Star Ferro and Cement Limited

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31st March 2015

The Secretary
Bombay Stock Exchange Limited
Corporate Relationship Department, 1st Floor
New Trading Ring, Rotunda Building, P. J. Tower
Dalal Street, Fort
Mumbai - 400001
Scrip Code: 536666

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G, 5th Floor
Bandra-Kurla Complex
Bandra (E), Mumbai- 400051
Scrip Name: SFCL

Dear Sir,

Subject: Investor Presentation March 2015

An Investor Presentation for March 2015 has been prepared and the same has been disseminated in the Company's website www.starferrocement.co.in. We are enclosing herewith a copy of the Presentation for your information and record.

Yours faithfully,
For Star Ferro and Cement Limited

D. Thakurta
Company Secretary

Corporate Office : Satyam Tower, 3, Alipore Road, 1st Floor, Unit No. 9B, Kolkata-700 027, Ph.: 91-33-2448 4169/4170/4693, Fax : 2448 4168

STARCEMENT
Solid Setting

Star Ferro and Cement Limited (SFCL)

Investor Presentation

Cementing growth.
Branding success.

BSE Scrip code: 536666
NSE Scrip code: SFCL

March 2015

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This presentation contains certain statements of future expectations and other forward-looking statements, including those relating to our general business plans and strategy, our future financial conditions and growth prospects, and future developments in our industry and our competitive and regulatory environment. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential or continue' and similar expressions identify forward looking statements.

Actual results, performances or events may differ materially from these forward-looking statements including the plans, objectives, expectations, estimates and intentions expressed in forward looking statements due to a number of factors, including without limitation future changes or developments in our business, our competitive environment, technology and application, and political, economic, legal and social conditions in India. It is cautioned that the foregoing list is not exhaustive.

This presentation is not being used in connection with any invitation of an offer or an offer of securities and should not be used as a basis for any investment decision.

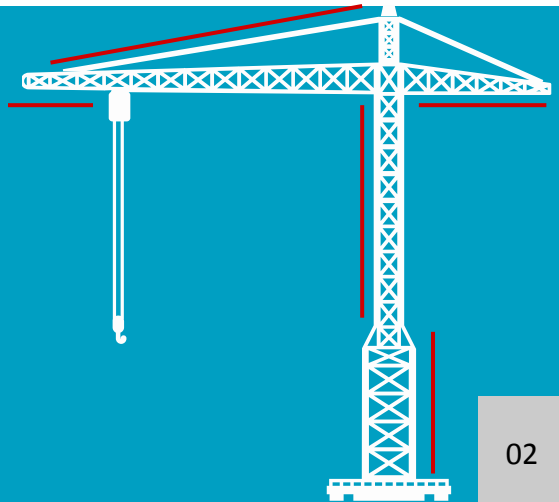
From North East to East

From Growth to Efficiencies

From Commodity to Brand

From Capacities to Capabilities

We are expanding the growth horizon and creating a differential.



The Birth of a Star

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Solid Setting

- 2001 The Star was born
- 2005 Operations commenced
- Largest Cement manufacturer in NER

- Emerging market player In Eastern India (WB, Bihar & Jharkhand)
- Star Ferro and Cement Limited (listed on BSE & NSE)
- Cement & Ferro Alloys two business verticals
- Cement Business operates under CMCL & its subsidiaries

- Star Anti-Rust Cement is a marquee product in the value-added segment – sold in NER & Bihar
- Quality endorsement ISO 9001:2008, ISO 14001:2004 and OHSAS 18001 certified

NER: North East Region

Counting the Stars

STAR CEMENT
Solid Setting

₹ 1,650 Crores
Largest private sector investment in North Eastern Region (NER)

₹ 952 Crores
Turnover recorded in 9M FY 2015

23%
Market share in NER – biggest pie in the region

₹1,800+
Highest per ton EBIDTA for a cement player in the country

2,000
Dealer Network

4,000+
Retailer Network

80:20
Trade sales vs Non Trade Sales

8 years
More of financial incentives from government

11
States presence

4,700
#No. of technical services provided to the end-users

*9M FY 2015
NER – North Eastern Region includes Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim

During FY 14-15

The Star Bandwidth

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Solid Setting

Star Ferro and Cement Ltd.

- Manufacturing of Ferro Alloy & Power Generation

Promoters — 29.52% — 70.48%

Cement Manufacturing Company Ltd. ('CMCL')

- Clinker manufacturing capacity of 0.80 mtpa at Lumshnong
- Grinding Unit with capacity of 0.59 mtpa at Lumshnong
- Grinding unit with capacity of 1.60 mtpa at Sonapur, Guwahati, Assam
- Hired 0.40 mn ton grinding units in WB

100%

Megha Technical & Engineers Pvt. Ltd. ('MTEPL')

- Grinding unit with capacity of 0.67 mtpa at Lumshnong
- Power generation capacity of 9MW (DG Set)

12.51%

87.49%

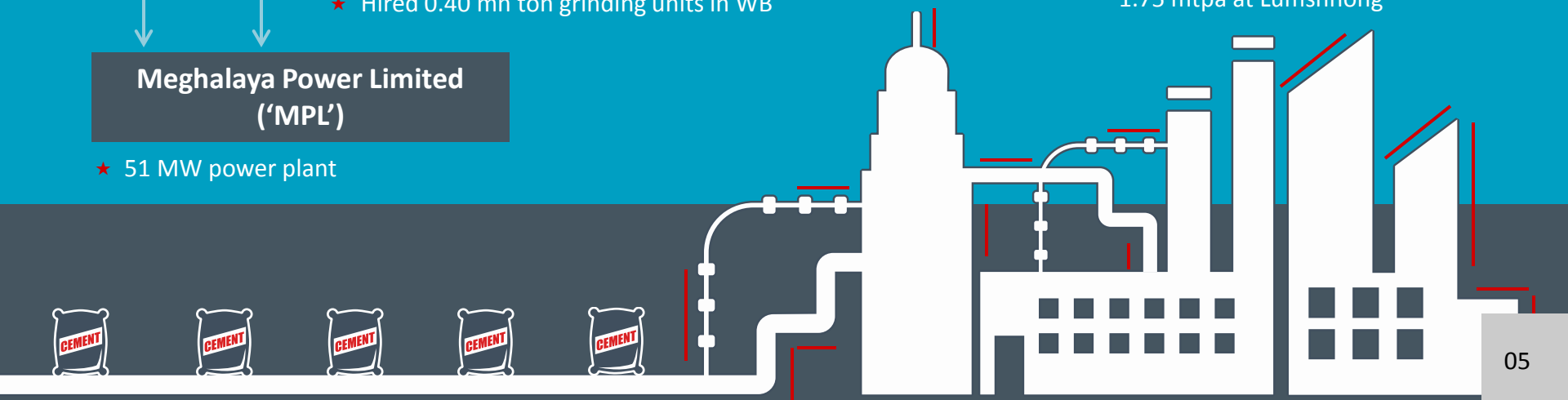
Star Cement Meghalaya Ltd. ('SCML')

- Clinker manufacturing capacity of 1.75 mtpa at Lumshnong

49% — 51%

Meghalaya Power Limited ('MPL')

- 51 MW power plant



Strong NER Roots

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Solid Setting

Promoters have strong links with NER - a crucial factor behind SFCL's success

Mr. Sajjan Bhajanka, *Chairman & MD*

Experience

- Graduate with 45 years of industry experience in Plywood, Laminates, Ferro-Alloys, Tea and Cement Industry

Other Memberships

- Chairman of Century Plyboards (I) Ltd
- Considered as icon of Indian Plywood industry
- President of Federation of Indian Plywood and Panel Industry & All India Veneer Manufacturers Association
- President of 'Friends of Tribals Society'

Mr. Rajendra Chamaria, *VC & MD*

Experience

- Rich experience of 30 years in cement and concrete sleepers industry with excellent project execution skill and production knowledge

Other accolades

- Well conversant with all acts, bylaws and procedural matters relating to Environmental and Forest Act, Factories Act and Commercial & Labour Laws

Mr. Sanjay Agarwal, *Managing Director*

Experience

- Graduate with 30 years of industry experience

Other memberships and accolades

- Instrumental in successful marketing and branding of 'Century Ply' and 'Star Cement'
- CEO & MD of Century Plyboards (I) Ltd.

Mr. Brij Bhushan Agarwal, *VC & Director*

Accolades

- Driving force behind Kolkata based Shyam Group of Companies, the leader in steel manufacturing in Eastern India

Other Directorship

- MD of Shyam Sel & Power Ltd.

Mr. Prem Kumar Bhajanka, *Executive Director*

Experience

- Graduate with 30 years of industry experience

Other accolades

- Excellent site management and project execution skills
- Instrumental in execution of CMCL's projects

Professional Management

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Solid Setting

Key Management personnel running the organisation in a very professional manner

Mr. Pankaj Kejriwal, *Executive Director*

Education

- Chemical Engineer with experience of over 15 years

Responsibilities

- Sound knowledge of technical aspects
- Responsible for erection & commissioning of new projects

Mr. Jyoti S. Agarwal, *President, Sales & Marketing*

Education & Experience

- M. Com with varied experience of over 30 years in cement industry

Other experience

- Worked at senior positions in Aditya Birla Group and Ambuja Cement Limited

Mr. Prakash Panda, *Sr. GM (Human Resources)*

Education & Experience

- MBA in HRM & LLB with 24 years experience

Other experience

- Worked at Senior positions in Bharti Airtel and Reliance Communications

Mr. Sanjay Kr. Gupta, *CEO*

Education & Experience

- FCA with varied experience of over 22 years with 18 years in the cement industry

Responsibilities

- Responsible for overall growth & profitability of the company and meeting company's operating & financial goals

Mr. Dilip Kr. Agarwal, *CFO*

Education & Experience

- FCA with varied experience of over 24 years including 16 years in the Cement industry

Responsibilities

- Responsible for F&A, Taxation, Statutory Compliance & Vendor Management

Mr. A.K. Sinha, *Senior Technical Person*

Experience

- 44 years of rich experience in cement industry

Other experience

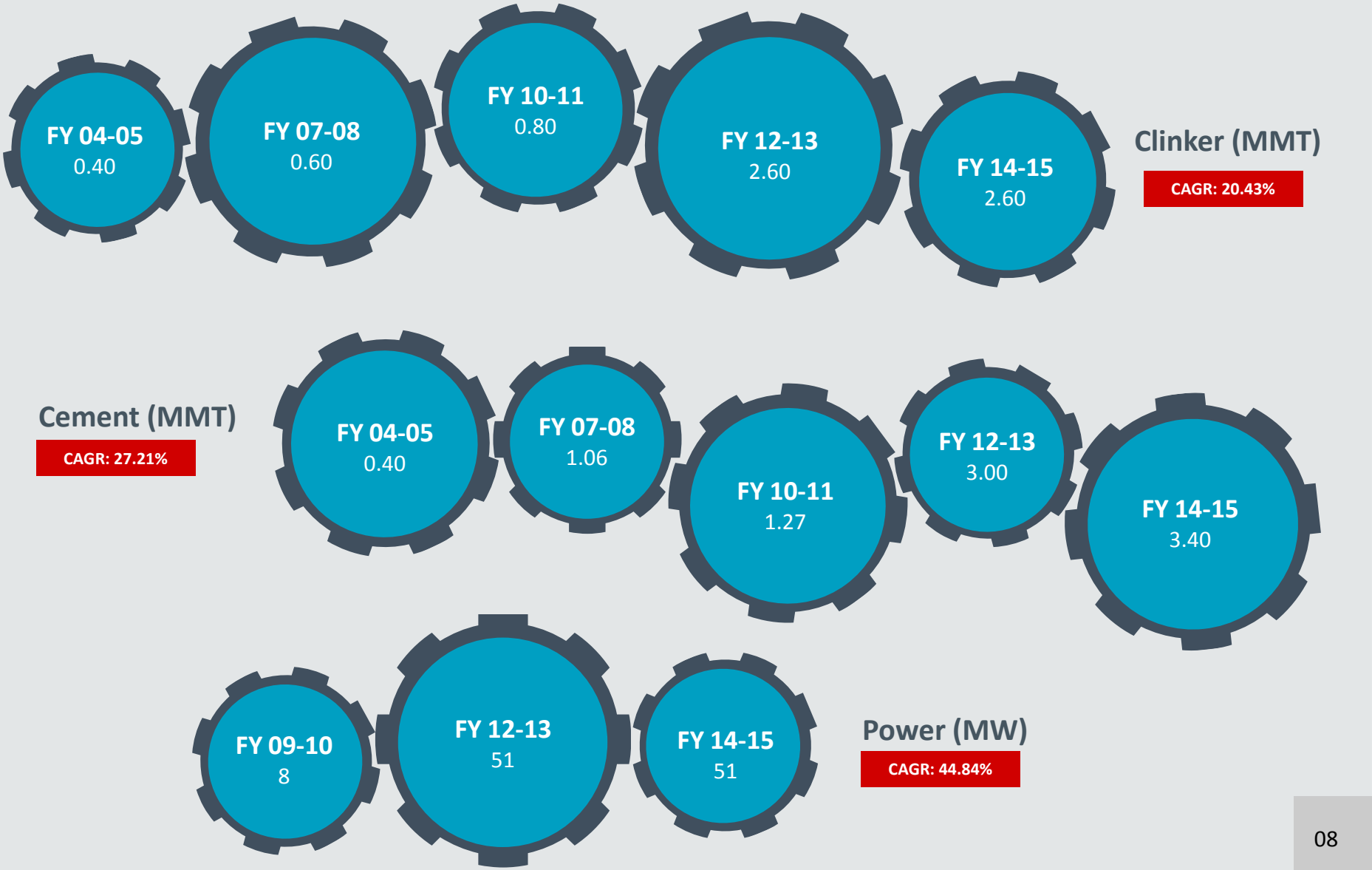
- Worked for 17 years in Birla Corp. and 19 years in CCI

Responsibilities

- Contribution in project planning, process and machinery, techno-economic evaluation etc.

Journey of a Star

Cumulative capacities at the end of financial years



What Makes Star Cement Tick?

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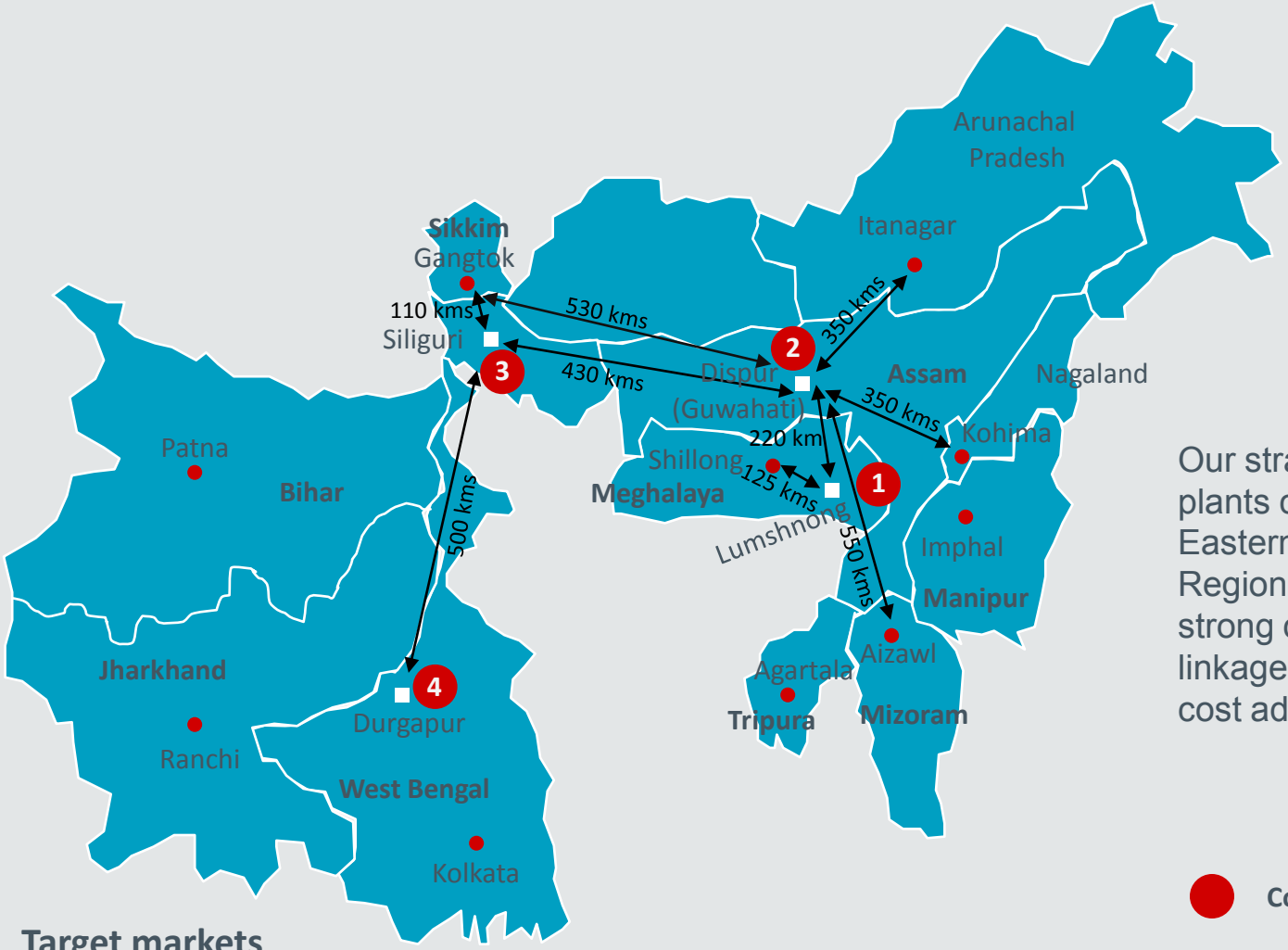
- Strategic Location, Proximity to Raw Materials & Market
- Adequate plant capacities to cater to the market
- Dependable raw material source and easy availability of power
- Beneficiaries of fiscal incentives
- Well-established brand in NER with strong consumer focus
- Superior Brand mix and innovative marketing strategies
- Market dominance steered by strong network and retail-centric business model
- Strong NER roots
- Successful Financial Track record - Highest EBITDA margins in the industry
- Eyes on replicating the success of NER to Eastern India

A look at each of our trigger strengths……

Location Advantage: The Game Changer



Our strategically located plants cater to the Eastern & North Eastern Regions, giving us strong customer linkages and competitive cost advantage

Company's plants

Distance to markets

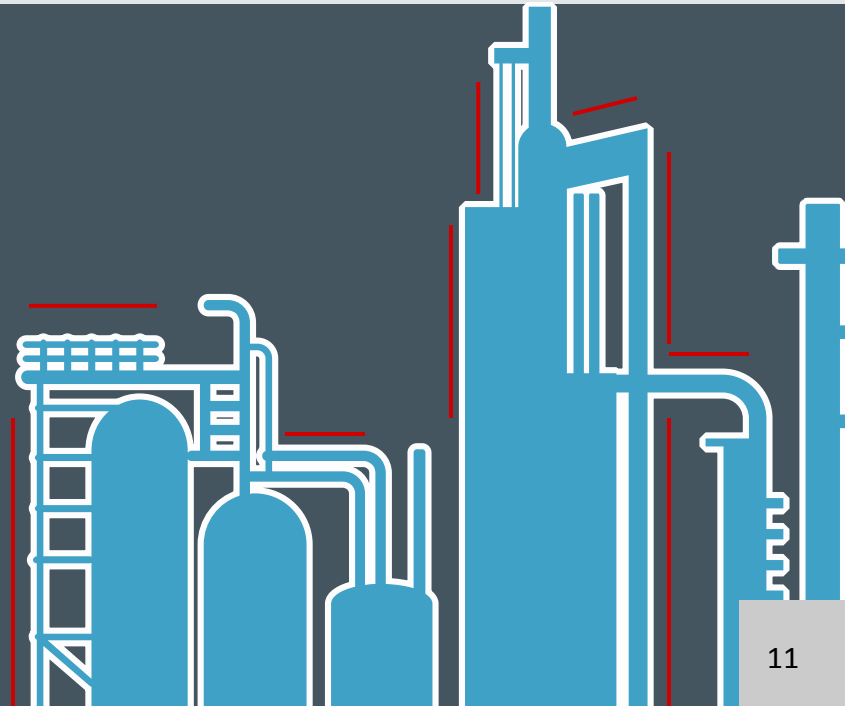
Target markets

Assam, Meghalaya, Arunachal Pradesh, Manipur, Tripura, Nagaland, Sikkim, Mizoram, West Bengal, Bihar, Jharkhand

The Star Logistics Edge

- Limestone mines are located within 2-3 kms of our plants, providing strong raw material linkage, easy accessibility and uninterrupted supply of raw material
- Coal is available in close proximity, ensuring cost and operational efficiencies
- Availability of coal also provides strong back-up for the Company's 51 MW power plant
- When compared to peers, our strategically located plants cater to the Eastern & North Eastern Regions, helping us optimise and rationalise costs.

Proximity to raw material leads to lower logistics costs, which otherwise constitute a significant component of the overall cost of production. This, coupled with the ability to supply at the doorstep of customers and end-users through a well-established dealer-distributor network, gives us a distinct advantage compared to our peers.



The Star Strategic Edge

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Solid Setting

- Untapped NER and Eastern markets have strong potential for further growth
- Over the last few years, cement arrivals in NER from mainland players has come down to 10% from 30% - owing to strong location advantage for the existing players in NER
- Strong entry barriers for new players in these regions
- No new capacities in pipeline in NER
- Captive mines that are home to high quality limestone having calcium oxide content greater than 49% (higher than rest of India), having limestone reserves of more than 80 years
- Availability of high quality coal in proximity
- Star's established presence, extensive distribution network and high brand recall

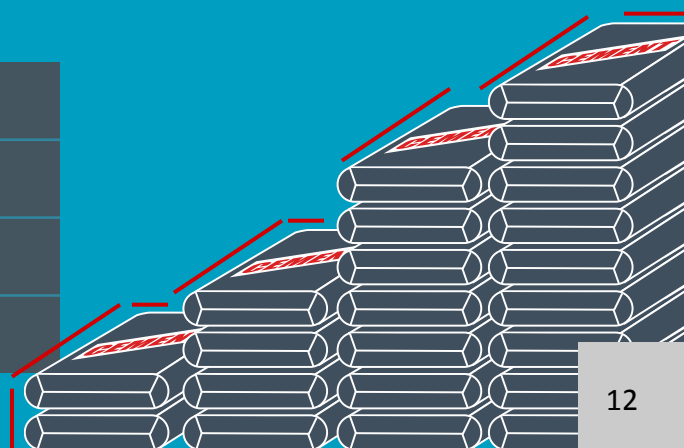
Star enjoys the highest volume growth in NER and has adequate capacities for 25% growth target over the next two years, allowing it to serve the high potential market

Manufacturing	Units
Meghalaya	4
Assam - Guwahati	1
WB (Hired Units)	2

Capacity	
Cement (Mn Ton)	3.40
Clinker (Mn Ton)	2.55
Power (MW)	51.00
Ferro Alloy	9MVA x 3*

* Furnace Capacity

WB – West Bengal



The Star Fiscal Edge: Financial Incentives

STARCEMENT Solid Setting

SFCL's plants enjoy many fiscal benefits granted by Central / State Governments

	Exemption	Balance Exemption period			
		SCML	CMCL-GGU	CMCL-LMS	MTEPL
Income Tax	100% under Section 80 IE, subject to MAT	8 years	8 years	-	2 years
Excise Duty on					
Clinker	75%	8 years	-	2 years	-
Cement	75%/36%^	-	^8 years	2 Years	^2 years
Central Sales Tax	99%	5 years	-	-	-
VAT	99%^^	5 years	₹ 294 Crs / 5 years	-	-
Freight Subsidy					
Inward					
Within NER*	90%	-	-	-	-
Outside NER	90%	-	-	-	-
Outward		3 years	3 years	-	-
Within NER*	50%	-	-	-	-
Outside NER	90%	-	-	-	-
Capital Investment Subsidy	30% of Investment in Plant & Machinery	One time	One time	-	-

^^At GGU unit, VAT exemption is 99% upto 200% of FCI ^ 75% for integrated units and 36% for standalone grinding units

*Freight subsidies are not available for intra-state movements

Powering Growth

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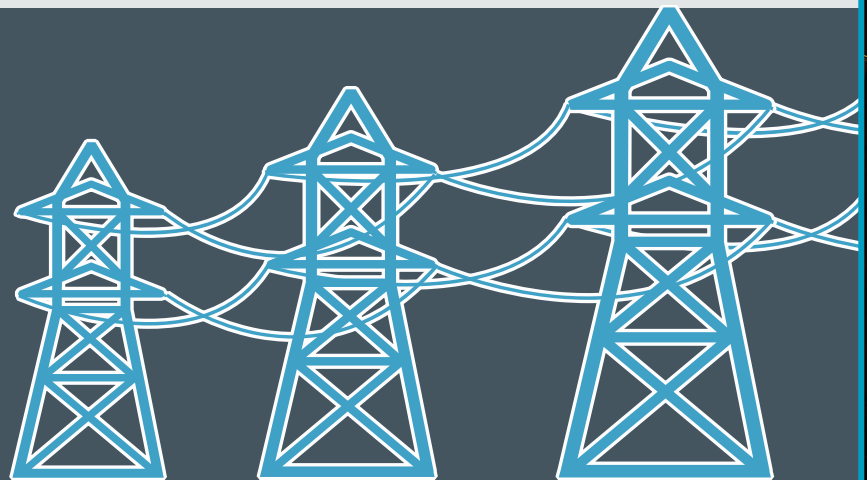
Solid Setting

Power

- Availability of best quality low cost coal ensures increased benefits for power plant
- Captive power ensures non-dependency on grid power
- Fly ash generated from power plant is used in cement plants at almost nil cost

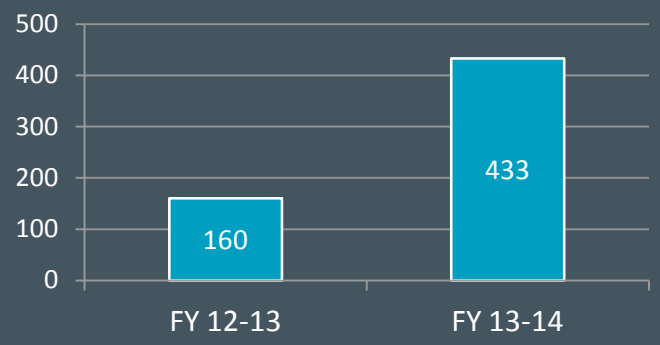


The Mark of a Star: Branding Success

- For Star Cement, cement is not merely a commodity and therefore, we do not sell cement, rather we build and sell brands
- Our Brands have a very high recall value, enabling repeat customers
- Star is the most preferred brand in NER and enjoys deep consumer trust

Concentrated launches in select markets backed by strong budgets, innovative aggressive marketing and sufficient plant capacities

Advertising and Brand Promotion spends annually (₹ Mn)



Annual spend targeted from FY 15 onwards: ~ ₹ 500 Mn

Regular Brand Investment

- Aggregate Brand investment of ~ ₹ 1,500 Mn in the last decade
- Very aggressive campaign for Brand Launch in WB, BH & JHK

Celebrity endorsements

- Debojit Saha, Saurabhee Debbarma, Lou Majaw, Mami Varte & Late Bhupen Hazarika

Awards and Accolades

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Solid Setting

Award for 'Most preferred Cement brand' for 5 years consecutively at the North East Consumer Awards

Awarded first prize in the Thermal Power Station Sector - National Energy Conservation Award, 2014

Most preferred cement brand by AREIDA from 2010 to 2013

Limestone Mines in Khub stood 'First' in the category of Overall performance during North East Metalliferous Mines Safety Week in 2011-12

ICC Environment Excellence Award 2012 (Category: Large Business Organisation

Greentech HR Silver Award 2012, for Outstanding Achievement in Best Strategy

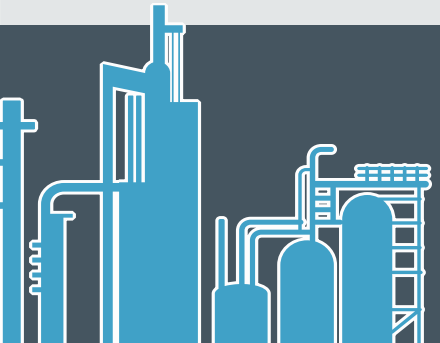
Silver awards (Cement sector) at Greentech Environment Awards, 2010 & 2011

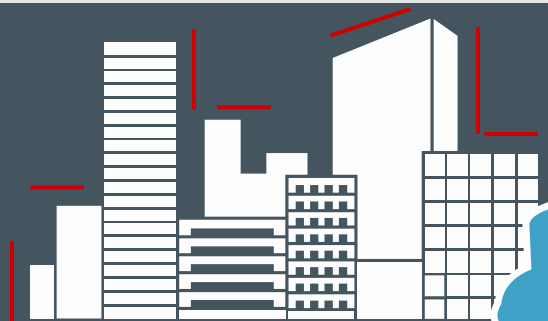
Award from Indian Chambers of Commerce (ICC) in Business category For Substantial Contribution and Social Development of the NER region in 2011

Silver award at The Economic Times India Manufacturing Excellence Awards 2011 (Manufacturing and Supply Chain excellence)

Assam Udyog Bikash Award in 2009, in recognition of the Outstanding Contribution to Assam economy through the MSME sector

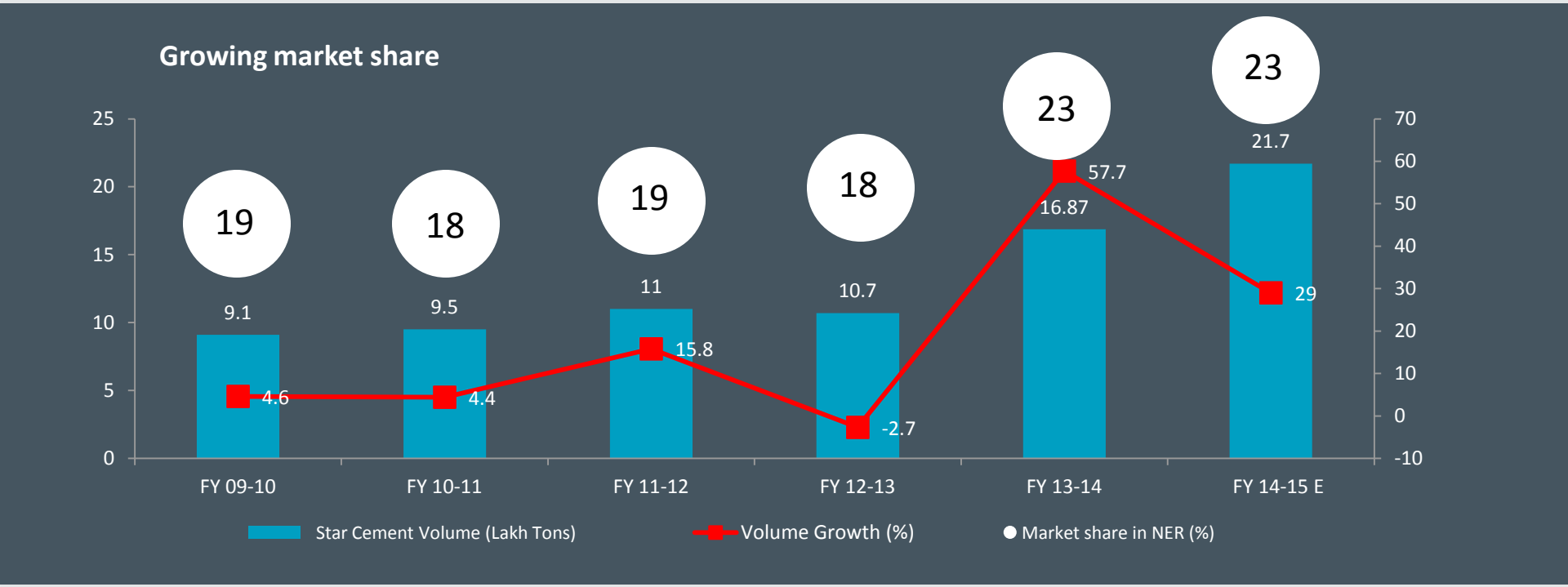
Certificate of Special Merit for research paper at 11th NCB International Seminar on Cement and Building Materials, 2009





The Star Shines Bright and Strong

- Enjoys a leadership position in the North East with 23% Market share
- Gradually increasing share in the Eastern region through concerted efforts
- Strong dealer and distributor network built over the years, steering year-on-year growth, enabling leadership position in market



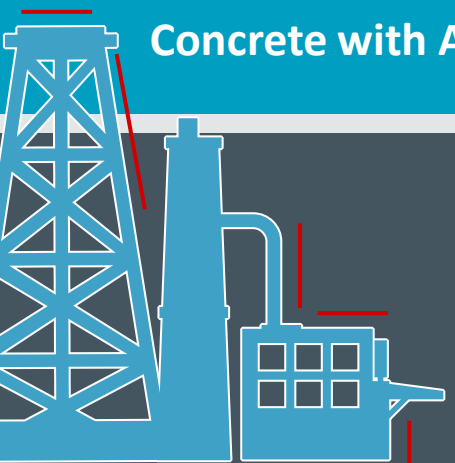
Highest Volume in NER and adequate capacities for 25% growth over the next two years

Marketing the Star Brand

Innovative strategy, large distribution network, pioneering initiatives

- Pioneers in initiating distribution through direct network, i.e. Dealers rather than C&F agents in NER
- Building Brand in markets of West Bengal, Bihar and Jharkhand
- Consumer-centric strategic approach - initiated attractive schemes like 'Kismat ki Bori' offer, 'Dhan Varsha', Gifts to dealers, masons, customers etc.
- Out-of-the box marketing strategy to attract maximum potential consumer base - advertisements at 'Pan' Shops, local TV, in addition to the traditional billboard/hoarding advertisements

Recently launched premium quality Star Anti-Rust Cement (Innovative product for Concrete with Anti-Rust properties)



Marketing the Star Brand

Innovative strategy, large distribution network, pioneering initiatives

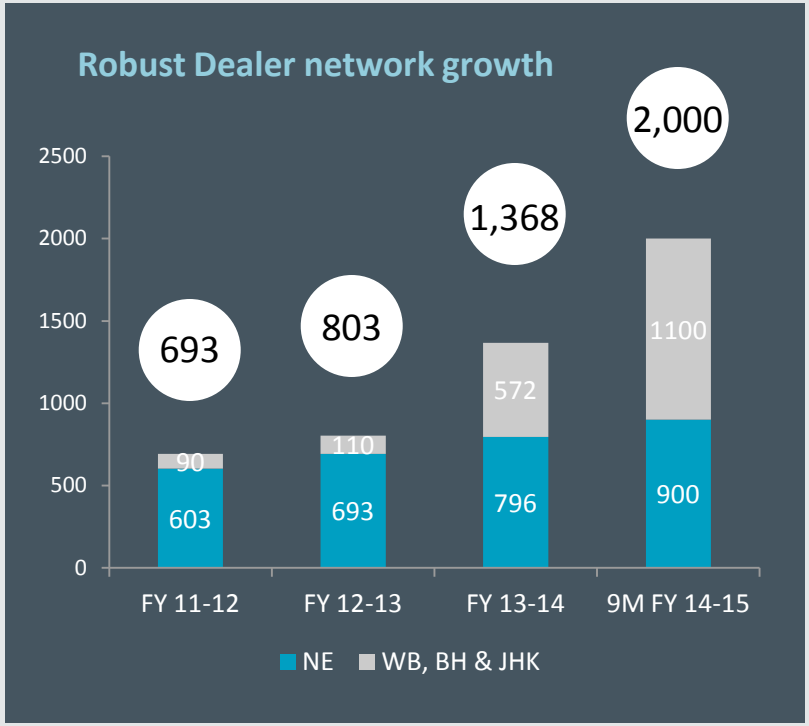
Technical assistance to retail consumers to ensure better connect - drives demand and builds brand confidence

- Value-enhancing technical marketing for customers
- On-site technical support to customers through unique concept of mobile vans manned by experts

- 'SMS' helpline for customer education
- Toll-free Customer care number
- Star Tech Conferences - a unique forum to bring together engineers, professors and experts for value enriching discussions

Retail-driven Marketing strategy

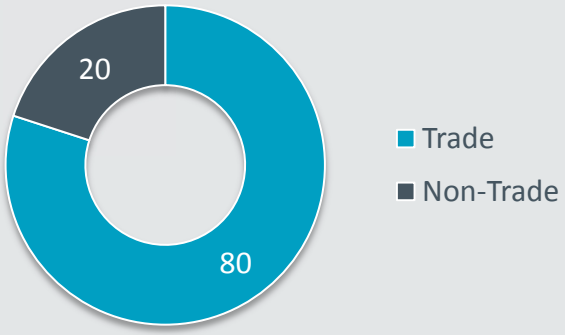
Distribution Network	
Retailers	4,000+
Dealers	2,000



- Distribution network spread across 11 states
- While our peers adopted the wholesaler model, we have built on our strong network of partners over the last decade
- The result – Deeper penetration, greater reach, higher market share

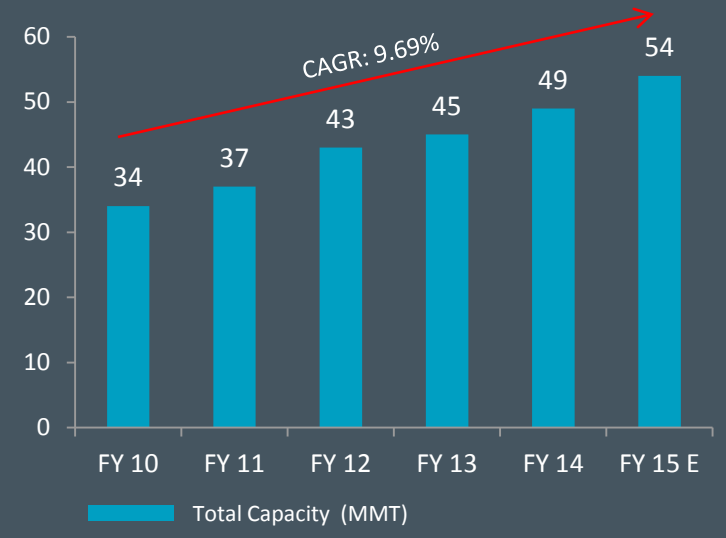
- Higher proportion of trade sales resulting into higher Cement realisation per ton

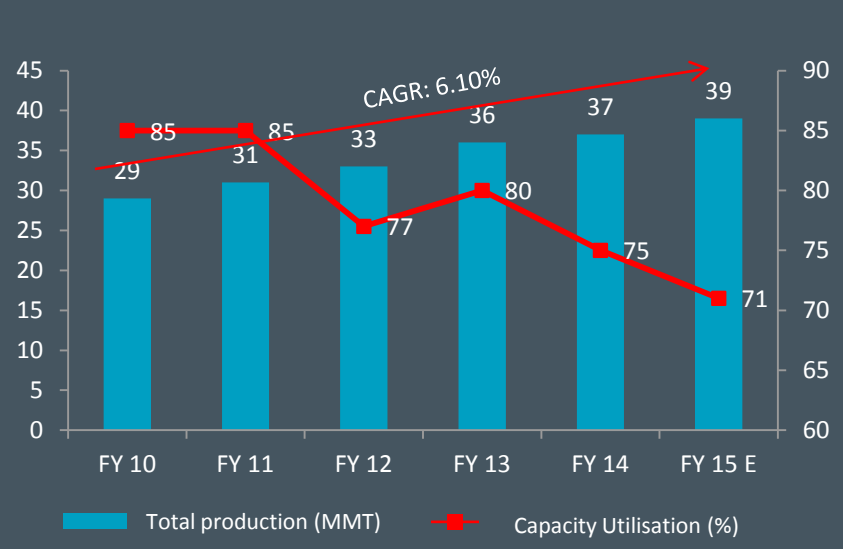
Sales mix (%)



Opportunities Beckon… and Star's Journey Continues

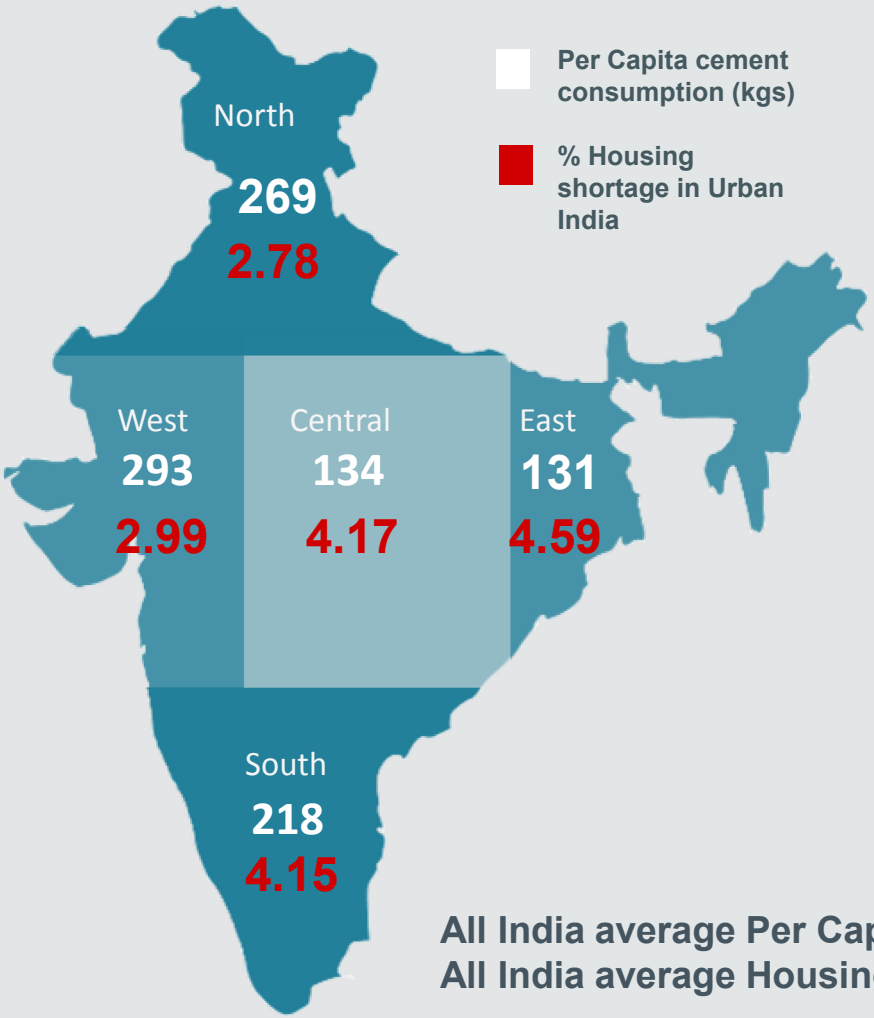
East India: Huge Untapped Potential





- Cement production in the Eastern regions has grown at a CAGR of 9.69% and is expected to grow at a CAGR >10% in the next 5 years
- Demand is expected to grow at a steady pace through increased allocation
- Government focus on infrastructure to boost growth through increased allocation in housing, infrastructure and commercial real estate segments will drive the cement demand
- Special focus on rural and semi-urban areas through large infrastructure and housing development projects

East India: Huge Untapped Potential



Per capita cement consumption in East is the lowest, thus underlining huge potential for growth

Housing shortage in Urban India - Of the total housing shortages in urban India, East alone contributes to 15%. East and Central put together contributes ~37% of all India urban housing shortages

At 131 kg, per capita consumption is among the lowest in East (national average – 210 kg per year)

WB, BH, JHK account for urban housing shortage of 2.52 million units (15% of national housing shortage is accounted by East India)

Demand for cement is expected to grow in high single digits in East India

A pick-up in infrastructure development will trigger cement consumption demand in these states

All India average Per Capita cement consumption - 210 kg
All India average Housing shortage in Urban India - 18.68%

WB – West Bengal | BH – Bihar | JHK – Jharkhand

North East Region: An Expanding Opportunity Landscape

8 states with abundant **Natural Resources**
Limestone, Coal, Dolomite, Quartz, Granite, Sandstone, Shale

Special Category **States with NEIIPP**, 2007 & State Policies supporting Industrial Investments

Separate **Ministry for the Region** – Doner (Development of North Eastern Region) to **boost development**

Central government's infrastructure development thrust

Roads - Special Accelerated Road Development for North East (SARDP-NE) and National Highway Development Programmes (NHDP) in NER for 10,141 kms at est. Cost ₹ 33,500 Crores.*

Airports - 5 sanctioned, 8 in pipeline, ₹ 5,000 Crores Investment is expected during next 10 years

Railways - 20 ongoing new line, gauge conversion & double line projects in NER being executed at an estimated cost of ₹ 38,360 Crores

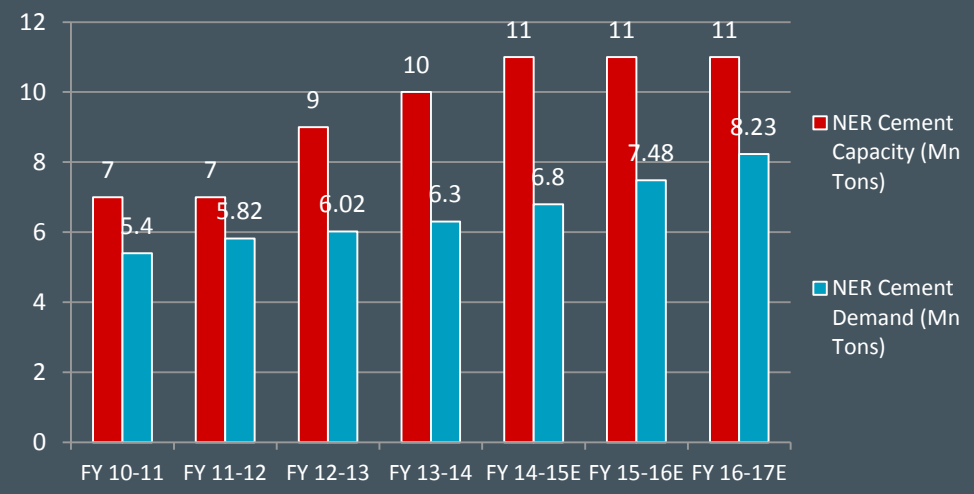
Hydro Power - Largest Hydro power potential in India is in NER with 98% still untapped, 63000 MW of Hydro Power capacity identified; 14000 MW already allotted to Pvt. Players which will result in ~14 Mn Tons of Cement Demand

Non-Lapsing Central Pool of Resources – Unspent amount of **10%** Budgetary allocation for **NER Infrastructural Development**

Vision 2020 & Look East Policy – Focused on boosting trade investments and relationships with **neighbouring countries**, thereby opening up greater infra development opportunities

**Four-lane concrete roads are expected to shore up cement demand– 2,000 tonnes of building material goes into creating every 1 km of road (Source: The Hindu Business Line, January 27, 2015)*

North East Region: Opportunities Galore



Five-year Plans	2007-2012	2012-2017	2017-2022
NER GDP Growth	10%	13.7%	16.4%
NER Per Capita growth	8.6%	12.4%	15.2%

- 10% p.a projected growth of cement industry (CAGR of 7% in last 5 years)
- Potential for growth - current per capita cement consumption is 142 kg
- Major players - Star Cement and two others - catering to 65% of cement demand and deriving benefit of economies of scale
- Consolidation on the cards as small players expected to be edged out eventually
- No new major capacities in pipeline in the region
- Cement arrivals in NER from mainland players have come down from 30% to 10% - gives advantage to players in NER

The Star is Set to Shine Brighter: More Frontiers of Growth

STARCEMENT
Solid Setting

- Further growth in high potential areas by leveraging operational and financial efficiencies
- Seize the growth opportunities in NER, Eastern Region – partner the government's initiatives to boost infrastructure
- Strengthen and expand dealer/distribution network to capture Eastern markets and deepen penetration into NER
- Explore and tap new markets to boost margins
- Grow product portfolio with new, niche and quality brands
- Set-up capacities to cater to incremental demands of the region
- Build on trading strengths, retail services
- Expand technical services to enhance customer service and brand building
- Enhance brand recall through innovative marketing strategies, more CSR initiatives

Ferro Alloy Business

STARCEMENT
Solid Setting

- **Plant location:** Meghalaya
- **Advantages:** Synergistic business, abundant raw material availability, entitled to few fiscal incentives (dependant on performance of the steel industry)
- **Share of Business:** Ferro Alloy Business contributes 9% to the topline and 4% EBITDA of SFCL
- **Capital Employed:** Capital Employed on consolidated basis includes 8% of Ferro Alloy Business
- **Process:** Highly power intensive (~40% of total costs) – Captive power plant ensures uninterrupted production
- **Synergies:** Power plant provides opportunity to remain operative even during non-peak Ferro Alloy season

The Numbers Speak: Successful Financial Track Record

STARCEMENT
Solid Setting

Cement Business

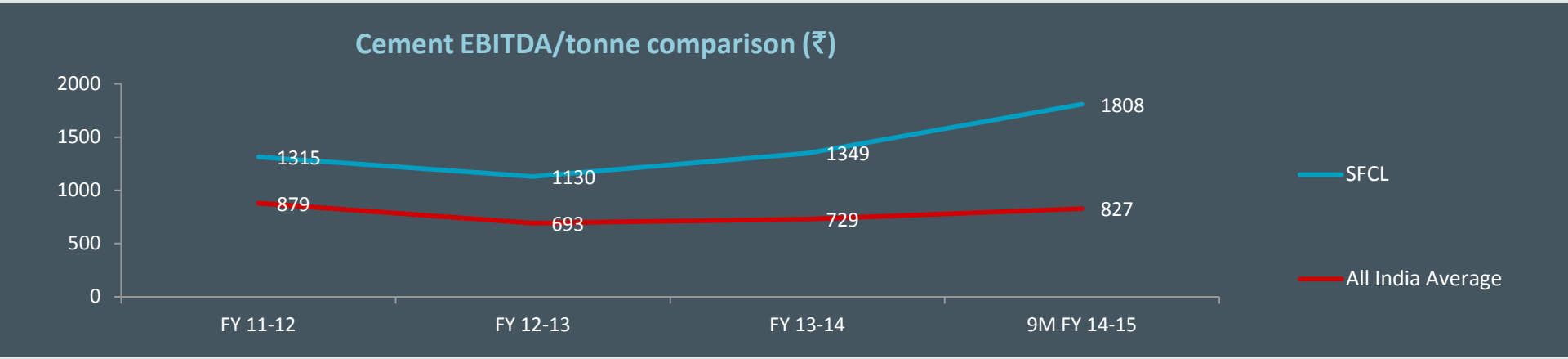
CONSOLIDATED FINANCIALS

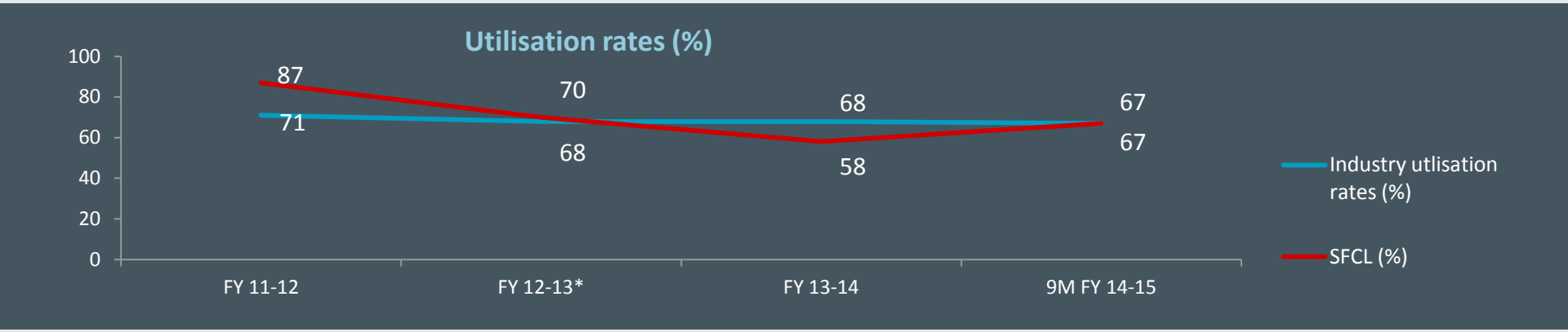
In ₹ Crores	2010-11	2011-12	2012-13	2013-14	2014-15 (9M)
Gross Sales	504	597	625	1,123	952
Net Sales	486	565	595	1,028	923
EBIDTA	152	145	120	234	283
EBIDTA Margin (%)	***31%***	***26%***	***20%***	***23%***	***31%***
Cash Profit	151	124	88	154	209
EBIT	127	117	76	77	119
PBT	118	91	49	(4)	51
PAT	125	90	43	(4)	42
PAT Margin (%)	***26%***	***16%***	***7%***	***0%***	***5%***
Net Fixed Asset	543	987	1,259	1,242	1,108
Total Capital Employed	932	1392	1881	1,927	1897
Long Term Debt	275	599	827	794	699
Share Capital	42	42	42	42	42
Net Worth	514	604	859	843	880
ROE (%)	**24%**	**15%**	**5%**	**0%**	**5%**
ROCE (%)	**14%**	**8%**	**4%**	**4%**	**6%**
Debt Equity Ratio	0.53	0.99	0.96	0.94	0.79
EPS	**28.77**	**21.43**	**10.24**	**(1.00)**	**10.08**

*Owing to capitalisation of clinker and grinding unit

CAGR of last 5 years: Revenue-17.23% | EBIDTA-16.81% | NW-14.39%

EBIDTA Margins viz'-a-viz' Industry





*GGU capacity expansion during the last quarter of FY 12-13

Source: Industry, IIFL Research

EBIDTA Margins almost double the industry standards
Highest EBIDTA Margins, despite lower capacity utilisation
Poised to meet growing demand potential in NER with available spare capacity

Thank You

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