Date: 12th February, 2024

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	To, 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 31st December, 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 Thursday, 8th February, 2024 for Unaudited Financial Results for the quarter ended 31st December, 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: 2024.02.12 11:30:50 +05'30'

STAR CEMENT LIMITED KOLKATA

Debabrata Thakurta
(Company Secretary)

"Star Cement Limited

Q3 FY '24 Earnings Conference Call"

February 08, 2024

MANAGEMENT: **MR. TUSHAR BHAJANKA – DEPUTY MANAGING 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 Q3 FY '24 Earnings Conference Call of Star Cements Limited, hosted by Emkay Global Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone telephone. Please note that this conference is being recorded.

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

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

Tushar Bhajanka: So good afternoon, all. My name is Tushar Bhajanka, and I'm the Deputy MD of Star Cement. I would like to welcome you all to the Earnings Call of quarter 3. I have the CEO and CFO of the company with me. The CFO will give out the numbers of quarter 3, and then we can have a Q&A session. Thank you.

Manoj Agarwal: Yes. Hi friends. This is Manoj Agarwal, CFO of the company. I, on behalf of Star Cement Limited, welcome you all to our phone call for discussing our number of Q3 FY '24 and followed by 9-month number for the period ended December '23. I would like to clarify that we are discussing the historical numbers, and there is no indication to invest. Having said that now, I will just take you through the Q3 number followed by 9-month number.

Starting from clinker production, during the quarter ended December '23, we have produced 7.37 lakh ton of clinker as against 7.39 lakhs ton same quarter last year. So far as cement production is concerned, we have produced 9.82 lakhs ton this quarter as against 9.22 lakhs ton same quarter last year.

Now I will take you through sales volume. During the quarter, we had sold 9.6 lakhs ton of cement and 0.03 lakhs ton of clinker as against 9.08 lakhs ton of cement same quarter last year. There was no clinker sale last year. There is a growth of 7% in cement sales, that 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 7.32 lakhs ton as against 6.62 lakhs ton during same quarter last year.

And as for our outside northeast cement is concerned, we have sold 2.38 lakhs ton of cement as against 2.45 lakhs ton same quarter last year. In terms of blend mix, it is 10% of OPC and rest is PPC. These are the positive numbers of the quarter.

Now I will take you through the financials. The total revenue figure this quarter is around INR655 crores as against INR629 crores same period last year. As far as EBITDA figure is concerned, this quarter, we have done an EBITDA of INR153 crores as against INR120 crores last year. Profit after tax is INR74 crores as against INR53 crores in the same period last year. On per ton EBITDA basis, it is INR1,576 during the quarter as against INR1,324 per ton same quarter last year. This is what our quarterly numbers of quarter. The total revenue figure of the 9 months ended December 23 is around INR1,975 crores as against INR1,769 crores same period last year.

As far as EBITDA figure is concerned, during 9 months ended December '23, we had done an EBITDA of around INR395 crores as against INR342 crores last year. PTA is INR207 crores as against INR151 crores in the same period last year. On per ton EBITDA front which INR1,300 during the 9 months ended December '23 as against INR1,229 per ton same period last year. These are our quarterly and 9-month ended figure.

Now I would request all of you that you have any query, then I will request Dharmesh to moderate the query wherever is required. Thank you.

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

Shravan Shah: Thank you and congratulations on good set of numbers, particularly on the profitability front. Sir, before asking questions on volume and the pricing and profitability, first, I wanted to understand in terms of the -- our expansion and the capex. So our 3 MTPA clinker at Meghalaya were supposed to start in February and 2 MTPA Guwahati were supposed to start in December and Silchar too obviously, in September. So what's the new timeline when are these three units are going to start?

Tushar Bhajanka: Yes. So the Guwahati grinding unit, we've already started taking some initial trials and we should be commissioning the plant on the 1st of March next month. For the clinker plant, we will be commissioning the clinker plant on the 31st of March next month. And for the grinding unit in Silchar, that would be about August to September next year, next calendar year.

Shravan Shah: Okay. And any specific reason why there is a delay for this clinker and particularly the Guwahati grinding unit?

Tushar Bhajanka: Yes. So I think it just -- it took us more time in the trial and some of the critical delivery of a few of the machinery, and that is why we got delayed by a month. But I think we have already started taking the trial, and I think we are all set to commission the plant by 1st of March. I don't think there is any difficulty on that.

Shravan Shah: Okay. Secondly, in terms of the capex for all these 3 specifically. So clinker we were supposed to do a capex of INR1,300-odd crores for Silchar INR500 crores and for Guwahati INR450-odd crores. So out of this, how much capex we have already done? And what is remaining to be done in the fourth quarter? And what about the next year FY '25 capex?

Tushar Bhajanka: So in Guwahati, we've already -- till December, we had spent about INR330 crores in erecting the plant. There is a capex of about INR55 crores more that we will be doing in quarter 4. This is for the Guwahati plant. Our expected cost, the capex that we thought for the Guwahati plant is now coming to be lower than what we had estimated earlier. So we had estimated I think about INR430 crores, [inaudible] INR400 crores.

Yes. So I was saying that the capex that we had thought for Guwahati was about INR430 crores. We h have -- we are going to finish the project and below that amount. The capex should be about INR385 crores, INR330 crores is already spent till December and INR55 crores would be spent in quarter 4 for this year. This is Guwahati.

And Lumshnong, the capex was about INR1,300 crores. We had -- till December, we had already spent INR850 crores. In quarter 4, we plan to spend about INR200 crores. And in quarter 1 of next financial year, we'll be spending about INR200 crores. So in total, we plan to complete the Lumshnong clinker project in INR1,250 crores versus the INR1,300 crores, that was expected.

Shravan Shah: Okay. And for Silchar, so the cost was INR500-odd crores. So how much we have spent? And is it also revised down?

Tushar Bhajanka: So Silchar, we have just focused on buying the land till now. So we have spent about INR20 crores in total and just buying the land, and we are taking out the permission. I think because cost of steel and two, three other items have reduced. So we would revise the capex downwards from INR520 crores to, I think, about INR450 crores, but I would need to confirm that with the team. So that would be confirmed in the next investor call.

Shravan Shah: Okay. Got it. Now on the volume front. So we were looking at 13% to 14% kind of volume growth for this year than 9%. So the ask rate for the fourth quarter is close to 22%-odd. So what's the revised number for the volume for this year? And once this Guwahati or clinker will start up. So next year, how 1 can look at in terms of the volume growth?

Vinit Tiwari: Okay. So Vinit Tiwari this side. So as far as growth is concerned, what we anticipated the growth in quarter 4 was not in line. I think the industry growth was quite subdued. And we can relate it to because the quarter 1 normally monsoon, which has seen early in Northeast didn't set early. So first quarter was almost 25% industry growth.

Quarter 2 industry growth was almost flat. And in quarter 3, Northeast industry growth was pretty subdued to around 3% level vis-a-vis that, we've been able to, in Northeast per se, we will talk about, we've been able to grow by close to 10%. And that's organization 7% because of the outside Northeast sector.

Going forward, if we are looking at definitely the growth somewhere we are expecting in quarter 4 to be in line with somewhere around 5%, 7%, maybe for the industry, and we expect to again close to around 8% to 10% in quarter 4. For next financial year concerned, since we are coming up with a 2 million ton Guwahati, which is all trial production as informed by the Deputy MD, that trial production already started. And for all purpose, that plant will start giving us material from 1st of March.

So next year, we have this 2 million-ton extra. I think we were quite strained for material during the year. If we talk about logically, we will sell every ton of cement has been -- every ton of clinker will get converted to cement, whatever we have produced this year, and we will be able to sell that before 31st March.

So next year, we have additional volume. So we look forward to a pretty aggressive growth. As far as Star is concerned, we will definitely look for a pretty aggressive growth, and we are very sure of doing a growth somewhere in the range of 18%, 20% next year.

Shravan Shah: Okay. That's great. Second, just a couple of data points, premium share for this quarter, lead distance? And how about the profit prices in January and till February?

Vinit Tiwari: Okay. So if you talk about pricing, so in case of Northeast, there has been an improvement in the pricing although outside Northeast, there is a drop in the pricing. So in Northeast in quarter 3, we'll talk about per se, and the pricing has improved by close to INR7. But outside Northeast, like in Bengal and Bihar, there is a drop in prices almost by INR15, INR20 drop in Bihar, and similarly, around INR20 drop in Bengal. So this is what we have seen vis-a-vis quarter 2.

As far as the premium percentage is concerned. So we have -- our premium percentage has improved to 6.5% vis-a-vis 4.5% of the same quarter last year. And the growth in premium in quarter 3 has been 47%. So that has been a focus area and the growth has been reasonably well yes. Lead distance has been 215.

Shravan Shah: Okay. And trade share was how much for this quarter?

Vinit Tiwari: Come again?

Shravan Shah: Trade share, for this quarter was how much? And our KKL fuel costs?

Vinit Tiwari: Okay, 87%.

Shravan Shah: And KKL for this quarter, fuel cost?

Vinit Tiwari: Fuel cost for this quarter has been 1.75.

Shravan Shah: And for next quarter, do we expect some further possibility of reduction?

Vinit Tiwari: We expect to be at around 1.7.

Shravan Shah: Okay. And fuel mix for this quarter, third quarter, how much was contracted coal Nagaland, biomass and FSA?

Vinit Tiwari: FSA was around 12%. Biomass was around 7%. Nagaland was 26% and spot option coal was around 55%. If I talk about [inaudible] 13%.

Shravan Shah: Okay. And lastly, for net debt, if you can give the number, net cash as on December?

Tushar Bhajanka: Yes. So currently, we are about INR116 crores in positive, so we do not have any debt. But what we see is that in quarter 4, we would have to take a debt of about INR150 crores. And in quarter 1, we'll have to take our debt of about another INR100 crores. In total, by end of quarter 1, we'll have a debt of about INR250 crores, which would need to be paid in the coming quarters after that.

Shravan Shah: Okay, thank you and all the best sir.

Moderator: Thank you We have our next question from the line of Mangesh Bhadang from Centrum Broking. Please go ahead.

Mangesh Bhadang: Hi, good afternoon sir and thank you for the opportunity. Congrats on good set of numbers. Sir, my question is on the market size of Northeast. So we are adding 2 million tonnes now and another 2 million tonne grinding in it later, in, say, in '25. So how fast can we ramp this up? Do we have to aggressively take market share from incumbent players to get that kind of volumes? Or do you think that the -- basically, that if the region grows at, say, 7% to 8% or even 9%, we would still be able to ramp up the plant faster?

Vinit Tiwari: Okay. So if you look at Northeast, there are players who are coming from outside who sell close to around 1.8 to 2 million tonnes of cement comes from outside while rig players who dump cement in Northeast primarily. Then there is a natural market growth. And from the STAR perspective, if you look at, we are very high on trade, so non-trade has been 1 segment which we have left.

Further non-trade, there are big projects which are coming up in Northeast which you all must be aware about are getting announced, some hydropower projects are coming up, some big, big bridge projects are coming up. So we expect that the institutional demand, which was also good in the recent past also. It should remain good and bad. And that is a segment which is slightly untouched for us, we will be getting aggressively into that segment.

Secondly, if we look into going forward as far as the volumes are concerned, we have these outside players whom we have not competed with. Reason for that has been the volumes which we had; we were selling that volumes. So we have opportunity to compete with them and to take that share as well. And lastly, surely, we have to take our market share from the existing players also because that's where our volume will come from.

Mangesh Bhadang: And sir, the related question to that is basically, we have seen that the demand in the Eastern region, specifically in Bihar, West Bengal, Jharkhand has been very low and that has resulted in since October, we have seen pricing slide in those regions. So has that influx increased compared to earlier that from east to Northeast?

Vinit Tiwari: No, I will not say it has increased rather if we talk about the recent past, it has decreased because rake availability also gets challenged in this period of time. So the 2-point rates availability has been challenged. So the -- I think the influx -- if we talk about the recent past, it has been lower. Yes, it increased over the year, if you talk about there is an increase over last year in that volume. But in this quarter, we don't see that to be on a very high side.

Mangesh Bhadang: Okay. And sir, I think last quarter, we did -- our fuel cost was around INR1.9 per kcal, and which has come down significantly to INR1.57. So what changes to -- what was the key change here in terms of what...

Vinit Tiwari: It is INR1.75 not INR1.57.

Mangesh Bhadang: It's INR 1.75, okay.

Vinit Tiwari: So we informed last time, we have our inventory, which now with the coal prices going down, the inventory is going down because of the lower price inventory is coming up. So that's how it is placed.

Mangesh Bhadang: Okay, sir. Thank you. I will just come back in queue if I have any questions.

Moderator: We have our next question from the line of Cheragh Sidhwa from Emkay Global Financial Services Limited. Please go ahead.

Cheragh Sidhwa: Thank you very much. Am I audible?

Moderator: Yes, sir. You are audible**.**

Cheragh Sidhwa: Just a couple of questions. First one is our longer-term target. So in the previous call, we had indicated that post our commissioning the current capacities, we are eventually targeting a 20 million tonne kind of cooking in the next 10 years. So any colour on the same? Have we kind of indicated a road map or something on that?

Tushar Bhajanka: Yes. So I think we are still working on it, but I think we progressed fairly well in that direction. So we are currently working out on a mine in South and also a mine in North in Rajasthan. And I'm still unable to share the information because I think we are still in the talk. But it is going to be a greenfield expansion.

We will be buying the mines and then we'll be putting up a plant or will be getting mines an auctioning and then we will be putting up a plant. So I can't shed much light right now because, I mean, it's a bit tricky at the moment. I think by next quarter, we should have a possession of at least 1 mine in either of these locations, and we can then discuss more in detail about how we plan to grow. But yes, our target remains that in the next 7, 8 years, we'd want to be at 20 -- by end of this decade, we'd want to be a 20 million tonne something onboard.

Cheragh Sidhwa: Sure. Sure. So mostly, it will be kind of an organic expansion, not looking for inorganic at the moment?

Tushar Bhajanka: Yes, because I think most of the inorganic opportunities, which are floating around in the industry are very big for our size. Some of the smaller players in South are at the moment not willing to sell. And there is no small player left in Rajasthan or East. So from that perspective, we are focusing on growing organically. Of course, the mines may be bought inorganically, but then we'll put up a greenfield plant plant in those locations. So this is what we'll working out on and this is broadly what we are progressing with.

Cheragh Sidhwa: Sure, sir. That was helpful, sir. And 1 more question, sir. While our granting unit is been commissioned 1st of March, while our clinker unit is coming from a month or so later. So where are we planning to source our clinker till that period during that gap? Because if I'm not wrong, our clinker capacity is more or less utilized at optimum levels. So till that time till our clinker gets commissioning and gets starting from where will be resourcing our clinker for the Guwahati grinding?

Vinit Tiwari: Okay. So if you look at as far as the Deputy has already informed, we are expecting 31st March our plan to start. So it's only a matter of a month 45 days. And I think we have conserved clinker during the year to take care of our production from that unit in the month of March.

Tushar Bhajanka: So we have about 1.8 lakh tonnes of clinker stock right now and are producing at full capacity as we speak. So we do expect the stock to help us in running a new plant as well as the new plant will also not run at 100% capacity from the very start. It will take time to ramp up as well. So I think it should not be a problem. And in April, our new plant should start producing. So then the clinker shortage will not happen any which ways.

Cheragh Sidhwa: Okay. Sure. And sir, just lastly, if I may. On the prices, we saw North-eastern region witnessing INR7 to INR8 kind of a price increase in the third quarter. So what have been the trends for the month of Jan from Q3 exit levels? Are there a similar less or have you seen a decline? And similar for the other Eastern regions from Q3 exit in the month of Jan?

Vinit Tiwari: More or less it is in a status quo situation. But in quarter 4, it's a INR5- a bag pressure on prices to be there still be there. But more or less still now it has more or less it remained stable as it was industrial.

Cheragh Sid4hwa: Thank you.

Moderator: We have a next question from the line of Uttam Kumar from Axis Securities Limited. Please go ahead.

Uttam Kumar: Thanks for the opportunity, sir and congratulations on very good set of numbers. My question pertains to Siliguri unit. So sir, what was our capacity utilization during this quarter for this unit?

Vinit Tiwari: Our capacity utilization was around 47%, 48%.

Uttam Kumar: Okay. Sir. And how do you see the spending out in quarter 4?

Vinit Tiwari: In quarter 4, it will be better. I think it should be at around 52%.

Uttam Kumar: Okay. This is normally in this plant has not been operating more than 60% last March, it was around 60%. So when can we see the capacity placing of this plant is going -- moving ahead?

Tushar Bhajanka: I mean we did not try to grow in east East outside Northeast much because we had a shortage of clinker. And outside Northeast is a low price zone for us where we do not earn as much margins because 1 thing is the price reduces.

And the second thing is that the logistics cost is also high for us. So our margins are very low and outside Northeast. So that's why we never try to utilize our remaining clinker to grow outside Northeast once we get the clinker plant we'll definitely start pushing our material outwards as well, and then we can see a better utilization of LCO.

Uttam Kumar: Okay. And sir, we were also looking to develop logistics for flyers transportation for the Siliguri unit. So what is the status on that?

Vinit Tiwari: The project is underway since it requires some permission from railways. So the work is on. And very soon, we will be -- we are expecting those permission to come in. Once those permission comes in, I think then we will be able to place the orders for those wagons and which has a lead time of close to 10, 12 months to get. So we are expecting that project to get commissioned by April next year only.

Uttam Kumar: Okay. And sir, what is the status of AAC Block in Guwahati?

Vinit Tiwari: That project is also on. I think the land work has been completed. Machinery all orders have been placed. And we are expecting that project also to commission by August.

Uttam Kumar: August of this financial year?

Vinit Tiwari: This financial year.

Uttam Kumar: And sir, what is normal margin that we get in AAC by seeing AAC Blocks?

Tushar Bhajanka: So the margins in Northeast are very healthy because right now, there is a shortage of AAC Blocks in Northeast the capacity that we're coming up with and the technology that we're coming up with will allow us the margin of about 25%. And the ROC of that project would be about 20%.

Uttam Kumar: Okay. And sir, you said our premium cement is around 6.5% this quarter. So how do you see this premium -- portion of premium cement moving ahead? I mean, 10%-15% in how much time you are planning for that?

Vinit Tiwari: I think premium agenda is one of our core agendas and rather one of our biggest agenda for our volume push as well. So from where we stand today, we look forward to double ourselves by the end of next financial year.

Moderator: We have our next question from the line of Aditya Chheda from InCred Asset Management.

Aditya Chheda: So I have two questions. One, if you can quantify the incentive structure, which you are supposed to accrue from the new plants, which are due to commission soon? And if there are any other internal efficiencies which are going to help the overall EBITDA per ton for the company? And if you can quantify the same for me?

Tushar Bhajanka: Yes. I know. I think it's a good question. So basically, we are supposed to get SGST benefit in Guwahati, the new grinding unit. So first, we'll have to adjust the input credit of the capex that we did in Guwahati plant. That if we suppose commissioned the Guwahati plant by 1st of March, in the first 2 to 2.5 months, it will take to utilize the input credit that we'll get on the SGST that we spend on the project.

After that, we'll start getting the SGST benefit, that is subject to 200% of the fifth capital investment that we make in the grinding unit. And it would be per ton, it would be about INR800 per ton of benefit and that will get on about 2 million tons, which is the capacity of the new grinding unit. So, that basically would mean that on a yearly basis we would get about INR150 crores to INR160 crores of SGST benefit from that plant for the next at least five, six years. And this would also be true for the Silchar plant whenever it comes.

The second would be that in the clinker plant, we are expanding in the clinker in SCL, which is the mother company and we are going from 0.8 million tons, which is the current capacity of SCL to a 3.3 million tons we're adding. And on the 3.3 million tons till 2027, we should be getting IGST benefit on the clinker, which would materialize to about INR300 on the clinker -- INR300 per ton on the clinker on that volume that we produce, which is with the new capacity, it will be about 3 million. So this is -- these are two subsidy benefits that we are getting.

In terms of the efficiency, the new clinker plant would, of course, have a lower heat rate than the two lines that we have currently. Right now, we expect the heat rate to fall by about 40 to 45 Kcal to about 690 to 700 heat rate. And we also expect some savings on the power because again of new technology and the size. And then we also expect some savings on the fixed cost as we'll be not operating the smallest plant and operating the biggest one, which will have some synergies in terms of manpower and administrative costs.

So these are the synergies that we expect from the cost side. The other synergy that we expect from the cost side is also that during season, we have to normally dispatch from our Siliguri plant and Lumshnong plant to compensate for our Guwahati plant because of the capacity constraints. So with the new capacity come in Guwahati, we will also have the advantage that we can serve the market from L1 location, and we do not need to necessarily make divisions there because of capacity constraints. So I think that will also have a indirect benefit in the costing.

The third main benefit is in taxation. So our Guwahati plant will be coming under, it will be commencing before 2024 March, and it will be getting our taxation benefit in the sense that it will be at a lower tax bracket, not 25%, but 17%. And most of our profit would be actually 50% or 40% of our overall profitability coming from the new Guwahati plant because of the subsidy and because we'll be utilizing that at full capacity and taking care of our own plant. So from that perspective, there will be also a benefit in the taxation that we see. So these are the three main benefits that we see with the expansion.

Besides, of course, the fact that we can grow as Vinit ji said, that we'll be targeting a 20% growth. So that is, of course, the main reason why we expanded, and that benefit will come. But these are the other side benefit that will help us.

Aditya Chheda: Perfect. Thank you for the elaborate answer. Just one clarification, the SGST benefits, the cash accrues with a lag or how does that work if you can just…?

Tushar Bhajanka: It was through the quarter lag normally. So suppose this quarter's GST would be received after a quarter. So right, there's normally a three, four months lag. But in the past also, we've been very efficient in making sure that we do get the money in our bank.

Moderator: We have our next question from the line of Parth Bhavsar from Investec. Please go ahead.

Parth Bhavsar: Congratulations on good set of numbers. Sir, the first thing, I just wanted to clarify that the SGST benefit of 200% at Guwahati, you said INR100 crores to INR150 crores benefit over five to seven years. Is that correct?

Tushar Bhajanka: No, I said INR150 crores benefit every year for the next five to seven years from Guwahati plant alone and then also the same will be repeated in the future plant from next year onwards.

Parth Bhavsar: INR150 crores annually for five to seven years. Perfect. Okay. And sir, just wanted to know what sort of incentives did we accrue during the quarter?

Tushar Bhajanka: If in the quarter, we have just accrued INR6 crores from the IGST benefit in the SCL plant, which we get on the clinker.

Parth Bhavsar: Okay.

Tushar Bhajanka: And just to also -- sorry, just on that point, I would like to clarify that we have done an EBITDA of INR153 crores versus INR120 crores last year same quarter even though last year, we had a subsidy benefit of INR38 crores, which is only INR6 crores this quarter. So the profitability, if you look at on operational basis has actually gone from INR85 crores to INR86 crores to INR147 crores. If you look at the operational EBITDA. So I think from that perspective, there is a sizable increase in the EBITDA when you actually exclude the subsidiary benefit, which was there last year, which was not so much there this year.

Parth Bhavsar: So the IGST benefit was clinker unit -- clinker and SCL, you said?

Tushar Bhajanka: Yes. That was the IGST, which was only INR6 crores. And last year, that the overall benefit was INR38 crores.

Parth Bhavsar: Okay. So everything that we see is from the operations itself? Okay.

Tushar Bhajanka: Yes. Everything broadly is from operations.

Parth Bhavsar: And sir, when are these benefits getting exhausted at the IGST benefit of INR6 crores, is it getting exhausted anytime soon?

Tushar Bhajanka: No, getting exhausted in 2027 end.

Parth Bhavsar: 2027 end. Okay. Great. And sir, one other question I had on the existing and the announced capex capacity that you've announced. Just wanted to understand what are the lower-hanging fruits in terms of brownfield expansion, if you want to go for the 20 million tons of capacity. Are there any low-hanging fruits in terms of brownfield expansion?

Tushar Bhajanka: So I think because we have already taken so much capex in Northeast, putting up a 3.3 million ton clinker plant and 4 million tons of grinding unit. I think for the next four years or five years, we would not need any expansion in Northeast. Of course, we will be looking -- we'll already be planning to set up our new location for the clinker plant, and we'll start with that work.

For the next four years, I do not -- I do not think there will be a requirement for more clinker. So the natural progression would be to step outward. And we are looking at mines in south, like how I said those will be like greenfield expansion. I don't think there's any soft easy answer to that. I think we'll have to go for greenfield expansion, and we'll have to grow outside Northeast as well. Of course, with healthy cash flow coming from northeast.

Parth Bhavsar: But like I understand that you won't go for any expansion in Northeast over the next five years. But like do you have like such opportunities in like future, the market grows in Northeast or East. Do we have such opportunities?

Tushar Bhajanka: I mean, if the market grows, then definitely, I mean, we want to grow with the market and you want a 30% market share in Northeast. That is very, very clear. Right now, we were having about 24%, 25%. We are aiming at a 30% to 32% market share in Northeast, right. I mean, if the market grows more than that if there's more infrastructure spend in the Northeast than what it is right now. We'll definitely want to grow and make sure that we are there to utilize that opportunity as much as possible, right.

We are also open to having inorganic growth opportunity in Northeast as any of the smaller players who want to sell. But right now from our understanding, no one really wants to sell. So from that perspective, I think we'll definitely be up for it whenever the opportunity does come.

Moderator: We have our next question from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Sir, just a couple of things. First, in terms of the once this clinker and the grinding will start by March. So the next year, when we are saying 18%, 20% kind of growth. So, how one can look at in terms of the first year utilization so because this is also connected to the incentive that we are looking at INR150 crores and INR160-odd crores? So is it fair that in the first year, we can have a closer to 50% kind of utilization and by next year, we can have about 70%, 75% kind of utilization?

Tushar Bhajanka: So I think one thing is that the subsidiary benefit is not linked to how we utilize the new capacity right, I mean because we can always produce from a new plant, the existing volume. So I don't think it's connected to the subsidy. But to just answer your question, the utilization of the new capacity, for suppose we're setting up 3 million tons, a 3.3 million ton clinker plant. So we plan to utilize that plant at about 50% capacity.

Most of the utilization will come from the sale of cement because we plan to grow at about 20%. And some of the growth -- some of the utilization will come from selling clinker.

Shravan Shah: Okay. Okay. So -- and then at the grinding level, also the similar kind of 50% kind of utilization one can look at. So from 2 million ton, one can look at a 1 million ton kind of volume?

Tushar Bhajanka: Yes. So I think the target that we are setting is of about -- if we talk about if you plan to do about 4.4 million tons this year, and we're talking about a 20% growth, then we are talking about more than a 1 million ton growth in the cement production as well, right? So we are talking about 1.2 million to 1.3 million ton growth in the cement production. So that will, of course, come from a grinding unit in GGU because we do not have capacity in Northwest otherwise.

So we plan to utilize the new capacity of GGU by about 60% to 70%. And overall capacity utilization will be higher because other plant -- other grinding units, we are utilizing any which ways.

Shravan Shah: Okay. Got it. So even if -- as you mentioned, just to clarify again, even if we, let's say, utilize 50% clinker and 60%, 70% grinding. So despite that, the incentive, INR150 crores, INR160 crores will definitely will outflow into the P&L?

Tushar Bhajanka: No, agreed. Because what we do is that we'll -- because we also have to take some shutdown in our old plant, right, because we need to do some repair work. So what we do is that even the volume which is the whole plant is doing, we'll start doing from a new plant.

Shravan Shah: Okay. So I was trying to understand, will it -- let's say, if we have a 1.2 million, 1.3 million ton volume from the grinding unit. So as GST benefit, INR800 per ton will be multiply to that? Or is it -- because you mentioned...

Tushar Bhajanka: No, what I'm going to say is that the new plant will be operating at full capacity, right? The old plant will be operating at 1.2 million ton capacity. GST benefit any which ways.

Shravan Shah: Got it. And second, any -- I understand that it is too early, but in terms of your Rajasthan greenfield -- broadly, if you want to understand, will it be a kind of only max to max kind of a 2 million ton kind of a capacity that in the first phase, we can think of to go ahead with?

Tushar Bhajanka: Yes. So I think I said that we are looking at opportunity very closely in South and Rajasthan. We are yet to lock at least one of the two opportunities. So if we do lock that opportunity, we are looking to grow -- we are looking to put up a 2.5 million ton clinker plant and simultaneously the grinding units accordingly, right? So yes, you can be looking at around that kind of capex happening in the next two, three years, yes.

Shravan Shah: Okay. So broadly, in terms of how one can look at, let's say, 2.5 million ton clinker and maybe a 3.5 million, 4 million ton is grinding if we are looking at this, will it be closer to kind of INR2,500 crores kind of a capex that one can think of because it is a greenfield?

Tushar Bhajanka: Yes, it will be about INR2,500 crores kind of capex for the year. Over the next 2.5 years, it will be a INR2,500 crore capex.

Shravan Shah: Okay. And anything broadly for this quarter, if somebody looks at definitely -- so now the incentive will be start showing in P&L, our profitability will start again still improving from here on. But for the third quarter, if I have to look at in terms of the profitability, Northeast versus East where -- because last quarter, we have talked about it is kind of a INR300 kind of profitability in the outside Northeast. So was the number same for this quarter?

Tushar Bhajanka: Yes. So the numbers were about INR300 outside Northeast and about INR1,700 -- INR1,800 in Northeast and INR300 outside Northeast.

Moderator: We have our next question from the line of Rajesh Kumar from HDFC Securities. Please go ahead.

Rajesh Kumar: Congratulations on good set of numbers. My question pertains to first this outside Northeast expansions which you're talking about and probably 10 million ton capacity enhancement over next four to five years. And because this would largely be greenfield. So 10 million ton would entail around INR8,000 crores capex. And how do you plan to fund this? Because that could be quite sizable from the current balance sheet and the operating cash flows with the company would be making from the Northeast operations?

Tushar Bhajanka: Yes. So I think we plan to add about 10 million ton besides the plan that we've already been working on. That's the target for 2030, so we have about six years. So I think a function of it is, of course, our own accruals, which we think are going to be very healthy in the coming years, right, because of the GST benefit because of the market in Northeast because of all the efficiencies which will come along with the new capacities. And the other would be other ways of raising finance, right, which may be at some point, raising money from the market, depending on the opportunity and the size of opportunity which comes.

As a family, we are very flexible in availing those opportunities, and we do not want to hamper the growth of the company for the lack of finance. So whenever we do need finance, we'll make prudent choices in financing it. So that the company is risk free. At the same time, we are able to march towards what we targeting.

Rajesh Kumar: Okay. And sir, in the -- you talked about incentives on the both the grinding units. But on clinker plant, is there any clarity which has come through what sort of incentive may accrue when you commission it by March end, and for next financial year, one should look at?

Tushar Bhajanka: Yes. So I think we are looking at a benefit of INR300 per ton on the clinker that we produce from the new clinker plant. And what we would try is to make sure that we utilize the new clinker plant as much as possible, not only because of the benefit, but because it is more efficient to run the bigger clinker plant rather than the smaller ones.

Rajesh Kumar: Right. So it is on a production basis only, right, and not to which unit where you are selling this clinker to?

Tushar Bhajanka: No, it is based on the production only.

Rajesh Kumar: Okay. And Silchar -- the incentive would be linked to sales in?

Tushar Bhajanka: No, this will be linked -- this is GST benefit.

Rajesh Kumar: Correct. No, clinker, I understood. The Silchar grinding unit next year which comes into...

Tushar Bhajanka: Silchar would be linked in Assam as well. So that would be a GST benefit in a sense.

Rajesh Kumar: So how do you -- how are you looking at the Assam market? Because you have 3 million ton, which you would be ramping up? And what is the market size of Assam market and for you to maximize the benefit, how much sale you need to...

Tushar Bhajanka: So this year, for example, we'll be doing about 18 lakh ton of sales in Assam alone. The coming financial year, I'm targeting to grow by about 20%.

Rajesh Kumar: Around 2.2 to 2.3.

Tushar Bhajanka: Yes. So 2.2, 2.3 it will reach to, right? I plan to get the grinding unit in the next financial year -- next to next financial year, right?

Rajesh Kumar: FY'26 end it will be there.

Tushar Bhajanka: Yes. So FY'26 September, it should be there, August to September, right? So by that time, my sales should be about 2.6 million ton in Assam alone.

Rajesh Kumar: And what would be the market size of Assam?

Tushar Bhajanka: The market size of Assam is about 65% of the Northeast market.

Rajesh Kumar: Which would be 5 million ton; 4 million ton, 5 million ton.

Tushar Bhajanka: 7 million to 7.5 million ton.

Rajesh Kumar: Total market size you're saying, right?

Tushar Bhajanka: Yes, over time, yes.

Rajesh Kumar: No, Assam, you're saying 7.5 million ton or Northeast is how much you are looking at?

Tushar Bhajanka: Northeast is about 13 million ton.

Rajesh Kumar: 13 million ton, okay. So 7.5 million ton. And there you are looking to charge at around 2.5 million, 3 million ton if you're optimizing more the units?

Tushar Bhajanka: Yes.

Rajesh Kumar: So 30%, 35%. So you're not going -- looking to corner out significantly and hence, less risk to your numbers, right?

Tushar Bhajanka: I'm sorry?

Rajesh Kumar: No. The market size is good enough for you to efficiently sell your volume?

Tushar Bhajanka: Exactly. And market is also growing.

Rajesh Kumar: Market is growing from that perspective I was looking at it. Okay. And lastly, this Q4, your incentives from the existing clinker unit, beside GST benefit will be going away, right? And next year, you will have only the major incentives from the new units?

Tushar Bhajanka: No. So I mean all the incentives which had to go are already gone. The incentives that we have of GST, which was about INR60 crores will continue till 2027. It is the same benefit which is continuing in the new clinker plant also because the new clinker plant isn't the same company as the existing one. So the same benefit is actually passing on to the new clinker plant also and that clinker plant will also have the benefit till 2027.

Moderator: That was the last question for today. I now hand the conference over to management for closing comments. Thank you, and over to you.

Tushar Bhajanka: So I would just like to thank everyone for asking questions, for showing the interest in the company and for following up with the company over a few last two years, and we look forward to having more calls and more questions from you next time. If there's any question, any query that one has on the results, they can definitely reach out to the CFO, and they can ask their query, happy to answer. Thank you.

Moderator: On behalf of Emkay Global Financial Services Limited, that concludes this conference, and you may now disconnect your lines. Thank you.