

Star Cement's consolidated EBITDA increased 37% YoY/51% QoQ to Rs1.5bn in Q3FY24 which was 15% above Consensus estimate. EBITDA/t stood at Rs1,538 (18-quarter high). Volume grew 7% YoY/ 8% QoQ to 0.9mt (in line with estimates). Realizations improved 3% QoQ to Rs6,736/t on account of price increases in the north-eastern region (NER). While, Q4FY24 has started on a tepid note, the management expects the volume trajectory to accelerate in FY25 owing to commissioning of new capacities (targets 18% YoY growth in FY25). Star has embarked on a journey to strengthen its market share in NER to over 30% (currently at 25%) by FY26-27, by more than doubling its capacity. Factoring-in the Q3 performance, we raise our EBITDA by 4-7% for FY25-26E and maintain our ADD rating on the stock, with revised Dec-24E TP to Rs210/share (based on 10x EV/EBITDA).

Star Cement: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	22,218	27,048	28,667	33,660	39,100
EBITDA	3,453	4,684	5,768	7,040	8,340
Adj. PAT	2,468	2,476	3,122	4,047	4,858
Adj. EPS (Rs)	6.1	6.1	8.2	10.0	12.0
EBITDA margin (%)	15.5	17.3	20.1	20.9	21.3
EBITDA growth (%)	3.8	35.7	23.1	22.1	18.5
Adj. EPS growth (%)	34.6	0.3	33.9	22.1	20.0
RoE (%)	11.6	10.8	12.1	13.7	14.3
RoIC (%)	15.1	15.0	16.1	15.1	15.3
P/E (x)	32.1	32.0	25.4	19.6	16.3
EV/EBITDA (x)	21.4	16.0	13.9	11.3	9.2
P/B (x)	3.7	3.3	2.9	2.5	2.2
FCFF yield (%)	3.0	(2.6)	(7.0)	0.6	3.3

Source: Company, Emkay Research

Result Summary

Revenue grew 5% YoY (11% QoQ) to Rs6.2bn. Overall volume grew 7% YoY, whereas volume in NER increased 11% YoY (better than industry volume growth of 3% YoY). Total cost/t dropped, by Rs234 QoQ to Rs5,198, mainly on account of reduction in RM+P&F cost by Rs123/t QoQ (fuel cost fell to Rs1.75/Kcal vs. Rs1.9 in Q3FY24). Realizations improved by Rs204/t to Rs6,522/t. Subsequently, Company recorded one of its highest EBITDA/t numbers, at Rs1,538 (up Rs438/t QoQ). Company is on track to increase its clinker and grinding capacities to 5.8mt and 9.7mt, respectively, and has already spent ~Rs12bn, as of Dec-23. The new grinding unit in Guwahati will be eligible for capital subsidy, i.e. 200% of capex. Company will accrue Rs1.5-1.6bn worth of incentives over the next 5-7 years. Star maintains its healthy cash reserves, of Rs1.2bn as of Dec-23. Despite the ongoing capex, we expect leverage to stay low over FY25-26E.

What we like: Better than expected profitability

What we do not like: Slight delay in commissioning of the upcoming project

Key Concall Takeaways: i) Star's 2mt GU in Guwahati to be commissioned by Mar-24 (earlier, Dec-23), while its 3mt clinker plant in Meghalaya is expected to be commissioned in Mar-24 (earlier, Feb-24). ii) Post the ongoing expansion, Company targets achieving capacity of 20mt by 2030. Looking to acquire mines in the South and Rajasthan, and setting up a 2.5mt clinker and a corresponding 3.5-4mt GU at capex of around Rs25bn. iii) Company has, till date, spent Rs3.3bn on the Guwahati GU and is expected to incur another Rs550mn in Q4 (project cost down, from Rs4.3bn); similarly, it has spent Rs8.5bn for its clinker unit in Meghalaya and will be spending Rs2bn in Q4 and Rs1bn in Q1FY25. iv) Company expects volumes to grow 7-8% in Q4FY24 (vs. industry growth of 5-6%). v) Currently, the total Assam market is ~65% (7.5-8mt) of NER market (12.5-13mt). Star is at present supplying ~1.8mt in Assam and aims for 20% growth in FY25 to 2.2-2.3mt and to 2.6mt in FY26.

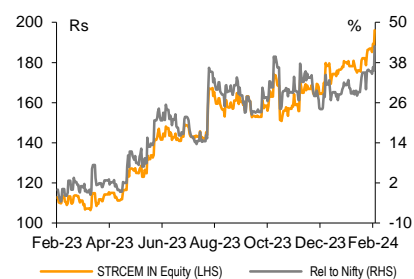
Target Price – 12M	Dec-24
Change in TP (%)	13.3
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	6.9
CMP (08-Feb-24) (Rs)	196.1

Stock Data	Ticker
52-week High (Rs)	198
52-week Low (Rs)	103
Shares outstanding (mn)	404.2
Market-cap (Rs bn)	79
Market-cap (USD mn)	955
Net-debt, FY24E (Rs mn)	744
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	138.2
ADTV-3M (USD mn)	1.7
Free float (%)	-
Nifty-50	21,718
INR/USD	83.0
Shareholding, Dec-23	
Promoters (%)	66.5
FPIs/MFs (%)	1.1/6.1

Price Performance

(%)	1M	3M	12M
Absolute	9.4	19.4	71.9
Rel. to Nifty	8.3	6.9	41.4

1-Year share price trend (Rs)



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Quarterly Analysis

Exhibit 1: Actual vs. Estimates (Q3FY24)

(Rs mn)	Actual	Estimates		Variation (%)		Comment
		Emkay	Consensus	Emkay	Consensus	
Net sales	6,514	6,506	6,495	0.1	0.3	
EBITDA	1,488	1,354	1,297	9.9	14.7	EBITDA beat owing to lower than expected input costs
PAT	735	750	726	(2.0)	1.3	
Volumes (mt)	0.97	0.97		-		
Cement realization (Rs/ton)	6,736	6,728		0.1		
EBITDA/ton (Rs)	1,538	1,400		9.9		

Source: Bloomberg, Emkay Research

Exhibit 2: Quarterly analysis

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)	9MFY23	9MFY24	YoY (%)
Revenue	6,195	8,300	7,605	5,853	6,514	5.1	11.3	18,790	19,971	6.3
Expenditure	5,111	6,638	6,312	4,867	5,026	(1.7)	3.3	15,768	16,205	2.8
Total RM cost	1,090	1,967	2,003	1,195	1,250	14.7	4.6	4,306	4,448	3.3
Staff cost	486	558	510	571	545	12.1	(4.5)	1,472	1,626	10.5
Other expenditure	3,535	4,113	3,799	3,101	3,231	(8.6)	4.2	9,990	10,131	1.4
EBITDA	1,084	1,662	1,293	986	1,488	37.2	50.9	3,022	3,766	24.6
Depreciation	341	351	318	360	365	7.2	1.4	960	1,043	8.6
EBIT	743	1,311	975	625	1,122	51.0	79.5	2,062	2,723	32.1
Other Income	117	127	87	58	41	(64.8)	(28.4)	393	186	(52.6)
Interest	33	12	22	32	30	(10.2)	(8.7)	85	85	(0.8)
PBT	828	1,427	1,040	651	1,134	37.0	74.3	2,370	2,824	19.2
Total Tax	299	466	300	244	399	33.4	63.5	855	943	10.3
Adjusted PAT	529	961	739	407	735	39.0	80.8	1,515	1,881	24.2
(Profit)/loss from JVs/Assoc./MI	-	-	-	-	-			-	-	
PAT after MI	529	961	739	407	735	39.0	80.8	1,515	1,881	24.2
Extra ordinary items	-	-	193					-	193	
Reported PAT	529	961	932	407	735	39.0	80.8	1,515	2,074	36.9
Adjusted EPS (Rs)	1.3	2.4	1.8	1.0	1.8	39.0	80.8	3.7	4.7	24.2

(%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (bps)	QoQ (bps)	9MFY23	9MFY24	YoY (bps)
EBITDAM	17.5	20.0	17.0	16.8	22.8	30.5	35.6	16.1	18.9	277
EBITM	12.0	15.8	12.8	10.7	17.2	43.6	61.2	11.0	13.6	266
EBTM	13.4	17.2	13.7	11.1	17.4	30.3	56.6	12.6	14.1	153
PATM	8.5	11.6	9.7	6.9	11.3	32.2	62.4	8.1	9.4	136
Effective Tax rate	36.1	32.6	28.9	37.5	35.2			36.1	33.4	

Source: Company, Emkay Research

Exhibit 3: Quarterly analysis on a per-ton basis

(Rs/ton)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)	9MFY23	9MFY24	YoY (%)
Volumes (mt)	0.91	1.24	1.16	0.90	0.97	6.5	7.9	2.78	3.03	8.9
Blended Realization	6,823	6,720	6,533	6,532	6,736	(1.3)	3.1	6,761	6,598	(2.4)
Raw Material cost	1,201	1,593	1,721	1,334	1,293	7.7	(3.1)	1,549	1,470	(5.1)
Staff cost	536	452	438	638	564	5.3	(11.6)	530	537	1.4
Other expenditure	3,893	3,330	3,264	3,461	3,341	(14.2)	(3.4)	3,595	3,347	(6.9)
Operating cost	5,629	5,375	5,423	5,432	5,198	(7.7)	(4.3)	5,674	5,354	(5.6)
EBITDA	1,194	1,346	1,111	1,100	1,538	28.8	39.8	1,087	1,244	14.4

Source: Company, Emkay Research

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Exhibit 4: We increase our FY25-26 estimates by 4-7%

(Rs mn)	FY24E			FY25E			FY26E		
	Old	New	Chg. (%)	Old	New	Chg. (%)	Old	New	Chg. (%)
Revenue	29,424	28,667	(2.6)	34,380	33,660	(2.1)	39,470	39,100	(0.9)
EBITDA	5,467	5,768	5.5	6,742	7,040	4.4	7,773	8,340	7.3
PAT	3,035	3,122	2.9	3,811	4,047	6.2	4,407	4,858	10.2

Source: Emkay Research

Exhibit 5: We maintain ADD on Star Cement, with TP of Rs210/share, based on Dec-25E EV/E

EV/E valuation	
Dec-25E EBITDA (Rs bn)	8
EV/E (x)	10
Enterprise Value (Rs bn)	85
Net debt (Dec-24E; Rs bn)	0.4
Equity value (Rs bn)	85
No. of shares (mn)	404
Dec-24E Target Price (Rs/share)	210

Source: Emkay Research

Exhibit 6: Annual analysis

Key Assumptions	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR (%)	
										FY18-23	FY23-26E
Capacity (mt)	4.3	4.3	4.3	5.7	5.7	5.7	7.7	9.7	9.7	5.8	19.4
Volumes (mt)	2.6	2.7	2.9	2.6	3.4	4.0	4.3	5.0	5.7	9.3	12.4
Utilization (%)	60	63	67	46	60	70	56	51	59		
Blended Realization (Rs/ton)	6,243	6,747	6,389	6,500	6,523	6,735	6,596	6,735	6,863	1.5	0.6
EBITDA/ton (Rs)	2,026	1,660	1,369	1,258	1,014	1,167	1,328	1,410	1,465	(10.4)	7.9
P&L (Rs bn)											
Revenue	16	18	18	17	22	27	29	34	39	10.9	13.1
EBITDA	5	4	4	3	3	5	6	7	8	(2.1)	21.2
Adj. Net Profit	3	3	3	3	2	2	3	4	5	(4.4)	25.2
Balance Sheet (Rs bn)											
Equity	15	17	19	21	22	24	27	32	36		
Net Debt	4	(1)	(3)	(5)	(5)	(5)	1	0	(2)		
Cash Flow (Rs bn)											
OCF before NWC change	5	4	3	2	3	5	4	5	6		
Change in NWC	0	3	1	1	1	(0)	(0)	(0)	(0)		
Capex	(0)	(1)	(2)	(1)	(2)	(6)	(10)	(5)	(4)		
FCF	4	6	2	2	2	(2)	(6)	0	2		
Return ratios (%)											
RoE	22.9	18.7	15.9	12.8	11.6	10.8	12.1	13.7	14.3		
RoCE	17.7	16.3	15.4	12.8	12.2	11.0	11.2	12.4	13.3		
RoIC	18.4	17.9	18.0	15.8	15.2	15.1	16.5	15.1	15.4		
Valuations (x)											
PER							25.4	19.6	16.3		
EV/EBITDA							13.0	11.4	9.5		
EV/ton (USD)							118	101	100		

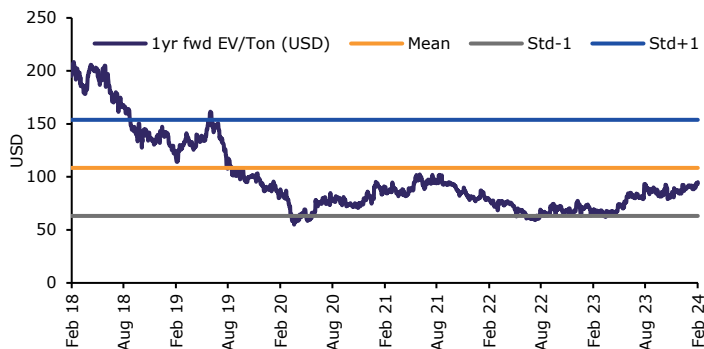
Source: Emkay Research

Exhibit 7: Annual analysis on a per-ton basis

(Rs/ton)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Blended realization	6,243	6,747	6,389	6,500	6,523	6,735	6,596	6,735	6,863
% YoY	(0.7)	8.1	(5.3)	1.7	0.3	3.2	(2.0)	2.1	1.9
Raw materials cost	1,176	1,614	1,396	1,525	1,685	1,559	1,426	1,448	1,482
Power & fuel cost	840	956	1,257	1,280	1,225	1,419	1,417	1,409	1,402
Freight cost	1,126	1,341	1,226	1,202	1,255	1,262	1,098	1,120	1,148
Staff cost	417	430	439	497	468	488	505	510	510
Other expenses	690	765	713	743	880	843	826	843	860
Total OpEx	4,249	5,107	5,031	5,247	5,513	5,572	5,272	5,330	5,402
% YoY	(11.8)	20.2	(1.5)	4.3	5.1	1.1	(5.4)	1.1	1.4
Other operating income	32	20	11	5	4	4	4	4	4
Blended EBITDA	2,026	1,660	1,369	1,258	1,014	1,167	1,328	1,410	1,465
% YoY	35.7	(18.1)	(17.5)	(8.1)	(19.4)	15.1	13.8	6.1	3.9

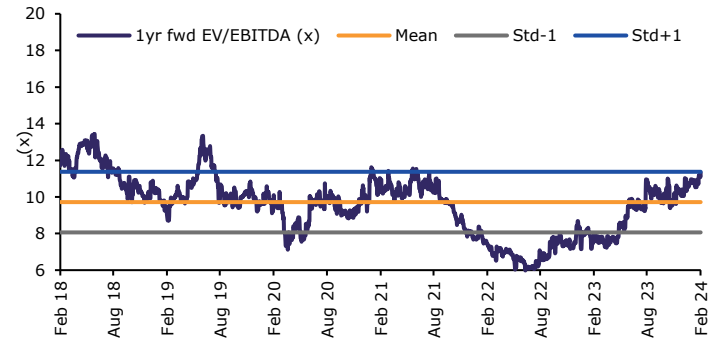
Source: Company, Emkay Research

Exhibit 8: One-year forward EV/ton



Source: Bloomberg, Emkay Research

Exhibit 9: One-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

Star Cement: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	22,218	27,048	28,667	33,660	39,100
Revenue growth (%)	29.2	21.7	6.0	17.4	16.2
EBITDA	3,453	4,684	5,768	7,040	8,340
EBITDA growth (%)	3.8	35.7	23.1	22.1	18.5
Depreciation & Amortization	1,216	1,311	1,411	1,594	1,894
EBIT	2,236	3,373	4,358	5,445	6,446
EBIT growth (%)	(7.8)	50.8	29.2	25.0	18.4
Other operating income	15	16	18	19	21
Other income	334	521	239	322	347
Financial expense	133	97	120	349	289
PBT	2,437	3,797	4,476	5,418	6,504
Extraordinary items	0	0	193	0	0
Taxes	(31)	1,321	1,354	1,371	1,645
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	2,468	2,476	3,315	4,047	4,858
PAT growth (%)	31.9	0.3	33.9	22.1	20.0
Adjusted PAT	2,468	2,476	3,122	4,047	4,858
Diluted EPS (Rs)	6.1	6.1	8.2	10.0	12.0
Diluted EPS growth (%)	34.6	0.3	33.9	22.1	20.0
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	15.5	17.3	20.1	20.9	21.3
EBIT margin (%)	10.1	12.5	15.2	16.2	16.5
Effective tax rate (%)	(1.3)	34.8	30.3	25.3	25.3
NOPLAT (pre-IndAS)	2,265	2,200	3,039	4,068	4,815
Shares outstanding (mn)	404.2	404.2	404.2	404.2	404.2

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	2,437	3,797	4,476	5,418	6,504
Others (non-cash items)	(197)	(261)	0	0	0
Taxes paid	(350)	(677)	(1,354)	(1,371)	(1,645)
Change in NWC	1,065	(417)	(7)	(210)	(173)
Operating cash flow	4,170	3,753	4,407	5,459	6,521
Capital expenditure	(1,974)	(5,694)	(10,000)	(5,000)	(4,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	308	466	239	322	347
Investing cash flow	878	(817)	(9,761)	(4,678)	(3,653)
Equity raised/(repaid)	(1,524)	0	0	0	0
Debt raised/(repaid)	(2)	0	5,000	0	(2,000)
Payment of lease liabilities	(4)	(5)	(10)	0	0
Interest paid	(129)	(97)	(120)	(349)	(289)
Dividend paid (incl tax)	0	0	0	0	0
Others	(102)	197	193	0	0
Financing cash flow	(1,756)	100	5,073	(349)	(2,289)
Net chg in Cash	3,292	3,037	(281)	431	579
OCF	4,170	3,753	4,407	5,459	6,521
Adj. OCF (w/o NWC chg.)	3,106	4,170	4,414	5,669	6,695
FCFF	2,197	(1,941)	(5,593)	459	2,522
FCFE	2,195	(1,941)	(593)	459	522
OCF/EBITDA (%)	120.8	80.1	76.4	77.5	78.2
FCFE/PAT (%)	88.9	(78.4)	(19.0)	11.3	10.7
FCFF/NOPLAT (%)	97.0	(88.3)	(184.0)	11.3	52.4

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	404	404	404	404	404
Reserves & Surplus	21,280	23,760	27,074	31,122	35,980
Net worth	21,684	24,164	27,479	31,526	36,384
Minority interests	0	0	0	0	0
Deferred tax liability (net)	0	0	0	0	0
Total debt	76	305	5,305	5,305	3,305
Total liabilities & equity	21,761	24,469	32,784	36,831	39,689
Net tangible fixed assets	6,669	8,670	18,260	24,665	26,771
Net intangible assets	3	3	3	3	3
Net ROU assets	100	100	100	100	100
Capital WIP	1,045	5,506	4,506	1,506	1,506
Goodwill	0	0	0	0	0
Investments [JV/Associates]	18	0	0	0	0
Cash & equivalents	5,466	4,843	4,562	4,993	5,572
Current assets (ex-cash)	11,742	12,192	12,140	13,532	14,993
Current Liab. & Prov.	5,690	6,845	6,786	7,967	9,255
NWC (ex-cash)	6,052	5,347	5,354	5,565	5,738
Total assets	21,761	24,469	32,784	36,831	39,689
Net debt	(5,389)	(4,538)	744	312	(2,267)
Capital employed	21,761	24,469	32,784	36,831	39,689
Invested capital	15,232	14,120	23,716	30,332	32,611
BVPS (Rs)	53.7	59.8	68.0	78.0	90.0
Net Debt/Equity (x)	(0.2)	(0.2)	0.0	0.0	(0.1)
Net Debt/EBITDA (x)	(1.6)	(1.0)	0.1	0.0	(0.3)
Interest coverage (x)	19.3	40.2	38.1	16.5	23.5
RoCE (%)	12.0	16.8	16.1	16.6	17.8

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	32.1	32.0	25.4	19.6	16.3
P/CE(x)	21.5	20.9	17.5	14.0	11.7
P/B (x)	3.7	3.3	2.9	2.5	2.2
EV/Sales (x)	3.3	2.8	2.8	2.4	2.0
EV/EBITDA (x)	21.4	16.0	13.9	11.3	9.2
EV/EBIT(x)	33.0	22.2	18.4	14.6	11.9
EV/IC (x)	4.8	5.3	3.4	2.6	2.4
FCFF yield (%)	3.0	(2.6)	(7.0)	0.6	3.3
FCFE yield (%)	3.0	(2.6)	(0.7)	0.6	0.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
DuPont-RoE split					
Net profit margin (%)	11.1	9.2	10.9	12.0	12.4
Total asset turnover (x)	1.0	1.2	1.0	1.0	1.0
Assets/Equity (x)	1.0	1.0	1.1	1.2	1.1
RoE (%)	11.6	10.8	12.1	13.7	14.3
DuPont-RoIC					
NOPLAT margin (%)	10.2	8.1	10.6	12.1	12.3
IC turnover (x)	1.5	1.8	1.5	1.2	1.2
RoIC (%)	15.1	15.0	16.1	15.1	15.3
Operating metrics					
Core NWC days	99.4	72.2	68.2	60.3	53.6
Total NWC days	99.4	72.2	68.2	60.3	53.6
Fixed asset turnover	1.5	1.6	1.3	1.1	1.0
Opex-to-revenue (%)	58.6	59.5	58.3	57.6	57.1

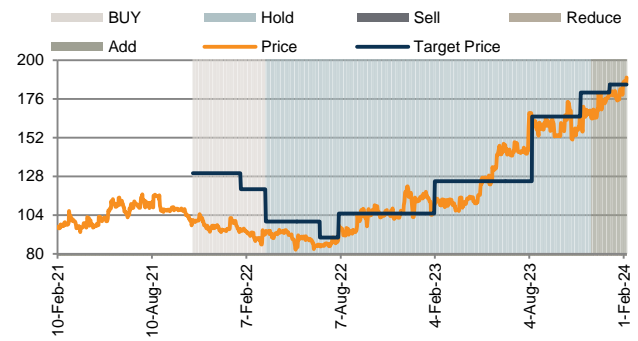
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
05-Jan-24	180	185	Add	Dharmesh Shah
30-Nov-23	165	180	Add	Dharmesh Shah
30-Nov-23	165	180	Add	Dharmesh Shah
10-Nov-23	159	180	Hold	Dharmesh Shah
17-Oct-23	173	165	Hold	Dharmesh Shah
28-Sep-23	153	165	Hold	Dharmesh Shah
18-Sep-23	161	165	Hold	Dharmesh Shah
09-Aug-23	165	165	Hold	Dharmesh Shah
03-Jun-23	141	125	Hold	Dharmesh Shah
22-May-23	127	125	Hold	Dharmesh Shah
04-May-23	123	125	Hold	Dharmesh Shah
27-Mar-23	111	125	Hold	Dharmesh Shah
02-Mar-23	113	125	Hold	Dharmesh Shah
05-Feb-23	112	125	Hold	Dharmesh Shah
03-Feb-23	112	125	Hold	Dharmesh Shah
29-Dec-22	114	105	Hold	Dharmesh Shah
05-Dec-22	106	105	Hold	Dharmesh Shah
05-Nov-22	105	105	Hold	Dharmesh Shah
04-Oct-22	104	105	Hold	Dharmesh Shah
04-Sep-22	94	105	Hold	Dharmesh Shah
03-Aug-22	94	105	Hold	Dharmesh Shah
04-Jul-22	85	90	Hold	Dharmesh Shah
28-Jun-22	85	90	Hold	Dharmesh Shah
18-May-22	91	100	Hold	Dharmesh Shah
16-Mar-22	94	100	Hold	Dharmesh Shah
27-Jan-22	94	120	Buy	Dharmesh Shah
31-Dec-21	95	130	Buy	Dharmesh Shah
02-Dec-21	96	130	Buy	Dharmesh Shah
02-Nov-21	100	130	Buy	Dharmesh Shah
27-Oct-21	101	130	Buy	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
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