

# RESPECT. RECALL. REPUTATION.



STAR CEMENT LIMITED  
ANNUAL REPORT 2019-20

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## Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically, 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects' believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

# **RESPECT. RECALL. REPUTATION.**

At Star Cement, we believe that sustainability is best derived from the strength of the brand.

At our Company, our brand generates a superior unaided recall, respect and a long standing reputation for superior products, processes and practices.

This complement – respect, recall and reputation – has translated into consistent profitability which leads to the Company's business sustainability.

# STAR CEMENT.

Defined by the highest product quality.

Attractive brand visibility and traction.

Strong logistics leading to lower costs.

Robust financial planning.

The result is that Star Cement is one of the most profitable cement manufacturers in India today.

## Ethos

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### VISION

To become the fastest-growing and one of the most competitive cement company in Eastern India

To be respected for a high level of integrity and value



### MISSION

Provide utmost satisfaction to the consumer by providing the best quality of cement and after-sales customer care support

Continuous upgradation of the product through innovation and convergence of new technology to produce the best quality at the lowest cost

Safeguard and enhance shareholder value

Utilise the surpluses for the welfare of all its stakeholders

## Pedigree

Incorporated in 2001, Star Cement Limited is the largest cement manufacturer in North-eastern India on the back of strategically located plants, easy availability of raw materials and superior brand recall.

## Facilities

The Company along with its subsidiaries has four manufacturing units in Meghalaya, one in Assam and two outsourced units in West Bengal with a cumulative clinker capacity of 2.80 Mn tonnes per annum (MTPA), cement manufacturing capacity of 4.3 MTPA and power generation at 51 MW. Star Cement's integrated cement plant at Lumshnong (Meghalaya) is spread across 200 hectares with proximity to key raw materials like limestone. The Company's grinding unit at Guwahati and other outsourcing units in Bengal enjoy a locational advantage in being proximate to downstream consuming markets.

## Geographic footprint

The Company is the most reputed brand in North-East India with a 23% market share. The Company's Star Cement brand commands a visible footprint across Eastern India, which will be reinforced when the Company's grinding unit in Siliguri (West Bengal) is commissioned.

## Robust trade network

The Company's distribution network is spread across 10 states in Eastern India. While its peers adopted the wholesaler-driven model, the Company invested in a strong retail network comprising more than 2,100 dealers and 9,000 retailers.

## Product portfolio

The Company's product portfolio comprises Ordinary Portland Cement (43 and 53 grades), Portland Pozzolana Cement Part-I fly ash-based, Portland Pozzolana Cement Part-II and Portland Slag Cement.

## Institutional clientele

The Company's commitment towards producing superior quality product has helped roped in prominent institutional customers like L&T, NHPC, Public Works Departments, Indian Railways and the Ministry of Defence, among others.

## Resolute compliance

The Company's manufacturing facilities has been accredited with the ISO 9001:2008, ISO 14001: 2004 and OHSAS 18001 certifications, validating the Company's quality management system, compliance with environmental norms and occupational health and safety, respectively.

## Our subsidiaries

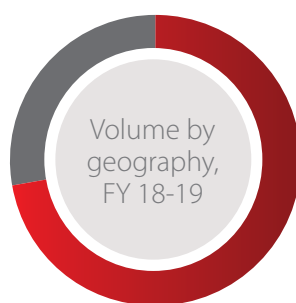
The Company comprises five subsidiaries - Megha Technical and Engineers Private Limited, Meghalaya Power Limited, Star Cement Meghalaya Limited, NE Hills Hydro Limited and Star Century Global Cement Private Limited.

## Credibility

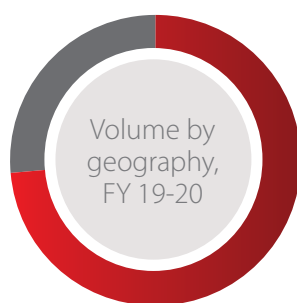
The Company maintained its short-term rating at A1+ and long-term rating AA-Stable by ICRA validating its business health.

## Listing

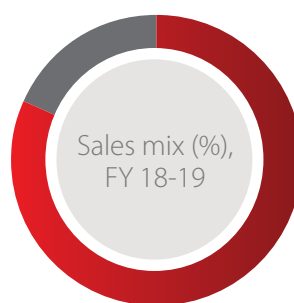
The Company is listed on both Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The market capitalisation of the Company stood at ₹3,755.17 Crore as on 31st March, 2020.



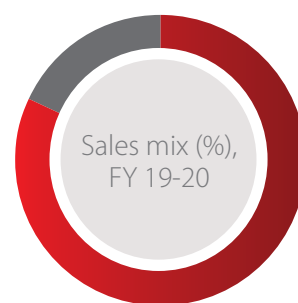
■ North East 72.3%  
■ Eastern India 27.7%



■ North East 73.8%  
■ Eastern India 26.2%

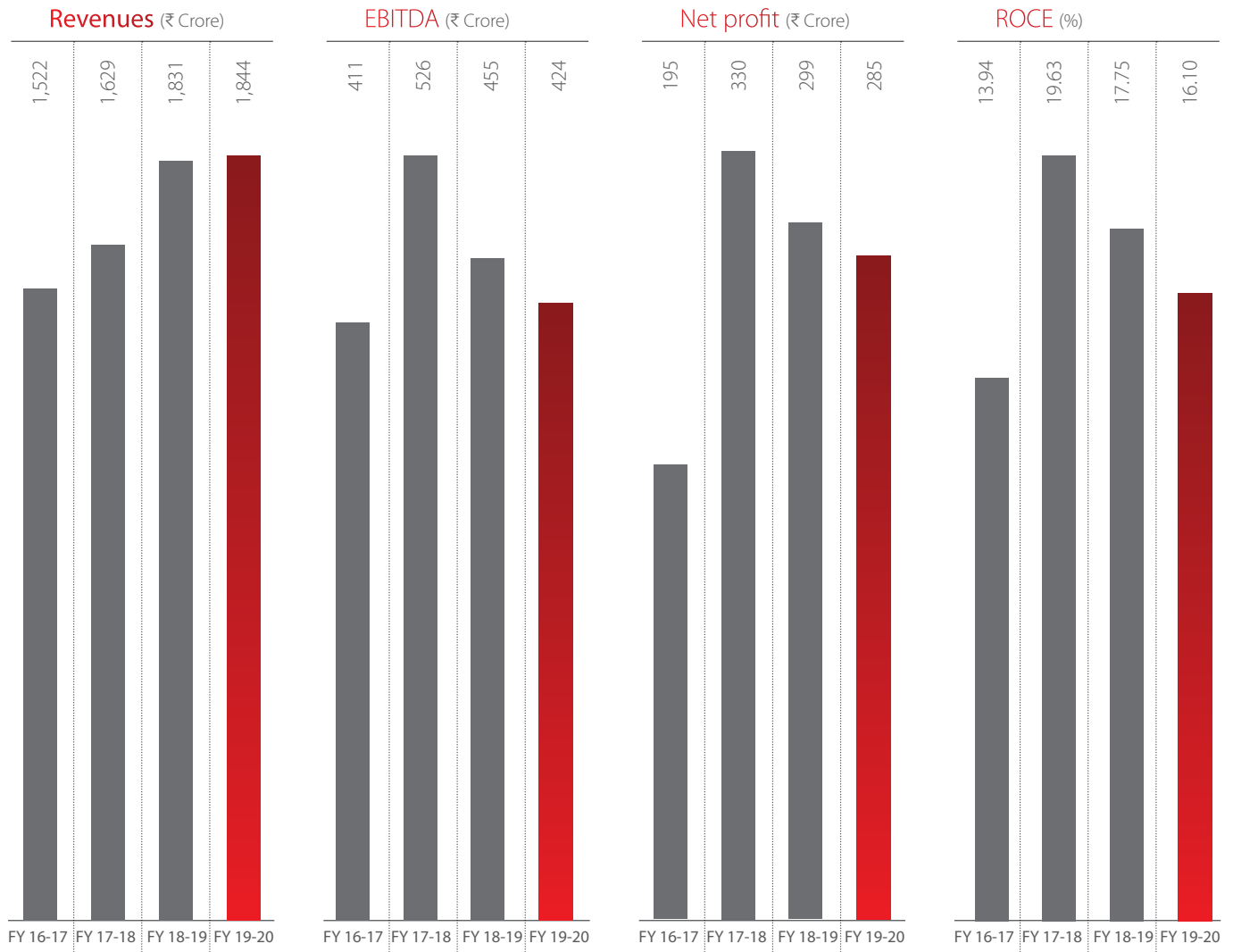


■ Trade 81.81%  
■ Non-trade 18.19%



■ Trade 82.16%  
■ Non-trade 17.84%

# HOW WE HAVE CONSISTENTLY GROWN OUR BUSINESS IN THE LAST FEW YEARS



## Performance, FY 19-20

Aggregate sales stood at ₹1,844 Crore in FY 19-20 against ₹1,831 Crore in FY 18-19 on account of market sluggishness and loss of sale due to the lockdown declared by the government on account of the COVID-19 pandemic in the last 10 days of March 2020.

## Performance, FY 19-20

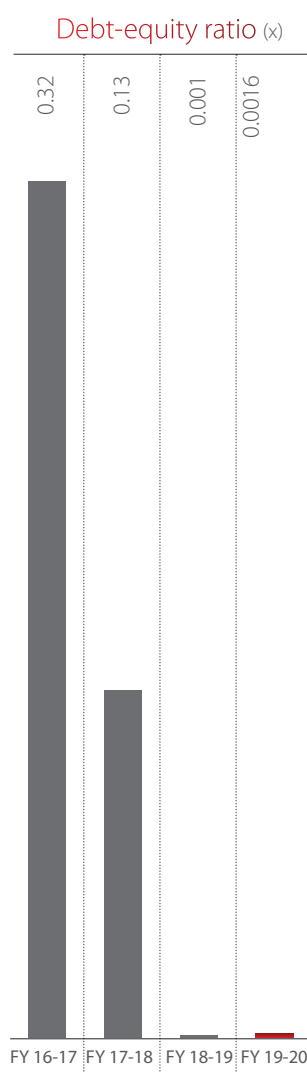
The Company reported ₹424 Crore of EBITDA in FY 19-20, which was lower than the previous year on account of extended market sluggishness and increase in fuel costs.

## Performance, FY 19-20

The Company's net profit (after minority interest) declined 4.84% on account of market sluggishness and increased costs.

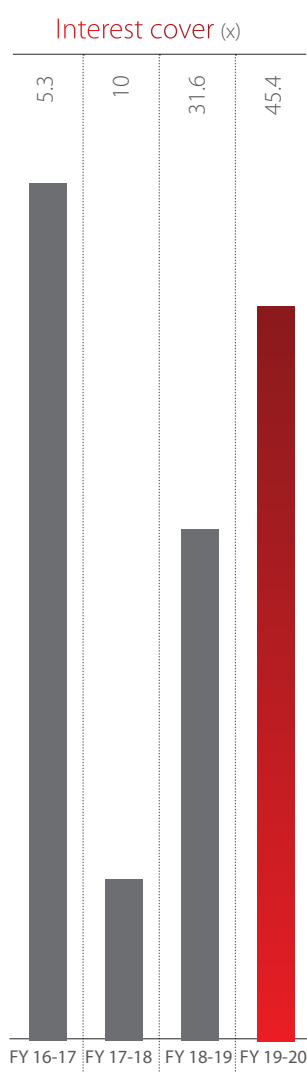
## Performance, FY 19-20

The ROCE of the Company declined 165 bps over the previous year due to market sluggishness and increased expenses.



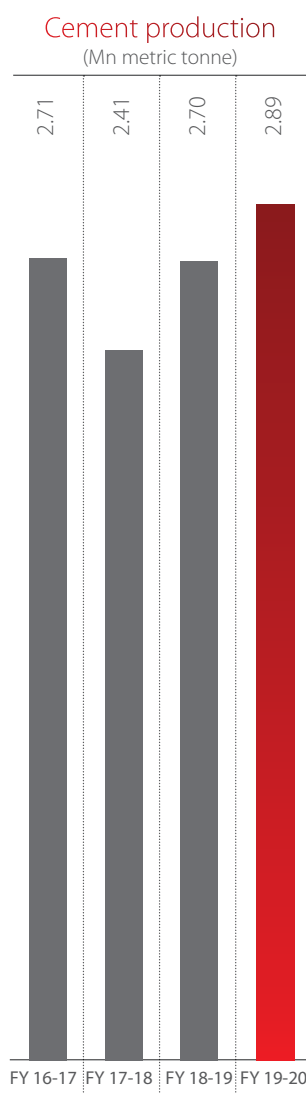
**Performance,  
FY 19-20**

The Company's debt-equity ratio stood at 0.0016x in FY 19-20 compared to 0.001x in FY 18-19, showcasing the Company's debt-free position for two years.



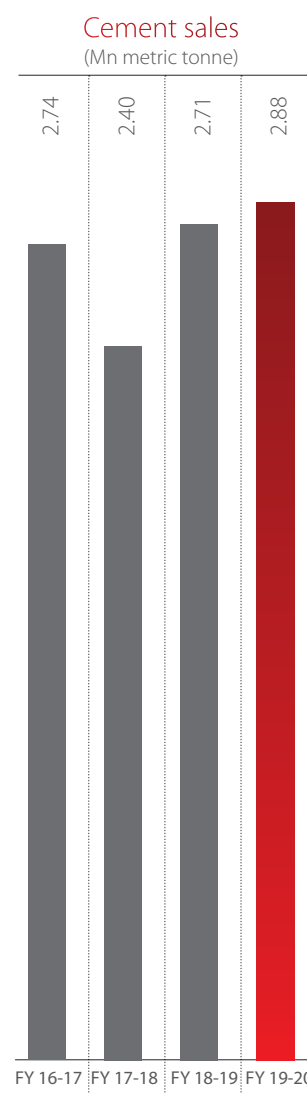
**Performance,  
FY 19-20**

Interest cover was a robust 45.4x on account of high liquidity arising out of an almost debt-free position net cash position.



**Performance,  
FY 19-20**

Cement production was 2.89 Mn metric tonnes during the year under review.



**Performance,  
FY 19-20**

Cement sales stood at 2.88 Mn metric tonnes, an increment of more than 6% over the previous year following stronger marketing.







# CHAIRMAN'S OVERVIEW

*Dear Shareholders*

**T**he world is passing through such an uncertain times that it would only be honest to confess that there is no precise visibility for demand, revenues or offtake at this point of time. The reason for this haziness is that virtually the entire world is dependent on the discovery of a vaccine that can moderate the impact of COVID-19 pandemic and until one is developed, it would be difficult to estimate how, when and in what quantity demand will revive.

At Star Cement, we were not affected as much by the virus impact during the financial year under review as much as we were during the first quarter of the current financial year. The spread of the virus and lockdown only reinforced our conviction that for businesses to sustain through the lockdown a strategic clarity is primary. The truly sustainable companies will effectively resist a sharp downside in revenues, profits and margins during this downtrend but recover faster when conditions revive.

Companies that invested in governance will be better equipped to endure. I am happy to communicate that Star Cement was structured around a sense of governance from the time it went into business. We exist to address a specific purpose – in our case, brand-led cement manufacture in relatively under-addressed regions

at one of the lowest prevailing costs – and will find it relatively easier to protect our brand and viability during this challenging period.

A company like Star Cement extended beyond a generic positioning and addressed specific market segments, strengthening its competitiveness. The result is that our brand recall is that of a first-rate customer-driven cement quality manufacturer.

A company like Star Cement was built around scale and austerity to survive downtrends and recover fastest following improved sentiment.

A company like Star Cement placed a greater priority in drawing down its long-term debt with speed, managing growth through accruals and generating surplus cash on our books, strengthening our long-term competitiveness.

A company like Star Cement retained stakeholders and protected its eco-system, strengthening its position to capture emerging upturns with speed.

The principal message that I wish to convey to our shareholders is that Star Cement is attractively placed to protect its eco-system, outperform or match sectorial growth and deepen its sustainability across market cycles.

**Sajjan Bhajanka**  
Chairman

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# AT STAR CEMENT, GOVERNANCE LIES AT THE CORE OF OUR SUSTAINABILITY

At Star Cement, what we manufacture in our factories is cement/clinker; what we market in the retail stores is a peace of mind.

This is because what we manufacture today will be tested across the years; the cost of any under-delivery in the quality of our product could have extensive implications for our consumers.

At Star, we believe that peace of mind is why customers buy from us, why employees engage with us, why vendors sell to us, why investors provide us with risk capital, why bankers lend and why communities support us. Over the years, we have invested in enhancing this trust quotient through various initiatives that have been described in this document. The ability to provide a complete peace of mind can only be consistently assured if our governance framework is secure, scalable and sustainable.



## Discipline

At the base of our governance pyramid lies the discipline of strategic consistency. Over time, this discipline has helped the Company generate revenue, delta and productivity visibility across market cycles. Besides, it has enhanced the trust of our various partners who are assured of how we will respond to external developments, validating the stability of our responses.



## Doing things the right way

At Star, we believe governance is nothing more than the commitment to do the right things in the right way. On the one hand, this enhances our organisational efficiency; on the other hand, it reinforces our ethical commitment. We believe that a combination of both has strengthened our eco-system, reinforcing our sustainability.



## Long-term

At Star, we have selected to build the business around long-term patience. This approach has influenced all the investments we have made in our assets, technologies, brands, people, locations, products and trade partners. For instance, we invested more in plant infrastructure and technologies with the perspective that this would not just provide us with a superior product quality but would be future-proofed from technology obsolescence and enhance our productivity across the years. We believe that this approach – expensive upfront but considerably low cost when seen from a long-term perspective – has translated into the highest standards of technology, integrity and competencies at our Company. This commitment to 'Do Right' has translated into business robustness and stability.