

Star Cement (Star) reported consolidated EBITDA at Rs2.3bn (surged ~2x YoY and down 13% QoQ), which stands above our estimate (of Rs2.1bn). The company's now stabilized new clinker line at Meghalaya enabled volume growth of ~12% YoY. Cement realizations (excl incentives) grew ~3% sequentially, while incentives stood at Rs620mn (~Rs480/t) vs Rs50mn YoY and Rs750 QoQ. Total operating cost/t decreased 4% YoY, though inflating slightly by ~2% QoQ mainly due to negative operating leverage. Overall, EBITDA/t stood at Rs1,760 and Rs1,280, excl incentives (Emkay: Rs1,264). On the capex front, Star is on track to achieve ~12mtpa by FY27E led by commissioning of 2mtpa GUs each, at Silchar and Jorhat, Assam.

Given the higher-than-expected incentive accrual in Q1FY26, we increase average incentive run-rate to ~Rs 2.3bnpa (earlier ~Rs2bn) over FY26E-28E. Further, based on our checks, cement prices have seen a negligible dip the in Northeast and East, in Q2FY26TD. Hence, factoring in both the aforementioned, we raise FY26E/FY27E EBITDA by ~9%/3%, respectively. We continue to value Star at 12x EV/EBITDA on Jun-27E EV/EBITDA, while raising our TP by 6% to Rs265 (earlier Rs250); maintain BUY.

#### Above par profitability for 2<sup>nd</sup> consecutive quarter

Star reported consolidated EBITDA at Rs2.3bn, viz ~2x YoY and ~10% above our estimate. Stabilization of the recently commissioned Meghalaya kiln ensured i) ~12% YoY (down 15% QoQ) volume growth to 1.3mt and ii) accrued incentives of Rs620mn (~Rs480/t) in Q1FY26. Cement realization (excl incentives) grew ~3% (~Rs180/t) on the back of the prevailing strong pricing scenario in Star's core market—Northeast—during the quarter. We believe that owing to consumption of high-cost fuel inventory during the quarter, unit RM + Power and fuel costs inflated ~4% QoQ. Meanwhile, fixed cost/t was down 3% YoY albeit up 6% QoQ, mainly due to negative operating leverage. Overall, EBITDA/t stood at Rs1,761 vs Rs1,006 YoY and Rs1,715 QoQ. Excluding the incentives, EBITDA/t fell to Rs1,283 vs Rs963 YoY and Rs1,225 QoQ, which still places Star among the top quartile of profitable cement companies for a 2<sup>nd</sup> consecutive quarter.

#### Strong cash flow ensures disciplined balance sheet amid capacity expansion

We estimate Star's cumulative operating cash flows over FY26E-28E at ~Rs25bn as against total capex outflow of Rs18bn, thus ensuring that Star would turn net cash positive by FY27E-end. Further, it allows Star to opt for large capacity expansion (planned ~4.5mtpa IU expansion in Rajasthan), with major funding through internal accruals. Star shall achieve cement capacity of ~16mtpa (~2x of current capacity) in ~5 years, with completion of the Rajasthan project. Excl incentives, we estimate Star's EBITDA/t at Rs1,237, Rs1,265, and Rs1,314 in FY26E, FY27E, and FY28E, respectively, and see its RoE rising to the 13-14% range in the medium term vs ~6% in FY25.

Target Price – 12M	Jun-27
Change in TP (%)	6.0
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	1.9

Stock Data	STRCEM IN
52-week High (Rs)	268
52-week Low (Rs)	172
Shares outstanding (mn)	404.2
Market-cap (Rs bn)	105
Market-cap (USD mn)	1,198
Net-debt, FY26E (Rs mn)	3,970.3
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	122.2
ADTV-3M (USD mn)	1.4
Free float (%)	42.3
Nifty-50	24,363.3
INR/USD	87.7

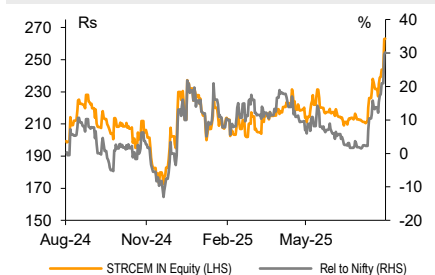
#### Shareholding, Jun-25

Promoters (%)	57.7
FPIs/MFs (%)	2.2/4.9

#### Price Performance

(%)	1M	3M	12M
Absolute	22.4	21.2	30.6
Rel. to Nifty	26.4	19.4	30.6

#### 1-Year share price trend (Rs)



#### Star Cement: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	29,107	31,634	37,808	43,420	49,477
EBITDA	5,563	5,786	8,865	10,196	11,770
Adj. PAT	2,951	1,688	3,846	4,590	5,666
Adj. EPS (Rs)	7.3	4.2	9.5	11.4	14.0
EBITDA margin (%)	19.1	18.3	23.4	23.5	23.8
EBITDA growth (%)	18.8	4.0	53.2	15.0	15.4
Adj. EPS growth (%)	19.2	(42.8)	127.8	19.4	23.4
RoE (%)	11.5	6.0	12.5	13.1	14.1
RoIC (%)	18.3	7.8	14.0	16.7	19.8
P/E (x)	35.6	62.2	27.3	22.9	18.5
EV/EBITDA (x)	18.9	18.7	12.3	10.5	8.7
P/B (x)	3.9	3.6	3.2	2.8	2.4
FCFF yield (%)	(5.2)	(2.6)	(0.2)	2.2	4.9

Source: Company, Emkay Research

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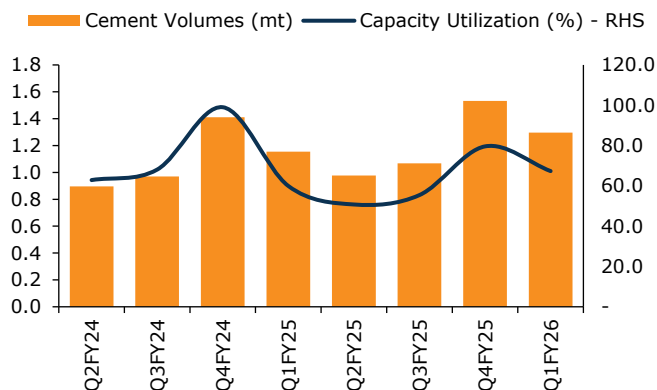
## Key Charts

**Exhibit 1: Consolidated result snapshot**

Particulars (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Emkay Est	Var (%)
Volume, incl clinker (mt)	1.3	1.2	12.3	1.5	(15.4)	1.3	3.0
Avg cement realization (Rs/t)	6,559	6,465	1.5	6,378	2.8	6,467	1.4
<b>Net sales</b>	<b>9,120</b>	<b>7,510</b>	<b>21.4</b>	<b>10,521</b>	<b>(13.3)</b>	<b>8,624</b>	<b>5.8</b>
Raw material cost	2,066	2,280	(9.3)	2,144	(3.6)	1,760	17.4
Power & fuel cost	668	622	7.4	601	11.2	672	(0.6)
Freight cost	1,414	1,145	23.5	1,829	(22.7)	1,471	(3.9)
Employee cost	1,600	1,303	22.8	1,961	(18.4)	1,572	1.7
Other expenses	1,090	999	9.0	1,358	(19.8)	1,069	1.9
<b>Total expenses</b>	<b>6,838</b>	<b>6,349</b>	<b>7.7</b>	<b>7,894</b>	<b>(13.4)</b>	<b>6,544</b>	<b>4.5</b>
<b>Adj EBITDA</b>	<b>2,282</b>	<b>1,161</b>	<b>96.5</b>	<b>2,627</b>	<b>(13.1)</b>	<b>2,079</b>	<b>9.7</b>
<b>EBITDA/t</b>	<b>1,761</b>	<b>1,006</b>	<b>75.0</b>	<b>1,715</b>	<b>2.7</b>	<b>1,653</b>	<b>6.5</b>
Interest	102	59	72.3	88	15.3	88	15.3
Depreciation	852	725	17.4	875	(2.6)	875	(2.6)
Other income	18	14	29.6	50	(64.3)	50	(64.3)
<b>Recurring pre-tax income</b>	<b>1,347</b>	<b>391</b>	<b>244.7</b>	<b>1,714</b>	<b>(21.5)</b>	<b>1,167</b>	<b>15.4</b>
Extraordinary income/(expense)	-	-	NA	-	NA	-	NA
Taxation	365	81	351.8	483	(24.5)	372	(2.0)
<b>Reported Net Income</b>	<b>982</b>	<b>310</b>	<b>216.8</b>	<b>1,231</b>	<b>(20.3)</b>	<b>794</b>	<b>23.6</b>
<b>Recurring Net Income</b>	<b>982</b>	<b>310</b>	<b>216.8</b>	<b>1,231</b>	<b>(20.3)</b>	<b>794</b>	<b>23.6</b>
<b>Ratios (%)</b>	<b>Q1FY26</b>	<b>Q1FY25</b>	<b>YoY (bps)</b>	<b>Q4FY25</b>	<b>QoQ (bps)</b>	<b>Emkay Est</b>	<b>Var (bps)</b>
EBITDA Margin	25.0	15.5	956 bps	25.0	5 bps	24.1	91 bps
Net Profit Margin	10.8	4.1	664 bps	11.7	(94) bps	9.2	155 bps

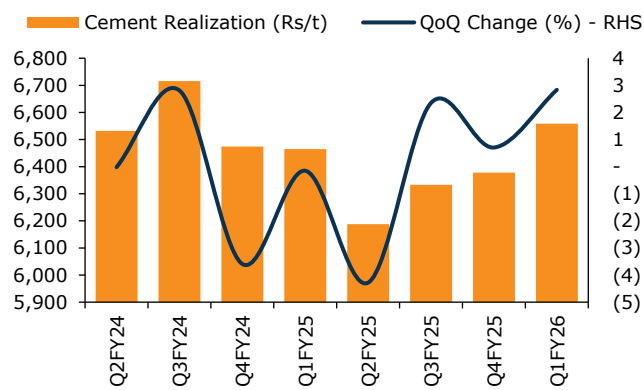
Source: Company, Emkay Research

**Exhibit 2: Quarterly cement volume trend**



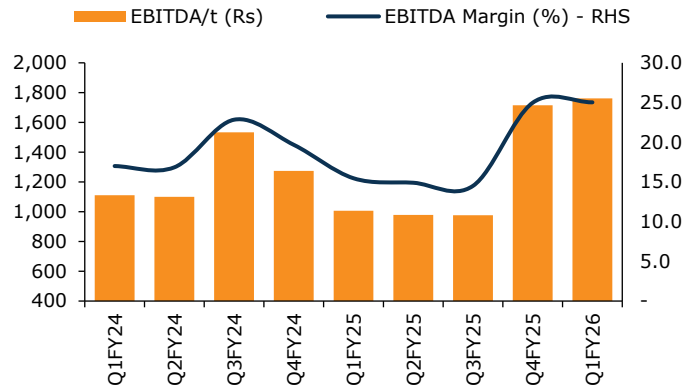
Source: Company, Emkay Research

**Exhibit 3: Quarterly cement realization trend**

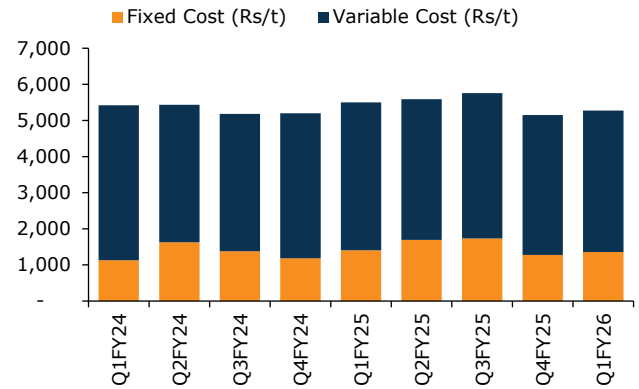


Source: Company, Emkay Research

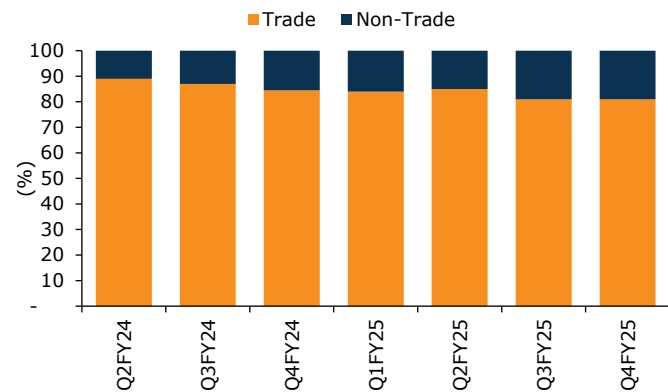
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**Exhibit 4: Quarterly EBITDA/t and margin trends**

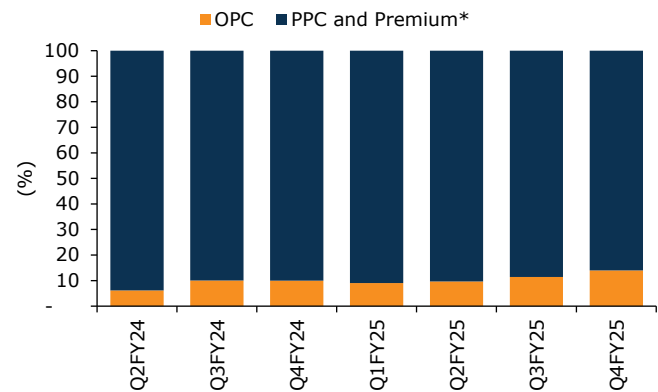
Source: Company, Emkay Research

**Exhibit 5: Quarterly cost break-up per ton**

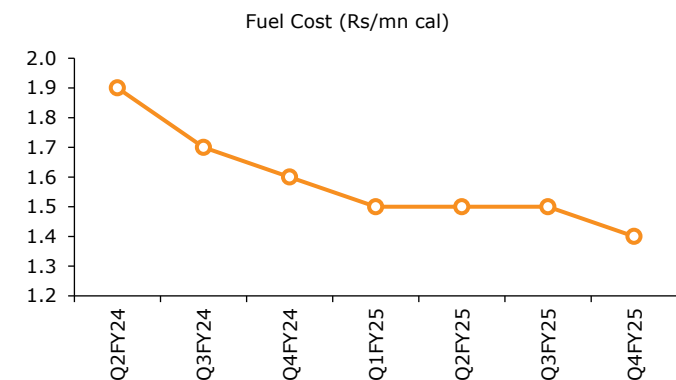
Source: Company, Emkay Research

**Exhibit 6: Channel mix trend**

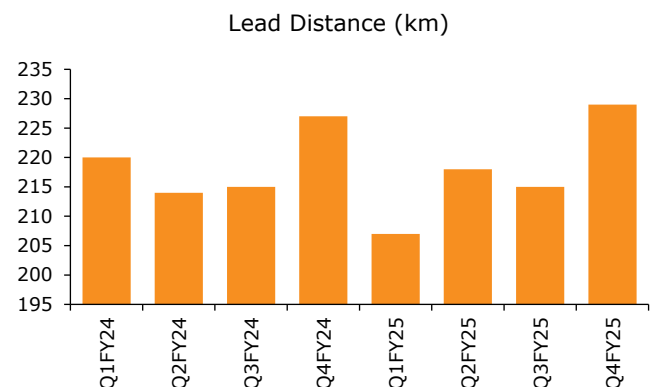
Source: Company, Emkay Research

**Exhibit 7: Product mix trend**

Source: Company, Emkay Research; Note: \*Premium, incl WSC and DM

**Exhibit 8: Fuel cost trend**

Source: Company, Emkay Research

**Exhibit 9: Lead distance trend**

Source: Company, Emkay Research

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**Exhibit 10: Historical quarterly analysis**

(Rs/t)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>Sales Volumes (mt)</b>	<b>1.2</b>	<b>1.0</b>	<b>1.1</b>	<b>1.5</b>	<b>1.3</b>
<b>Blended Realization</b>	<b>6,508</b>	<b>6,566</b>	<b>6,736</b>	<b>6,867</b>	<b>7,037</b>
Growth YoY (%)	(0.4)	0.5	0.3	6.1	8.1
Raw material cost	1,975	1,611	1,805	1,399	1,595
Power & fuel cost	992	1,193	1,076	1,194	1,091
Freight cost	1,129	1,092	1,144	1,280	1,234
Employee cost	539	661	568	392	515
Other Expenses	866	1,031	1,167	887	841
<b>EBITDA</b>	<b>1,006</b>	<b>978</b>	<b>977</b>	<b>1,715</b>	<b>1,761</b>

Source: Company, Emkay Research

**Exhibit 11: Performance trends and assumptions**

Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
Capacity (mtpa)	5.7	7.7	7.7	9.7	11.7	11.7
<b>Volume (mt)</b>	<b>4.0</b>	<b>4.4</b>	<b>4.7</b>	<b>5.4</b>	<b>6.2</b>	<b>7.1</b>
<b>Capacity utilization (%)</b>	<b>70.7</b>	<b>57.9</b>	<b>61.7</b>	<b>55.8</b>	<b>53.2</b>	<b>61.2</b>
Growth (%)	18.3	10.7	6.5	14.1	15.1	15.0
<b>Blended Realization (Rs/t)</b>	<b>6,745</b>	<b>6,554</b>	<b>6,688</b>	<b>7,006</b>	<b>6,990</b>	<b>6,925</b>
Growth (%)	2.9	(2.8)	2.0	4.8	(0.2)	(0.9)

Source: Company, Emkay Research

**Exhibit 12: Per ton estimate – Consolidated**

Rs/t	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Net sales</b>	<b>6,745</b>	<b>6,554</b>	<b>6,688</b>	<b>7,006</b>	<b>6,990</b>	<b>6,925</b>
Raw material cost	1,560	1,647	1,675	1,595	1,595	1,595
Employee cost	488	484	523	499	504	473
Power & fuel cost	1,421	1,250	1,118	1,091	1,091	1,091
Freight cost	1,264	1,103	1,174	1,234	1,234	1,234
Other expenses	844	819	975	944	925	885
<b>Total expenses</b>	<b>5,577</b>	<b>5,301</b>	<b>5,465</b>	<b>5,363</b>	<b>5,349</b>	<b>5,278</b>
<b>EBITDA</b>	<b>1,168</b>	<b>1,253</b>	<b>1,223</b>	<b>1,643</b>	<b>1,641</b>	<b>1,647</b>
<b>Core EBITDA/t (ex- incentives)</b>	<b>855</b>	<b>1,178</b>	<b>885</b>	<b>1,237</b>	<b>1,265</b>	<b>1,314</b>

Source: Company, Emkay Research

**Exhibit 13: Valuation Snapshot**

Particulars	Q1FY28E
Target EV/EBITDA (x)	12
Total EBITDA (Rs mn)	8,240
<b>EV (Rs mn)</b>	<b>98,885</b>
Less: Net debt (Rs mn)	1,990
Net Present Value (NPV) of incentives	10,804
<b>Market Cap (Rs mn)</b>	<b>107,699</b>
Shares o/s (mn)	404
<b>Value per share (Rs)</b>	<b>265</b>

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

**Exhibit 14: Change in estimates**

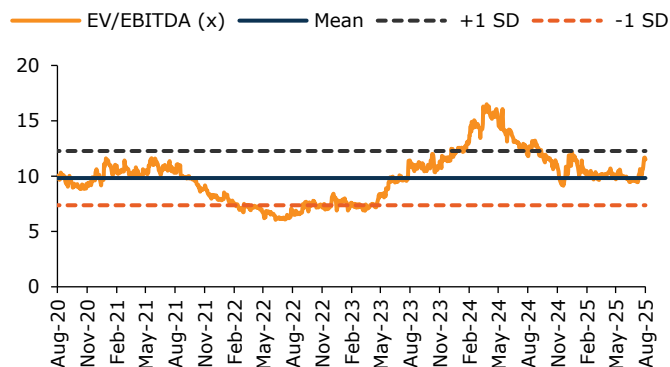
(Rs mn)	FY26E				FY27E				FY28E	
	Revised	Earlier	Var (%)	YoY (%)	Revised	Earlier	Var (%)	YoY (%)	Introducing	YoY (%)
Revenue	37,808	36,441	3.8	19.5	43,420	43,784	(0.8)	14.8	49,477	13.9
EBITDA	8,865	8,142	8.9	53.2	10,196	9,912	2.9	15.0	11,770	15.4
PAT	3,846	3,447	11.6	127.8	4,590	4,484	2.4	19.4	5,666	23.4

Source: Emkay Research

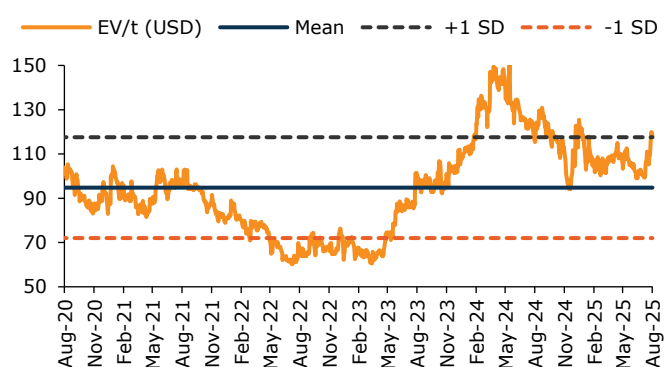
**Exhibit 15: Emkay vs Consensus**

(Rs mn)	FY26E			FY27E			FY28E		
	Emkay	Consensus	Var (%)	Emkay	Consensus	Var (%)	Emkay	Consensus	Var (%)
Revenue	37,808	36,597	3.3	43,420	41,645	4.3	49,477	45,118	9.7
EBITDA	8,865	7,773	14.1	10,196	9,356	9.0	11,770	10,125	16.2
PAT	3,846	2,898	32.7	4,590	3,922	17.0	5,666	4,976	13.9

Source: Bloomberg, Emkay Research

**Exhibit 16: STRCEM is trading close its 5Y 1SD of ~12x on 1YF EV/EBITDA...**

Source: Bloomberg, Company, Emkay Research

**Exhibit 17: ...and similarly on EV/t basis**

Source: Bloomberg, Company, Emkay Research

## Star Cement: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Revenue</b>	<b>29,107</b>	<b>31,634</b>	<b>37,808</b>	<b>43,420</b>	<b>49,477</b>
Revenue growth (%)	7.6	8.7	19.5	14.8	13.9
<b>EBITDA</b>	<b>5,563</b>	<b>5,786</b>	<b>8,865</b>	<b>10,196</b>	<b>11,770</b>
EBITDA growth (%)	18.8	4.0	53.2	15.0	15.4
Depreciation & Amortization	1,466	3,319	3,413	3,683	3,819
<b>EBIT</b>	<b>4,097</b>	<b>2,467</b>	<b>5,452</b>	<b>6,513</b>	<b>7,951</b>
EBIT growth (%)	21.5	(39.8)	121.0	19.4	22.1
Other operating income	-	-	-	-	-
Other income	265	106	96	96	96
Financial expense	126	316	407	472	472
<b>PBT</b>	<b>4,236</b>	<b>2,257</b>	<b>5,141</b>	<b>6,136</b>	<b>7,575</b>
Extraordinary items	0	0	0	0	0
Taxes	1,285	569	1,295	1,546	1,908
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
<b>Reported PAT</b>	<b>2,951</b>	<b>1,688</b>	<b>3,846</b>	<b>4,590</b>	<b>5,666</b>
PAT growth (%)	19.2	(42.8)	127.8	19.4	23.4
<b>Adjusted PAT</b>	<b>2,951</b>	<b>1,688</b>	<b>3,846</b>	<b>4,590</b>	<b>5,666</b>
<b>Diluted EPS (Rs)</b>	<b>7.3</b>	<b>4.2</b>	<b>9.5</b>	<b>11.4</b>	<b>14.0</b>
Diluted EPS growth (%)	19.2	(42.8)	127.8	19.4	23.4
<b>DPS (Rs)</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>0</b>	<b>0</b>
<b>Dividend payout (%)</b>	<b>14.0</b>	<b>24.4</b>	<b>10.7</b>	<b>0</b>	<b>0</b>
EBITDA margin (%)	19.1	18.3	23.4	23.5	23.8
EBIT margin (%)	14.1	7.8	14.4	15.0	16.1
Effective tax rate (%)	30.3	25.2	25.2	25.2	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>2,855</b>	<b>1,846</b>	<b>4,079</b>	<b>4,872</b>	<b>5,948</b>
Shares outstanding (mn)	404	404	404	404	404

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	4,236	2,257	5,141	6,136	7,575
Others (non-cash items)	(161)	37	0	0	0
Taxes paid	(762)	(689)	(1,295)	(1,546)	(1,908)
Change in NWC	618	(2,395)	(607)	(1,401)	(766)
<b>Operating cash flow</b>	<b>4,897</b>	<b>2,965</b>	<b>7,813</b>	<b>7,393</b>	<b>10,009</b>
Capital expenditure	(10,361)	(5,757)	(8,000)	(5,000)	(5,000)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
<b>Investing cash flow</b>	<b>(6,501)</b>	<b>(5,285)</b>	<b>(8,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	1,037	2,588	2,000	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	-	-	-	-	-
Dividend paid (incl tax)	-	-	-	-	-
Others	(172)	(347)	(407)	(472)	(472)
<b>Financing cash flow</b>	<b>865</b>	<b>2,241</b>	<b>1,593</b>	<b>(472)</b>	<b>(472)</b>
Net chg in Cash	(738)	(79)	1,406	1,921	4,537
OCF	4,897	2,965	7,813	7,393	10,009
Adj. OCF (w/o NWC chg.)	4,279	5,359	8,420	8,794	10,775
FCFF	(5,463)	(2,792)	(187)	2,393	5,009
FCFE	(5,463)	(2,792)	(187)	2,393	5,009
OCF/EBITDA (%)	88.0	51.2	88.1	72.5	85.0
FCFE/PAT (%)	(185.1)	(165.4)	(4.9)	52.1	88.4
<b>FCFF/NOPLAT (%)</b>	<b>(191.4)</b>	<b>(151.3)</b>	<b>(4.6)</b>	<b>49.1</b>	<b>84.2</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	404	404	404	404	404
Reserves & Surplus	26,697	28,385	32,231	36,822	42,488
<b>Net worth</b>	<b>27,101</b>	<b>28,789</b>	<b>32,635</b>	<b>37,226</b>	<b>42,892</b>
Minority interests	-	-	-	-	-
Non-current liab. & prov.	0	0	0	0	0
<b>Total debt</b>	<b>1,298</b>	<b>3,901</b>	<b>5,901</b>	<b>5,901</b>	<b>5,901</b>
<b>Total liabilities &amp; equity</b>	<b>28,399</b>	<b>32,690</b>	<b>38,536</b>	<b>43,127</b>	<b>48,793</b>
Net tangible fixed assets	14,135	24,130	22,717	23,034	23,215
Net intangible assets	50	75	75	75	75
Net ROU assets	-	-	-	-	-
Capital WIP	10,190	2,199	8,199	9,199	10,199
Goodwill	-	-	-	-	-
Investments [JV/Associates]	20	20	20	20	20
<b>Cash &amp; equivalents</b>	<b>973</b>	<b>524</b>	<b>1,931</b>	<b>3,852</b>	<b>8,388</b>
Current assets (ex-cash)	10,655	14,120	14,727	16,127	16,893
Current Liab. & Prov.	7,624	8,378	9,132	9,180	9,998
<b>NWC (ex-cash)</b>	<b>3,031</b>	<b>5,742</b>	<b>5,594</b>	<b>6,947</b>	<b>6,895</b>
<b>Total assets</b>	<b>28,399</b>	<b>32,690</b>	<b>38,536</b>	<b>43,127</b>	<b>48,793</b>
Net debt	325	3,377	3,970	2,049	(2,487)
Capital employed	28,399	32,690	38,536	43,127	48,793
<b>Invested capital</b>	<b>17,165</b>	<b>29,872</b>	<b>28,312</b>	<b>29,981</b>	<b>30,110</b>
BVPS (Rs)	67.1	71.2	80.7	92.1	106.1
Net Debt/Equity (x)	-	0.1	0.1	0.1	(0.1)
Net Debt/EBITDA (x)	0.1	0.6	0.4	0.2	(0.2)
Interest coverage (x)	34.6	8.1	13.6	14.0	17.0
<b>RoCE (%)</b>	<b>16.5</b>	<b>8.4</b>	<b>15.6</b>	<b>16.2</b>	<b>17.5</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	35.6	62.2	27.3	22.9	18.5
EV/CE(x)	3.7	3.3	2.8	2.5	2.1
P/B (x)	3.9	3.6	3.2	2.8	2.4
EV/Sales (x)	3.6	3.4	2.9	2.5	2.1
EV/EBITDA (x)	18.9	18.7	12.3	10.5	8.7
EV/EBIT(x)	25.7	43.9	20.0	16.4	12.9
EV/IC (x)	6.1	3.6	3.8	3.6	3.4
FCFF yield (%)	(5.2)	(2.6)	(0.2)	2.2	4.9
FCFE yield (%)	(5.2)	(2.7)	(0.2)	2.3	4.8
Dividend yield (%)	0.4	0.4	0.4	0	0
<b>DuPont-RoE split</b>					
Net profit margin (%)	10.1	5.3	10.2	10.6	11.5
Total asset turnover (x)	1.1	1.0	1.1	1.1	1.1
Assets/Equity (x)	1.0	1.1	1.2	1.2	1.1
<b>RoE (%)</b>	<b>11.5</b>	<b>6.0</b>	<b>12.5</b>	<b>13.1</b>	<b>14.1</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	9.8	5.8	10.8	11.2	12.0
IC turnover (x)	1.9	1.3	1.3	1.5	1.6
<b>RoIC (%)</b>	<b>18.3</b>	<b>7.8</b>	<b>14.0</b>	<b>16.7</b>	<b>19.8</b>
<b>Operating metrics</b>					
Core NWC days	38.0	66.2	54.0	58.4	50.9
<b>Total NWC days</b>	<b>38.0</b>	<b>66.2</b>	<b>54.0</b>	<b>58.4</b>	<b>50.9</b>
Fixed asset turnover	2.5	1.7	1.6	1.9	2.1
Opex-to-revenue (%)	55.8	56.7	53.8	53.7	53.2

Source: Company, Emkay Research

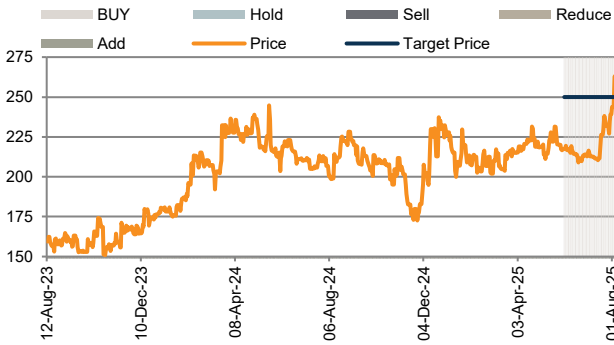
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
01-Jun-25	217	250	Buy	Harsh Mittal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>SELL</b>	>15% downside

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