already incurred and our revised understanding of the capex. The number should only go down. But I will be able to comment only once I compare what we submitted in Q1 with the current status. You can broadly go with the Q1 guidance, but if there is any revision, it will be included in the investor presentation.

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Shravan Shah – Dolat Capital: In terms of the current position, we are not looking at a QIP because net debt to EBITDA will not cross 1.5 times. Does that position remain for the time being?

Rajesh: Yes, I think that position broadly remains for now because the markets have also corrected significantly. I do not think this is the right time for the company to do a QIP. In addition, we have revised the expansion plans somewhat. So I think we will be able to manage the current capex for the upcoming projects through debt and internal accruals.

Shravan Shah – Dolat Capital: A couple of data points. What was the premium share for this quarter, clinker factor and lead distance?

Management: [inaudible] distance was about 208, our lead distance, and our clinker factor was about 58.6.

Shravan Shah – Dolat Capital: Sorry, sir, I could not hear the premium share. Can you repeat it?

Management: 17.3.

Shravan Shah – Dolat Capital: 17.3?

Management: 17.3.

Shravan Shah – Dolat Capital: In terms of the green share, what was the number for this quarter?

Management: For the fuel?

Shravan Shah – Dolat Capital: Green power share for fuel.

Management: Green power was [pause] about 28%.

Shravan Shah – Dolat Capital: 28%. In terms of the fuel mix, what were the proportions of FSA, spot, AFR and biomass?

Management: [hesitates] FSA was about 45%, wash coal and coke fine coal were about 40%, biomass was about 11.5%, and spot or auction coal was about 10%.

Shravan Shah – Dolat Capital: In terms of non-cement revenue, how much was it for this quarter?

Management: [pause] 22. It is 22 crore.

Shravan Shah – Dolat Capital: 22 crore. For 1H, it is approximately 37-38 crore. How should one look at the full year?

Management: [pause] We plan to target around 100 crore. It will be around 100 crore for the whole year.

Shravan Shah – Dolat Capital: Approximately 100 crore. Got it. One clarification regarding Nimbol: the incentive that we have provided in the presentation, directionally, would it be more beneficial for Nimbol to opt for the SGST rather than the capital investment subsidy? If we opt for SGST, that would be part of revenue, so that is what I am asking.

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Management: No, in terms of cash flow, it is better to have the full capital investment subsidy. It may not come into revenue; it is a capital receipt and will be treated as deferred revenue. But in terms of cash flow and present value, the capital investment subsidy is better than the GST arrangement. That is why we have chosen it.

Shravan Shah – Dolat Capital: In terms of profitability, previously we were looking at 1,500–1,600 rupees for this year. Is it because the first half is slightly on the lower side? Will we be able to maintain that?

Management: [pause] Overall, whatever we have said regarding the EBITDA guidance, we expect that by the end of the year whatever we have indicated will be achieved.

Shravan Shah – Dolat Capital: Got it, sir. Thank you and all the best.

Vaibhav – Operator: Thank you. To ask a question, you may press star and one. Our next question comes from the line of Naveen Sahdev with ICICI Securities. Please go ahead.

Naveen Sahdev – ICICI Securities: Hi, good evening, sir, and thank you for the opportunity. I hope I am audible.

Vaibhav – Operator: You are audible.

Management: [hesitates] Yes, please go ahead.

Naveen Sahdev – ICICI Securities: Thank you, sir. My first question was on the fuel mix. What we are gathering is that there has been a significant increase in the premiums for the e-auction or linked-auction coal that Coal India is currently supplying because global prices have risen. In such a scenario, how are we managing to keep the cost flattish? I believe that you said Q3 and Q4, especially Q3, would remain flattish at around 1.5.

I am trying to understand how, in a scenario where domestic coal or the e-auction coal premiums charged by Coal India have more than doubled, as I understand from the October data, we are able to keep the cost flattish.

Management: [pause] Basically, we already have about 3 months of coal stock, which ensures that we do not go out and buy coal in a panic. FSA deliveries have already started. Until September and October, there were no FSA deliveries. This month, we have already received about 5 rakes in November, and we expect to receive another 4–5 rakes in November itself.

The entire coal situation arose because all Coal India production was being diverted to the power sector. Now I think stock levels at the power plants are also increasing, so they have started serving the non-power sectors as well. In the next 3 months, the panic around coal and coal prices should reduce because the FSAs will start delivering.

We have about 60 rakes pending. As soon as those 60 rakes that are pending from the past, along with the rakes that become pending in the coming 3 months, start being delivered, I think the coal situation should ease, not only for us but for everyone. Because we have 3 months of stock, I think it eases our situation somewhat more than it probably does for someone else.

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Naveen Sahdev – ICICI Securities: My second question is about the significant expansions that cement companies are planning in the Northeast. More recently, we saw Ambuja planning a 4 million-ton unit. It seems that JK Lakshmi has also firmed up its plan to set up a plant in the Northeast, and Shree Cement is already pursuing one. I am not sure whether there are any other companies looking at it, and you could help us understand if there are more players.

Given the capacity influx, is it safe to conclude that this region, which earlier had largely insulated prices, could now face more volatility because several larger companies with deeper pockets are targeting the region?

Management: [pause] As we discussed last time, all of them have announced plants in the Northeast and all of them will be putting up their plants for {? blooming ?}. First of all, I think they will take 2–3 years to put up plants because setting up plants in the Northeast, Assam or Meghalaya is not easy. I also expect the market to grow over the next 3 years.

We also currently have about 16–17% market share coming from outside the region, so that outside market share should reduce. I am not taking away from the fact that there will, of course, be some pricing pressure. At the same time, I think that in 3 years the market will be large enough to absorb some of the capacity.

For all these players trying to enter the Northeast, the main attraction is not the volume in the Northeast because the markets are not as large as those in the North or East. The main attraction is price because margins are better, and the challenges of doing business are also present. The capex that they have announced [hesitates] will also have to generate a return.

Everyone enters to earn money. The opportunity in the Northeast is not in asset turnover; it is in margin. I think everyone understands that. So I do think pricing may face short-term pressure, but in the long term, pricing should stabilize.

Naveen Sahdev – ICICI Securities: In relation to this, is it also fair to assume that the new plants will be eligible for the same incentive structure that we are currently receiving or enjoying, or will it be slightly different or at a lower level than what we have?

Management: [pause] On a percentage basis, it may be similar to what we are receiving. We had received about 200% of our fixed capital investment. The schemes under which we will also put up our Umrangso plant, and under which they are probably planning to put up their plants, allow only 110% of the fixed capital investment. So the tenure or longevity of the subsidy may be different, but the quantum per year may be similar during the years in which we are receiving it.

Naveen Sahdev – ICICI Securities: Can I ask one more question, please?

Management: [hesitates] Yes.

Naveen Sahdev – ICICI Securities: This is about the capex outflow. Compared to the previous capex plan, there is uncertainty because we are reviewing the East India unit. That is why the total capex outlay in the Q1 presentation, which comes with some lag, has changed. However, the outflow for FY28, which was earlier guided at 1,400 crore, has increased to 1,910 crore, whereas the plant is still largely expected to come in Q2 FY29. Could you help us understand

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Naveen Chandadev – ICICI Securities: ...the reason for expediting this capex, or is it still flexible? Can we still keep the load on FY29 with performance guarantees and so on? Some clarification would help us understand the cash outflows for capex.

Management: No. The capex guidance that we gave in Q1 in the presentation was, of course, dependent on the EC and land-acquisition scenarios at that point. Right now, for the clinker plant, we are very certain about the Nimbol plant. We have received the EC, we have acquired the land, and we are going to start putting up the plant from December onwards. Therefore, the outflow for that is much clearer to us.

In {? Sijju ?}, we are still aggregating land. We have aggregated about 50 acres of land, and there is still some land that we need to aggregate. So I think we will get clarity on {? Sijju ?} in a month's time, when we have aggregated the full land and apply for the EC.

Most of the project is now under our control. The incubation phase is over, and we are now in the execution phase, but there are still a few projects on which we are getting clarity. I think the Q2 estimate of the timeline and capex outflows will be much more accurate than the Q1 estimate.

We will also probably make sure that the presentation reaches you sooner rather than later, and that the numbers are as accurate as possible so that there is more clarity.

Management: [pause] Naveen, one thing is that the 1,900 crore that we have projected for FY29 is flexible because the total project cost will remain the same. The amount can be adjusted between FY29 and FY28. We can avail ourselves of the buyer's credit option because part of the machinery will be imported. So the 1,900 crore is not a static figure. That amount can be shifted from FY28 to FY29, or possibly to FY30, if we avail ourselves of the 2-year buyer's credit window. It was only an estimate, and it can be adjusted across FY28, FY29 and even up to 2030.

Naveen Chandadev – ICICI Securities: Understood. Thank you so much.

Vaibhav – Operator: Thank you. Ladies and gentlemen, this is the final reminder. There will be no further reminders for you to ask a question by pressing star and one. Our next question comes from the line of Rajesh Ravi with HDFC Securities. Please go ahead.

Rajesh Ravi – HDFC Securities: I have a follow-up on the North expansions by competitors. What is your estimate of the capacity being put up by other companies, specifically Adani and Shree Cement? By when do you practically expect their clinker units to start?

Management: We do not have a clear idea about Shree Cement right now because I do not think they have started or announced the groundbreaking yet. So I do not know exactly what situation they are in. JK Lakshmi and Ambuja have announced their plans. In the Northeast, because of the rain, no construction takes place for 4-5 months. So I expect them to take at least 2.5 years to put up the kiln. That is my estimate, but they would know their situation much better.

Rajesh Ravi – HDFC Securities: My understanding of this segment is that Shree Cement's clearances are on track, and it may commission its clinker unit by late FY28 or early FY29. The other two companies may be back-ended, with the latter half of FY29 as their estimate.

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For the next 2-3 years, FY27, FY28 and FY29, would Star and Dalmia be the dominant players in the market, and would stable pricing and healthy margins accrue over the next 2-3 years?

Management: Yes, that is what I expect. Even after that, for Star Cement, most of our sales in the Northeast take place through trade networks. Among all the companies in mainland India, we have the highest trade share, or one of the highest trade shares.

I think the dominance, even after 2-3 years, will of course remain with the incumbents. There will be a shift and the market will be shared. Some smaller and inefficient players may even shut down. All those things may happen, but the dominance will remain even after that.

For 3 years, there will not be margin pressure until the others come. Even when the capacities come, we will have to rationalize somewhat because the kiln that Shree Cement is putting up is a 1 million-ton kiln, as I understand it, based on the EC. JK Lakshmi also has a 1 million-ton EC. That means they cannot produce more than 1 million tons. Adani's is 4 million tons, but I do not know its timeline.

A 1 million-ton capacity is something that the market can absorb because the market is growing by about 1.5 million tons every year. There is also approximately 15-16% of cement coming from outside the region, which will also reduce. So all these factors will play out. For the next 3 years, I do not see a problem with margins.

Rajesh Ravi - HDFC Securities: Understood. Could you share the blended power consumption cost per unit in Q2?

Management: It is 1.52. Are you talking about power?

Rajesh Ravi - HDFC Securities: Power consumption, power...

Management: Power consumption?

Management: [pause] Just a minute. Power cost... power cost... [off-mic discussion] what cost, what cost? You will have to take that out. I do not think we have it readily available. We will let you know later.

Rajesh Ravi - HDFC Securities: That is all from my end. Thank you and all the best.

Management: Okay, thank you.

Vaibhav - Operator: Thank you. Ladies and gentlemen, we have our next last two questions. The first is from the line of Naveen Chandadev from ICICI Securities. Please go ahead.

Naveen Chandadev - ICICI Securities: Thank you for the follow-up. To confirm, how much cement did you say comes into the Northeast from other regions? I am assuming it is largely West Bengal. How much material comes in?

Management: It is about 15-16%. At least 15-16% of the Northeast market share is with outside players.

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Naveen Chandadev – ICICI Securities: Is that largely through rakes? Does it come from West Bengal only, or from other states as well? What are the catchment areas? I believe rakes are somewhat difficult because of the terrain. Which are the catchment areas for material coming into that market?

Management: Chhattisgarh and West Bengal are broadly the areas from which the cement rakes come. Catchment areas are locations that are closer to the station. It could be Guwahati, Silchar or any place that is close to Guwahati.

They normally sell on a consignment basis, so they are not building a large dealer network; they are selling on consignment. When conditions become somewhat difficult, the rakes stop coming as frequently. When they see good margins, they start sending rakes. This is normally the phenomenon, especially in the off-season, because rake availability is not much of a problem and there is excess capacity in the Eastern market to supply the Northeast market.

So that 15-16% is a gap in the market that will probably be covered when competition increases.

Naveen Chandadev – ICICI Securities: This 16-17% translates into what kind of volume? Is it 2-3 million tons?

Management: 16-17% translates to about, at least...

Management: Naveen, the market is around 15 million tons. Suppose we take 16%, that is around 2.4 million tons per year.

Naveen Chandadev – ICICI Securities: Understood. One last question: is there any update on the RMC units that we were looking to explore in the North as part of our penetration program before our capacity comes up there?

Management: [pause] Just a minute, just a minute, hold a minute. There is some glitch; we will have to resolve it. [trails off]

Vaibhav – Operator: Tushar, please proceed with the next.

Management: Yes. Is it okay now?

Vaibhav – Operator: Our next question comes from the line of Tushar Agarwal with ICICI Bank. Please go ahead.

Tushar Agarwal – ICICI Bank: Hello. Am I audible?

Vaibhav – Operator: You are audible.

Management: Yes, you are audible.

Tushar Agarwal – ICICI Bank: Just some data points. What is the blended fuel cost on a kcal basis for this quarter?

Management: This is consumption. The 1.52 is the {? current year ?}.

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Tushar Agarwal – ICICI Bank: I also want to confirm the volume figures. Can you please repeat them?

Management: The total volume is 11.23 for cement and 0.74 for clinker. The total is 11.97.

Tushar Agarwal – ICICI Bank: Thank you.

Vaibhav – Operator: Thank you. The next question is from the line of Naveen Sahadev with ICICI Securities. Please go ahead.

Naveen Sahadev – ICICI Securities: I am sorry if I was not audible. I was asking whether there is any update on the RMC units that we were exploring to set up in the North before commissioning our greenfield unit there.

Management: I do not know whether you received the answer to the first question because I had disconnected. Sixteen percent would, of course, mean about 2.4 to 2.5 million tons of cement coming from outside.

Regarding the RMCs, in the Northeast we are ramping up our RMC operations. There will be one RMC in Jorhat. We have opened one in Siliguri and one in Guwahati. We are around {? [unclear] ?}.

In the North, you gave us this idea last time, and we discussed it with the team. They are actually very positive about it. They may start their activities in the next 4–5 months. The grinding units and the clinker plant will have their own RMCs, which will also be used to supply local markets.

At the same time, they are trying to start operations on a contract model so that they can begin serving the market in some capacity before production starts. That activity will begin 1 year before we commission our grinding and clinker plants. The idea was very helpful, and I think we are definitely going to adopt it.

Naveen Sahdev – ICICI Securities: Great, sir. All the best. Thank you so much.

Vaibhav – Operator: Thank you. We will now take our last question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah – Dolat Capital: What was the trade share for this quarter?

Management: Trade share was 77%.

Shravan Shah – Dolat Capital: Broadly, for Q2, would the industry-level growth in the Northeast be similar to what we have seen for ourselves, around 4–5%, or would it be lower?

Management: In the Northeast, Q3 and Q4...

Shravan Shah – Dolat Capital: No, I mean the Northeast for Q2 this quarter.

Management: [pause] That was because of the monsoon. Almost 1.5 months were affected by it. Assam is the major market in the Northeast, and both Assam and Nagaland were completely flooded this time. Because of that, growth has been quite skewed.

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In addition, the Manipur problem is still continuing, so there has been significant de-growth in those markets, approximately 25%, because demand has collapsed in those markets due to the political unrest. That also played a role in the overall growth of the Northeast.

Shravan Shah – Dolat Capital: So far, for the second half, if I am correct, in Q1 also there was growth of around 1-1.5% or it was flat. Broadly, one could say growth of around 1% or perhaps 0.5% for the Northeast in 1H. For the second half, what level are we expecting to recover to?

Management: In the second half, we expect growth in the Northeast to be close to double digits. We are also seeing good growth in the West Bengal market. There, I think growth would be in the higher teens. Overall, on a company basis, growth would be about 12-13%.

Shravan Shah – Dolat Capital: I understood the outlook for your company. I was trying to understand the industry. For the industry also, in the second half, are we looking at 7-8% in the Northeast?

Management: Honestly, I think industry growth in the Northeast will be about 7-8%.

Shravan Shah – Dolat Capital: Seven to eight percent or eight to ten percent?

Management: I would go with 7-8% because the market seems somewhat constrained in terms of credit and other factors. I would go with 7-8%.

Management: [pause] Moreover, the industry will grow by 7-8%, but we will grow in double digits because the headroom is with us and Dalmia. Everyone will be operating at full capacity at that time, and we have the capacity. That is why our growth is more than 10%, while industry growth is 7-8%. That is what Tushar said.

Shravan Shah – Dolat Capital: I was trying to understand the clinker sales we are making, approximately 1,26,000 tons sold in 1H. Why can we not convert it into cement and sell it? Is it not more profitable, or is demand not available, which is why we have to sell clinker?

Management: [pause] Could you repeat your question?

Shravan Shah – Dolat Capital: In 1H, we sold 1,26,000 tons of clinker. Why do we not make cement and sell it instead of selling clinker? How do we see clinker sales going forward?

Management: Good question. Clinker is normally sold to smaller grinding units that do not have a clinker plant. These grinding units are not branded players. They are non-branded players who do not directly compete with us. The customers who buy non-branded cement are not necessarily customers who will go and buy Star Cement because the price gap between non-branded and branded cement is significant.

We are basically selling clinker to those who are making cement that does not directly compete with us. We are not selling it to Dalmia, and we will not be selling it to, you know [inaudible] yes, and some of this clinker is also not being used in the Northeast. It is going to Siliguri, it may be going to Nepal, and it may be going to other areas that are not in the Northeast.

It is a mix of the two, but I understand your point that we should try to avoid selling clinker and sell cement instead. We have started doing that from Q3 onwards. We have increased the prices of

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clinker so that we sell clinker selectively. Even when we sell clinker, we receive a good realization for it. This ensures that there is no oversupply of clinker in the market.

Management: From Q3 onwards, you will see that while the tonnage may reduce, the margin on clinker sales will increase.

Shravan Shah – Dolat Capital: Great. Thank you, sir.

Vaibhav – Operator: Thank you. I would now like to hand the conference over to Mr. Tushar Agarwal for closing comments.

Tushar Agarwal – ICICI Bank: Thank you. Tushar, I needed one small clarification. Earlier in the call, you said that for the Siliguri grinding unit, you would take a decision perhaps in Q3 or toward Q4, possibly in the second half of the current year.

Will the decision on this grinding unit also be complemented by a decision on a clinkerization unit in Umrangso, because we were also considering clinker capacity expansion? Is it fair to say that both capacities will come together, or will it only be the decision on the grinding capacity that you will take next quarter?

Management: [pause] Thank you. We are taking these two decisions independently. We are putting up a grinding unit in Siliguri because we see good growth in the North Bengal and Bihar markets, and we want to continue serving those markets. The subsidy also makes it attractive for us to put up a plant because the SGST benefit will accrue to us from the first year. We are already selling a good volume in Siliguri.

For the clinker plant in Umrangso, we have applied for the EC and have received our [inaudible] for the EC. I think we will get our EC in 2–3 months. We have already received the plant plan. The work is proceeding in parallel. I think the decision to put up the Umrangso plant [trails off]

Management: We have already decided in principle that we will put up our plant in Umrangso. We are just assessing the demand situation before taking the final decision. We are trying to obtain all the permissions and complete every necessary activity, including civil activities on the ground, so that whenever we want to proceed, we can put up the plant within 18 months.

The decision depends on how the market behaves. For the next 3 years, I do think that we have sufficient clinker in the Northeast from our existing plants, and we are trying to optimize our existing plants so that we can produce more from them. That has been the objective. Whenever we decide to put up Umrangso, it will take about 18–20 months, and we will have the plant.

Analyst1 – PhillipCapital India Private Limited: I was asking from the perspective that you earlier said you would have the groundbreaking for the Rajasthan plant on December 1. I presume it will take 18–24 months to commission the Rajasthan plant as well as Jajpur. Will the Rajasthan and Jajpur units come together? Secondly, will the Umrangso plant and the Rajasthan projects be undertaken simultaneously, or can you take both plants up simultaneously within our targeted debt level?

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Management: We will be taking up the Jajpur and Nimbol clinker plants together. Ideally, they will come up 1 or 2 months apart. Our target is to bring them together, or to have the grinding units come up somewhat before the clinkerization plant. Broadly, they should come up in the same quarter.

For the Umrangso plant, we can proceed right now, but we are assessing the demand scenario because we do not want to bring forward our clinkerization plans unnecessarily. We already have clinker for the next 3 to 3.5 years in the Northeast, as well as for whatever growth we have outside the Northeast.

We will take a call. If we think demand is strong, there may be some overlap between the clinkerization plants at Nimbol and Umrangso, but it really depends on how demand develops.

Analyst1 – PhillipCapital India Private Limited: Regarding the Bihar unit, you said that you would reevaluate between Bihar and Siliguri. If you decide on Siliguri, Bihar is not ruled out, correct? In the future, would you still consider Bihar because you are buying land, as I understand from the previous call? If you are buying land, would Bihar remain under consideration in the future, or would it be called off?

Management: We will defer Bihar once we put up Siliguri. But yes, we are still identifying a plot in Bihar. The plot that we had previously identified was subject to a dispute. So if we identify a plot in the next 15–20 months, we will buy it, apply for permissions and keep the plot ready for the future. Whenever we want to put up the grinding units, possibly along with the clinkerization plant in Umrangso, we will be able to do so.

Analyst1 – PhillipCapital India Private Limited: In essence, which year are you targeting for Star Cement to reach a 20 million-ton capacity? Is 2031–32 a fair estimate, or can you still say that we can achieve that number by 2030?

Management: Practically, if we proceed with 6 million tons in the North, we are already at 9.7 million tons, which we can consider as approximately 10 million tons. If we are talking about 6 million tons in the North and 2 million tons in Siliguri or Bihar over the next 2 years, that is the target for both. We would then reach 18 million tons in about 2 years.

We are acquiring land in Jorhat for a grinding unit, and Umrangso will also come with a grinding unit. Overall, by 2030–31, we should cross 20 million tons, hopefully easily. That is our target. Next year, we will be at approximately 18 million tons.

Analyst1 – PhillipCapital India Private Limited: Understood. On behalf of PhillipCapital India Private Limited, I would like to thank the management of Star Cement Ltd. for the call, and many thanks to everyone who joined the call. Thank you very much, sir, for allowing me onto the call. Thank you.

Vaibhav – Operator: Certainly, sir. Thank you. On behalf of PhillipCapital India Private Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

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Star Cement

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