Operator: So sorry for the delay. Good afternoon, everyone. Today is the third day of the Bharat Connect Conference, and I welcome you all to the Star Cement Ltd. call. From the management team, we have Mr. Manoj Agarwal, the CFO of the company. Before I hand over the call to management, I will lay out the flow of the event. We will start with a brief introduction about the company, the latest developments, and the outlook, and then we will move forward to the Q&A round.

Manoj Agarwal – CFO: Mr. Sunil Agarwal, our CSO, is also present. Please allow him as a panelist as well.

Operator: Okay, sir. Yes, sir, he is there. Welcome, Sunil, to the call.

Sunil Agarwal – CSO: Good afternoon. As you are all aware, Star Cement has a presence in the Northeast, particularly in the Northeast and also in the eastern part of the country. We currently have 9.7 million tons of capacity, of which 7.7 million tons are in the Northeast and 2 million tons are in Siliguri, West Bengal.

As we have also discussed regarding our future expansion plans, particularly in the north, in Rajasthan, we are planning to set up 3.3 million tons of clinker and 5 million tons of cement at 2 locations. One is 2.5 to 3 million tons at the integrated plant in Nimbol, and the balance of 2 to 2.5 million tons in Haryana, at Jhajjar.

As far as our company is concerned, we are part of the Century Plywood promoter group, promoted by Century Plywood. In the Northeast, we are the number-one-selling cement brand, holding approximately 25-26% market share. In the Northeast, we are not only the leading brand but also the premium brand, because our prices are the highest compared with those of the other players selling in the Northeast.

As far as our limestone is concerned, we have sufficient reserves, perhaps for around 80-100 years.

Management: ...which are from the reserves we have for the current capacity. In Rajasthan, the Northeast has a capacity of 7.7 million tons, and our Northeast market is around 14 million tons. We have sufficient capacity to cater to the next 3-4 years, with the growth rate we are targeting at around 9-10% in the Northeast. We have sufficient capacity to cater to market demand and maintain our market share for the next 3-4 years.

During this period, we will generate sufficient cash resources. That is why our Northeast expansion plan may come second; it may start 2-3 years from now, depending on how demand moves over the next 2-3 years. We have already acquired the plant land in Umrangso, as well as the mine land. We have also acquired mines through the auction process.

We have planned for the Northeast so that, once we see the growth in demand and supply, we will set up the plant accordingly. After 3 years, we will definitely have a plan to set up a plant in Umrangso in the Northeast, as well as a split-location grinding unit in Jorehat. Our Northeast plan is intended to ensure that we remain the number-one player in the Northeast and continue to hold that position even 3 years from now.

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In the interim period, we have chosen Rajasthan as our expansion location because, across Rajasthan, capacity utilization is more than 85%. The market is also quite large. Selling 5 million tons of cement in the Northeast, Haryana, and the NCR region will not be a challenge for us, given the backing of the Century Plywood brand.

Prices in the Northeast are also much better compared with other parts of the country, including the South and West. That is why we have chosen Rajasthan and Haryana as our next expansion locations.

Side by side, we have also announced our eastern expansion plan because our Siliguri plant is expected to achieve around 70–80% capacity utilization this year. Therefore, we have to increase the capacity of the Siliguri plant. We also have a plan to expand in Bihar by setting up 2 million tons of capacity. However, since we have to expand in Siliguri, and the West Bengal government may introduce an incentive policy, we will examine that policy.

If the policy is sufficiently attractive, we will first undertake the expansion in Siliguri, and perhaps we will undertake the Bihar expansion 2–3 years from now, once Umrangso becomes operational. That covers our expansion plan and our current capacity plan in the Northeast and outside the Northeast. If you have any questions, you can ask them now.

Operator: Thank you very much, sir. I request participants who have questions to raise their hands or write their questions in the chat box. We will take the first question.

Management: Mr. Sunil Agarwal, our CSFO, is also with me. He will mainly look into the North India expansion. He will also give his views on anything related to North India and the Northeast.

Operator: That would be great, sir. We will take the first question from Mr. Pushkar Jain. Sir, please unmute and ask your question. Pushkar, you are on mute.

Pushkar Jain: Hello?

Operator: Yes, Pushkar.

Pushkar Jain: My question is about coal. We understand that mechanical mining of coal from Meghalaya has started. You were also previously buying coal from Nagaland. Is all your coal requirement being met from the Northeast, or are you still buying coal from the mainland? That is my first question.

Management: In Meghalaya, rat-hole coal mining is still banned and has not started. Certain tenders have been floated for open-cast, scientific mining. The authorities are currently in the process of setting it up. We are hopeful that production from this scientific mining will start within 2–3 months.

We have also tied up with the 2 parties that won the mining rights under the scientific-mining process. That coal will start arriving within 2–3 months. However, 60–70% of our coal requirement is covered by our fuel supply agreement with Coal India. Therefore, 60–70% of our requirement will continue to come from Coal India because its delivered cost is very competitive.

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We are taking the balance from other sources, and 20% of our fuel requirement is being met through AFR, bamboo, and other such materials. Even when scientific mining starts, it will not immediately supply our entire coal requirement. As production progresses, the situation will improve. Initially, production will not be sufficient to meet the entire requirement of the Northeast cement plants, but we are hopeful that we will receive a certain percentage of our requirement from scientific mining.

Pushkar Jain: Are you also getting some coal from Nagaland?

Management: We are bringing some material from Nagaland. However, production from the Nagaland mines was not very high during the rainy season. Now that the season has started again, we have started taking some coal from Nagaland.

Pushkar Jain: What is your percentage of renewable power and green power, including waste heat recovery?

Management: We are targeting around 25% thermal substitution through AFR. We have achieved approximately 17-18% substitution. However, last quarter was the rainy season, so bamboo availability was much lower, and we could not achieve the targeted level. We have a target of reaching around 20% this year, while our target for thermal substitution is 25%.

Pushkar Jain: Have you abandoned the Jorehat grinding unit?

Management: As I told you, we will take up Jorehat in due course. We currently have sufficient capacity of 7.7 million tons, and we will monitor the growth in demand. We are proceeding with the procurement of land and other requirements, and we will keep the environmental clearances and everything else ready.

Once demand reaches 70-80% of our production level, we will take a decision on setting up a unit in Jorehat. It will take 12-15 months to set up a grinding unit there, so we will monitor demand accordingly.

Pushkar Jain: My last question is about capacity utilization. When can we reach 90-95% of our existing capacity?

Management: You never reach 90-95% capacity utilization in a grinding unit on a consistent basis because, during the season, you reach more than 100%. Cement is a seasonal industry, and you have to supply during the season. In the season, particularly in the March quarter, we use more than 100% of our capacity.

Therefore, overall, you may not see 100% utilization, but by the last quarter, capacity utilization is up to 100%.

Pushkar Jain: All the best.

Management: Thank you.

Operator: Thank you very much, Pushkar. I request participants who have questions to write them in the chat box or raise their hands. We will take the next question from Mr. Shravan Shah. Sir, please

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unmute and ask your question.

Shravan Shah: Hi, sir. I have a couple of questions. First, regarding the North expansion in Rajasthan and Nimbol, have we received the environmental clearance?

Management: Sunil will reply. Sunil?

Sunil Agarwal – CSFO: We are planning 2 units, one in Rajasthan and one in Haryana. For the Rajasthan unit, we have completed various steps. The environmental clearance process is partly complete, the final Terms of Reference has been received, and the public hearing has been completed.

In Haryana, we are just about to complete the land acquisition. Both projects are progressing in parallel, and we are working to complete the respective steps.

Shravan Shah: When will construction of the clinker plant start?

Sunil Agarwal – CSFO: We expect production to commence in June 2028, or June–July 2028.

Shravan Shah: The other plant has received environmental clearance. Will we now begin the groundwork?

Sunil Agarwal – CSFO: We expect the groundbreaking to take place sometime in November or, at the latest, by the beginning of December. It should take place sometime between the beginning of November and the beginning of December.

Management: The public hearing has been completed, and we expect to receive the environmental clearance by the end of October. As soon as we receive it, we will start the groundbreaking work. We are hopeful that we can begin the groundbreaking at the site in the first week of November.

Shravan Shah: Broadly, would the overall capex for the clinker and 5 million tons of grinding capacity be 3,000 crores?

Management: We have already said that the capex for both integrated capacities would be around 3,000 crores.

Shravan Shah: How much will we spend this year and next year?

Management: The total capex plan for this year is around 500 crores. Next year, it may be around 1,500 crores, and the balance will be spent thereafter. Even after completion, certain infrastructure work can be carried out later. That is the plan.

Shravan Shah: Coming to Assam, we had floods, and in the last conference call we highlighted that July volume was down by close to 12% or so. How are the conditions now? For this quarter, have we seen growth returning in August and September, or is it still weak?

Management: We are hopeful that we will recover in August and September whatever reduction we suffered in July. For Q2, we are hopeful that volume will be flat, or that there will be very minor, nominal growth.

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We have been able to recover whatever we lost in July. We recovered it during August and September, and therefore we are hopeful that this quarter will be flat or show very nominal growth.

Shravan Shah: In terms of current prices, if someone looks at them on a quarter-on-quarter basis, I believe there were some price increases in September. I wanted to understand whether there was a price increase in the Northeast and, broadly, how one should look at pricing on a quarter-on-quarter basis.

Management: Prices have remained flat compared with the last quarter. There was no price increase in the Northeast in September. Prices generally tend to increase in Q3 and Q4, so we may see an increase in prices in the third and fourth quarters. However, in this quarter, there has been no such increase. Prices are at par with the last quarter.

Shravan Shah: In terms of costs, Petcoke has obviously increased, although we do not use much of it. Regarding our fuel cost, which was around {? 1.55 ?}, we were expecting some reduction this quarter. Will that be in line with expectations?

Management: There will be some improvement because, last quarter, we could not use AFR as we did not receive sufficient AFR. This quarter, we have been able to obtain some AFR since the middle of August. That will improve our fuel cost to some extent.

We are hopeful that fuel cost will come down to around 1.5 or 1.55, and it may reduce further in Q3 and Q4.

Shravan Shah: That is all from my side. All the best.

Management: Thank you.

Operator: Thank you very much, Shravan. We will take the next question from Mr. Harish Singh. Sir, please unmute and ask your question.

Harish Singh: Hi, management.

Management: Good afternoon.

Harish Singh: I wanted to check whether Q2 was somewhat inflationary in nature. As you just said, price increases were not implemented. Was the quarter such that we took a hit to margins or profitability? Could you shed some light on that?

Management: As we have already explained, there has been a reduction in the subsidy. There are 2 factors. Until September 21, the GST rate on cement had come down from 28% to 18%. Until September 21, every quarter...

Management: ...there was an increased subsidy. Secondly, under the new arrangement, the Assam government has capped the subsidy to be distributed equally over the remaining years. That has had an impact by reducing our subsidy element.

If you look at the previous quarter, in Q1, against 62 crores, we received only 24 crores. The entire EBITDA reduction was mainly on account of the subsidy, even though there was a price increase.

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This quarter also, there will be a subsidy impact of approximately 12-13 crores compared with the last quarter. That will have an impact. In addition, there has been no price increase, and the shutdown occurred during this quarter. Therefore, profitability may be somewhat lower compared with the same quarter last year.

Harish Singh: Understood. This quarter, the monsoon was probably not in line with last year's monsoon. How are you seeing the demand scenario and demand trend for Q2? Could you give us a directional understanding?

Management: In July, we declined compared with last year. Demand started improving from the middle of August. July was entirely affected by flooding, and the impact continued until the middle of August.

After August, reconstruction and redevelopment work started. Demand also starts returning to the market once the monsoon recedes. We have been able to compensate for the decline during the 30-40 days after the middle of August. We are now seeing an improvement in demand.

We are hopeful that reconstruction work will start again, and we will see double-digit or more-than-double-digit demand growth in Q3 and Q4.

Harish Singh: How are you seeing demand from government projects? I understand it may be early, but I am sure there may be some discussions within the industry regarding projects that will start taking shape, both bureaucratically and on the ground.

Management: There are elections in Assam as well as in Bengal. Once the new government comes in, Assam may continue with a similar government, but the release of funds had been delayed. Demand was somewhat lower because funds were not being released.

Funds under the Prime Minister's Housing Scheme and other programs were not released during the election period. As a result, contractors faced liquidity issues in the market. Now everything has stabilized. The government has started releasing funds to contractors.

This has also affected projects that were delayed due to a lack of liquidity. Those projects have now gained momentum. In addition, a number of projects are progressing. Work on the Arunachal hydro project has started in full swing. There is also substantial national highway activity in the Northeast, and all the rail-connectivity work has started.

Therefore, there is demand from the government side, and it will improve day by day. In Bengal, a number of new projects are also being announced by other large groups. Development will start coming through, and we will see demand improve from here.

Harish Singh: That is understandable, sir. Very helpful. Thank you.

Operator: Thank you very much, Harish. If any participants have questions, please raise your hands. Kevin, please unmute and ask your question.

Kevin: Thank you. My question relates to the linkage between the clinker and the coal facility that you mentioned. In terms of our current cement production, are we fully integrated with respect to

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clinker capacity and coal requirements? With regard to the expansion plan 2-3 years from now, how will the linkage work going forward? Will we need to source anything domestically or import it?

Hari: Our current clinker capacity is 6.1. From there, we can easily go up to 9 million tons or more. We have a capacity of 7.7 million tons in the Northeast and 2 million tons in Siliguri. Our total capacity is currently backed by our own clinker.

For the future expansion we are planning in Umrangso, we have procured the land and mines, and everything is in place. We have also completed the public hearing for our mines. We are keeping everything ready so that we can proceed whenever demand grows.

We are seeing demand growth that is higher than what we expected. Even if the 14-15 million-ton market grows from 10 million tons, and the other players have exhausted their capacity, our growth will be higher than the market. Even after considering all these factors, we are fully covered for the next 4-5 years.

If the market grows beyond that, we are keeping ourselves ready. We are planning 3.3 million tons of clinker at Umrangso, which we can start setting up within 21-22 months. That is why we are keeping everything ready. There is no clinker issue as such. We are fully covered to take care of demand growth for the next 4-5 years. Beyond that, we will set up Umrangso, and the expansion will continue.

The Northeast is our focus market, and we are fully covered to address the Northeast and eastern markets.

Regarding coal linkage, 60-70% of the requirement for our current capacity is already covered under the fuel supply agreement. We are replacing another 20% with AFR. The remaining 10% is being sourced either from Nagaland or, going forward, from the scientific mining that is expected to start in Meghalaya.

Therefore, there has been no coal issue, and we do not expect a coal issue for the next 4-5 years.

Regarding Rajasthan, we have sufficient mining reserves. We have secured 64 million through auction, and we have also acquired private mines. Our limestone supply is secured. With 3.3 million tons of clinker, we can easily support the 5 million tons of cement capacity we are planning.

For coal in Rajasthan, we will use lime and lignite, and we will also use imported coal for Rajasthan through Gujarat. That is our plan for coal and clinker. Therefore, there is no concern regarding the supply of clinker or coal.

Kevin: Understood. So we do not need to source or purchase anything domestically, or may we import it?

Hari: For the Northeast, we do not need to source anything, except perhaps auction coal, which may account for around 10%. For Rajasthan, once we start, we will import coal or explore the possibility of obtaining it from Coal India mines.

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Kevin: Understood. My second question is about the overall structure of the industry. We often hear that there is overcapacity in terms of supply. Do you see it that way? Given the way you are expanding and implementing your capex plan, I assume you expect a supply shortage or demand growth that is higher than existing supply.

Hari: Regarding your concern, if you look at the Northeast, which is our focus market, as well as the eastern market, 2-3 companies have announced capacity. {? Dalmia ?} has announced capacity, {? Star ?} has announced capacity, and {? Ultratech ?} has announced capacity.

The actual addition depends on the availability of railway rakes and other factors. We conducted the public hearing in 2020, and it took us almost 2-3 years to set up a plant there. The other players in the Northeast have already exhausted their capacity.

The 3 players, including UltraTech and Star, are already selling cement because 10-15% of their cement is coming from outside. UltraTech, {? Star ?}, and the other players already have a share of the market. When the announced capacity comes in, the entire capacity will not represent incremental supply. Perhaps 30-40% is already being sold, and the additional capacity may be only 2 million tons, or 30% of the 2 million tons, which may be around 1 million tons or less.

The market is growing at 8-9%. The capacity that is coming is lower than the expected growth in the market. Therefore, there will not be a demand-supply gap as such.

Our capacity may increase its share because the other players have no headroom, while {? Dalmia ?} and {? Star ?} still have capacity headroom. If the market grows by 10%, there will be no additional capacity available elsewhere. Therefore, our market share may increase from 25% to 27-28%.

In the Northeast, we do not see any reduction in our market share. Similarly, in Rajasthan, our plants are operating at 80-85% capacity utilization. The market is quite large. A market of approximately 100 million tons in the Northwest is currently being supplied from the Rajasthan zone.

We do not foresee any issue with selling 5 million tons of cement there. We are hopeful that we will achieve 80-85% capacity utilization in the third year. Therefore, I do not think there will be any issue relating to demand and supply.

Kevin: Understood. Will EBITDA guidance remain broadly in the same range, at around 1,500-1,600 EBITDA?

Hari: For this year, we are targeting EBITDA in the same range, at around 1,600.

Kevin: Hello?

Hari: Yes, hello. For this year, we are also targeting the same level of around 1,600 EBITDA, and we are hopeful that we will be able to achieve it.

Kevin: Understood. My last question is on the subsidy. What is the impact? I heard that an adverse change or reduction in the subsidy is affecting the company.

Hari: This year, the subsidy will be affected because, last year, the subsidy was based on the GST paid on cement after adjustment of input credit. When cement attracted 28% GST, our input GST

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and GST payment were higher, so our subsidy amount was higher.

Now that GST is 18%, there has been a reduction in the GST output liability. At the same time, the GST rate on coal, and consequently the available GST credit, has increased. Our GST outflow has reduced, and this has accordingly reduced the subsidy.

Secondly, the Assam government has imposed a cap on the subsidy amount that can be utilized each year. The subsidy will now be utilized equally over the remaining years. This has affected the current year. We expect to receive around 120 crores of subsidy this year and approximately 80-100 crores next year. On a sustainable basis, this amount will be reflected in our books over approximately 6-7 years.

Kevin: Understood, sir. Thank you.

Operator: Thank you very much, Kevin. We will take the next question from Sandhya. Please unmute and ask your question.

Sandhya: Am I audible?

Operator: Yes.

Sandhya: First of all, thank you for the opportunity. I have questions regarding the planned capex of 3,080 crores and the target of keeping net debt to EBITDA below 2 times. What is the expected peak net debt, and will there be any equity fundraising?

Hari: We are targeting around 1.5. At the peak level, it will be somewhere around {? 1.25, 1.2 ?}. That is what we are targeting: around 1.5 to 1.7, with a maximum of 1.5 EBITDA.

What was your next question? Equity. Currently, for the Rajasthan expansion, we do not foresee any funding requirement. If any opportunity arises in the future, or when we proceed with Umrangso, we may require some capital. At that time, we will consider equity or some other form of fundraising.

Sandhya: Hello?

Hari: Yes.

Sandhya: My second question is whether the 10-12% FY27 volume growth guidance remains intact, considering that last year we achieved around 12%, as we had indicated. How will the Assam shutdown affect that?

Management: ... [inaudible] 8-9% we have already entered that sphere [inaudible].

Operator: Hello? Please speak louder. Sandhya, do you have any other question?

Sandhya: My question was whether the guidance is 10-12% for FY27.

Management: I have already replied to that. We revised it last month. Because of the floods and other factors, we are now optimistic about achieving 8-9% growth over last year. We are targeting approximately 8-9%.

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Sandhya: My last question is what EBITDA per ton should investors realistically model for FY27 and FY28, considering lower subsidies and current fuel and logistics costs?

Management: Once Rajasthan starts, Rajasthan EBITDA may be around 1,000–1,100. However, we are still hopeful that EBITDA will be somewhere between 1,500 and 1,600. EBITDA of around 1,550 can also be considered for the next year.

Sandhya: Fine, sir. That is all from my side. Thank you.

Operator: Thank you very much, Sandhya. Avinash, please unmute and ask your question.

Avinash: Hello, am I audible?

Operator: Yes, sir.

Management: Yes.

Avinash: What kind of capacity addition do you currently foresee in the Northeast over the next 24 months, for the industry?

Management: As I have already said, based on what we can currently see on the ground, there is one capacity addition of 1 million tons. However, the company still has to conduct the public hearing, obtain the environmental clearance, and then start the plant.

On a case-by-case basis, I do not foresee these projects being completed within 2 years. The only capacity that may start is UltraTech's bulk cement terminal, which is around 1.2 million tons, but that will depend on the availability of railway rakes and other factors. Apart from that, no other capacity is expected to come up in the next 24 months.

Avinash: Mr. Manoj, please tell us one more thing. How much incentive subsidy did we book in FY26? FY26?

Manoj: The subsidy booked in FY26 was 185 crores.

Avinash: Do we account for it on a cash basis or an accrual basis?

Manoj: Mostly on a cash basis, mostly cash. For our Meghalaya plant, we receive it every quarter, perhaps by the following quarter.

We have now received the Assam subsidy as well. The Assam amount was approved up to March, and some payment has also been received. You can understand that there is a 6-month time lag for Assam. However, for our Meghalaya plant, we receive it every subsequent quarter.

Avinash: All right, thank you.

Operator: Thank you very much, Avinash. If participants have any further questions, please raise your hands. I will take a few questions from the chat box. What is the non-cement revenue plan, and what margins does it carry?

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Manoj: For non-cement revenue, we are hopeful that it may be around 80-90 crores this year. Going forward, we are targeting growth every year.

This is the first year of the plan, so it is difficult to assess. This is the first full year of operations, and the first quarter was not very good because only 3 months of operations were included. In terms of margin, we have depreciation under the WDV method. EBITDA margin may be around 15-20%.

When the volume increases, the business should improve. However, capacity utilization is not yet full. Therefore, EBITDA may not be positive at this stage. Going forward, we expect this business to generate EBITDA of around 15-20%.

Operator: What is the capex plan? For example, 500 crores for FY27?

Management: As I said, the capex plan for this year is around 500 crores. The capex plan for Rajasthan is 3,000 crores. In addition, we have approximately 100 crores of normal capex. This is the plan we are currently working on.

Operator: How are you planning to fund it?

Management: The 3,000 crores will be funded through a combination of debt and equity, with funding coming from internal accruals and debt. I do not think maximum peak debt can exceed approximately 1,500 crores because we are generating sufficient cash resources. Within 2 and a half years, the balance will be taken care of through internal accruals.

Operator: Does anyone else have any further questions? As there are no further questions, and due to time constraints, I would like to conclude today's call. I would like to thank the management and the participants for taking the time and sharing their insights. Participants with further questions can contact the Arin Capital team. Thank you very much.

Management: Thank you. Thank you to all the participants.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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