

Weak results owing to lower realizations and higher cost

STRCEM reported weak Q3 numbers due to higher costs and lower realizations. STRCEM's recently commissioned 3.3mn mt kiln at Lumshong is still facing stabilization issues. Consequently, overall production is still lower and costs higher. While demand and pricing environment in North East remains robust, the company's profitability and growth outside NE remains weak. We are building in 13%/18% Revenue/EBITDA CAGR for STRCEM over FY24-FY27E and value it at 9x FY27E EV/EBITDA to arrive at our target price of Rs211 (unchanged). We maintain our ADD rating.

Q3FY25 result highlights

Both revenue and volume grew 10% YoY, in line with our estimates, reaching Rs7.2bn and 1.07mn MT, respectively. Realization was up 1% QoQ but below our expectation. Operating cost per mt at Rs5,759 increased by 11% QoQ due to one-time maintenance shutdown cost and purchase of clinker from outside at higher price, which in total stood at Rs400mn. EBITDA at Rs1.04bn was down 30% YoY and 20% below our estimate. EBITDA/mt came in at Rs977 against our expectation of Rs1,223.

Capex on track; limestone mine in Rajasthan to provide regional diversification

The company's ongoing capex plan includes 2mn mt GU in Silchar (FY26) and 2mn mt Jorhat GU (FY27). FY25/FY26 capex is pegged at Rs7bn/Rs6bn. The company's total capacity post this capex will increase to 11.7mn mt from current 7.7mn mt. It has acquired limestone mines in Rajasthan, Nimbol (65-70mn mt) and the geological survey is in process with further expansion details to be provided in the coming quarters.

Complete acquisition ruled out

UltraTech has recently acquired a 8% stake in the company from the Chamaria family, a promoter shareholder. In the Q3FY25 concall, the management stated that the remaining promoters have no plans for dilution and reaffirmed STRCEM's long-term vision.

Valuation and outlook

STRCEM stock is currently trading at ~15x/11x FY25/FY26 EV/EBITDA, which we believe is on the higher side given the size of the company and geographic concentration risk. We also believe that ramp-up of additional capacity will be challenging given the small size of the industry (capex of 4mn mt is 31% of total demand in NE). We value STRCEM at 9x FY27E EV/EBITDA to arrive at our target price of Rs211. We have ADD rating on the stock.

Financial and valuation summary

YE Mar (Rs mn)	3QFY25A	3QFY24A	YoY (%)	2QFY25A	QoQ (%)	FY25E	FY26E	FY27E
Revenues	7,188	6,514	10.3	6,415	12.0	31,667	36,980	41,941
EBITDA	1,042	1,488	(29.9)	956	9.1	5,753	7,765	9,090
EBITDA margin (%)	14.5	22.8	(36.5)	14.9	(2.7)	18.2	21.0	21.7
Adj. Net profit	91	735	(87.7)	57	59.7	2,545	3,849	4,539
Adj. EPS (Rs)	0.2	1.8	(87.7)	0.1	59.7	6.3	9.5	11.2
EPS growth (%)						(14.6)	51.3	17.9
PE (x)						34.0	22.5	19.0
EV/EBITDA (x)						15.1	11.1	9.4
PBV (x)						2.9	2.6	2.3
RoE (%)						9.0	12.2	12.7
RoCE (%)						8.8	11.4	12.1

Source: Company, Centrum Broking

Market Data

Bloomberg:	STRCEM IN
52 week H/L:	256/172
Market cap:	Rs86.4bn
Shares Outstanding:	404.2mn
Free float:	16.6%
Avg. daily vol. 3mth:	21,68,873
Source:	Bloomberg

Changes in the report

Rating:	Add; Unchanged
Target price:	Unchanged
EBITDA:	Unchanged
Source:	Centrum Broking

Shareholding pattern

	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	57.7	66.5	66.5	66.6
FII	1.2	1.4	1.6	1.5
DII	5.0	5.0	5.1	6.1
Public/other	36.2	27.2	26.8	25.8

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q3FY25	Actual Q3FY25	Variance (%)
Revenue	7,080	7,188	1.5
EBITDA	1,296	1,042	-19.6
EBITDA margin (%)	18.3	14.5	(380) bps
Adj PAT	592	91	-84.7
EPS (Rs)	1.4	0.2	-84.7

Source: Bloomberg, Centrum Broking



Mangesh Bhadang

Research Analyst, Cement
91-22-4215 9053

mangesh.bhadang@centrum.co.in

Thesis Snapshot

Star Cement versus Nifty Midcap 100

	1m	6m	1 year
STRCEM IN	(5.1)	(3.6)	9.2
Nifty Midcap 100	(1.5)	11.4	12.5

Source: Bloomberg, NSE

Key assumptions

Y/E Mar (Rs/mn)	FY25E	FY26E	FY27E
Capacity (mn mt)	9.7	9.7	9.7
Volumes (mn mt)	4.7	5.3	6.0
Realizations (Rs/mt)	6,596	6,728	6,862
Operating expense (Rs/mt)	5,537	5,470	5,513
EBITDA/mt (Rs/mt)	1,229	1,454	1,525
Capex	-5,000	-6,000	-6,000
Net Debt	594	83	-1,358

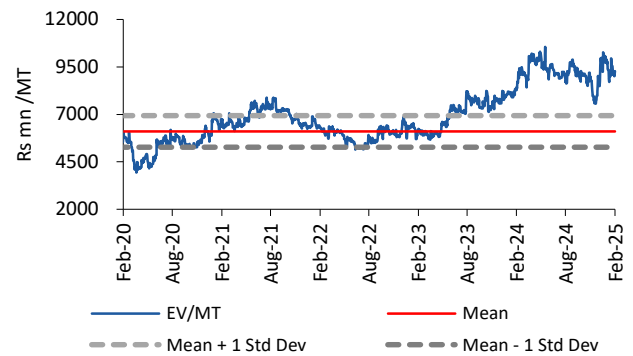
Source: Centrum Broking

Valuation

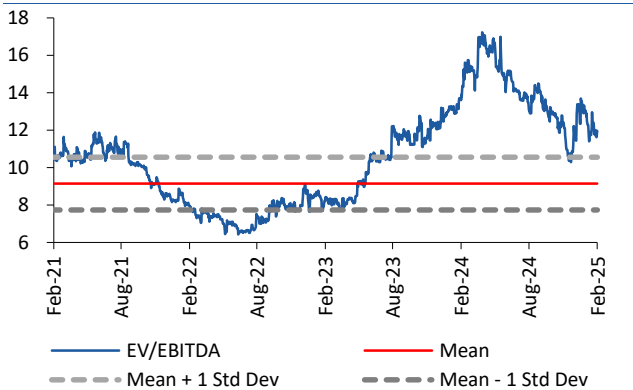
We are building in 13%/18% CAGR in Revenue/EBITDA for STRCEM over FY24-FY27E. We value it at 9x FY27E EV/EBITDA to arrive at our target price of Rs211. We maintain ADD rating.

Valuations	Rs/share
FY27E EBITDA	9,090
Target multiple (x)	9.0
Enterprise value	81,808
Less: Net debt and CWIP	(3,358)
Equity value	85,166
No of shares (mn)	404
Target Price (Rs)	211

1-year forward EV/MT



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rs bn)	CAGR (FY24-27E)			EV/EBITDA (x)			EV/mt (US\$)			FY26E	
		Sales	EBITDA	EPS	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	RoE (%)	ROCE (%)
ACC	374	5.4%	12.2%	1.7%	11.5	9.3	7.7	98.9	94.3	88.8	11%	15%
Ambuja Cement	1,266	13.3%	22.9%	17.2%	23.7	15.7	13.4	178.5	160.3	149.2	8%	10%
Birla Corporation	92	3.5%	9.4%	18.2%	9.8	6.7	5.9	74.9	64.8	55.3	8%	9%
Heidelberg	50	2.3%	15.9%	25.3%	15.6	10.0	8.6	87.2	84.9	81.6	19%	20%
JK Cement	378	10.0%	16.0%	19.3%	25.7	16.0	13.6	214.6	171.9	169.6	19%	13%
JK Lakshmi	99	5.2%	12.5%	12.5%	13.8	8.7	7.6	77.3	68.1	61.2	16%	13%
Nuvoco Vistas	130	5.1%	8.7%	60.5%	10.7	8.0	6.9	79.6	74.6	69.1	5%	8%
Sagar Cements	27	12.0%	31.9%	-237.5%	19.2	10.3	7.7	45.1	45.0	46.2	1%	6%
Shree Cements	1,004	7.3%	13.9%	13.0%	24.6	17.3	15.1	182.2	165.3	163.4	12%	19%
Star Cements	86	12.9%	17.6%	15.1%	15.1	11.1	9.4	126.3	125.6	123.5	12%	18%
The Ramco	210	6.3%	13.3%	25.0%	17.2	13.1	11.3	133.6	124.9	122.3	8%	9%
Ultratech	3,382	11.2%	19.0%	23.1%	26.4	18.6	15.8	251.1	234.2	215.2	16%	16%

Source: Company, Centrum Broking

Exhibit 1: Q3FY25 results summary

Y/E March (Rs mm)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	YoY (%)
Net Sales	6,514	6,415	7,188	10.3	12.0	19,971	21,113	5.7
Expenditure								
Chg. in stock	(308)	(40)	(104)	NA	NA	(332)	-319	NA
RM consumption	1,558	941	1,655	6.2	75.8	4,780	4,475	(6.4)
Purchase of traded goods	-	-	-	NA	NA	-	-	NA
Employee costs	545	646	606	11.16	-6.13	1,626	1,874	15.2
Freight Costs	1,101	1,740	1,595	44.92	-8.29	3,263	5,213	59.75
Power and fuel	1,336	1,166	1,148	-14.12	-1.55	4,379	3,458	-21.02
Other exp	794	1,008	1,245	56.9	23.6	2,489	3,252	30.7
Operating Expenses	5,026	5,460	6,145	22.3	12.6	16,205	17,954	10.8
EBITDA	1,488	956	1,042	(29.9)	9.1	3,766	3,159	(16.1)
EBITDA Margin (%)	22.8%	14.9%	14.5%	(833)bps	(40)bps	18.9%	15.0%	(389)bps
Other Income	41	16	25	(39.0)	54.2	186	55	(70.3)
Interest Costs	30	71	98	230.6	37.8	85	228	169.9
Depreciation	365	825	893	144.7	8.2	1,043	2,444	134.2
PBT	1,134	76	76	(93.3)	0.8	2,824	543	(80.8)
Tax	399	19	-14	(103.6)	(176.1)	750	85	(88.6)
Exceptional Items	-	-	-	-	-	-	-	-
Reported PAT	735	57	91	(87.7)	59.7	2,074	457	(78.0)
Adjusted PAT	735	57	91	(87.7)	59.7	2,074	457	(78.0)
NPM(%)	11.3%	0.9%	1.3%	(1002)bps	38bps	10.4%	2.2%	(822)bps
EPS (Rs.)	1.8	0.1	0.2	(87.7)	59.7	5.0	1.1	(78.0)

Source: Centrum Broking, Company Data

Exhibit 2: Operational data

Operational Data	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	YoY (%)
Volume (mn mt)	0.97	0.96	1.07	10.0	10.9	3.0	3.2	5.4
Cement Realisation (Rs/mt)	6,716	6,669	6,736	0.3	1.0	6,615	6,633	0.3
Operating Costs (Rs/mt)	5,182	5,675	5,759	11.1	1.5	5,368	5,640	5.1
EBITDA (Rs/mt)	1,534	994	977	(36.3)	(1.7)	1,247	993	(20.4)

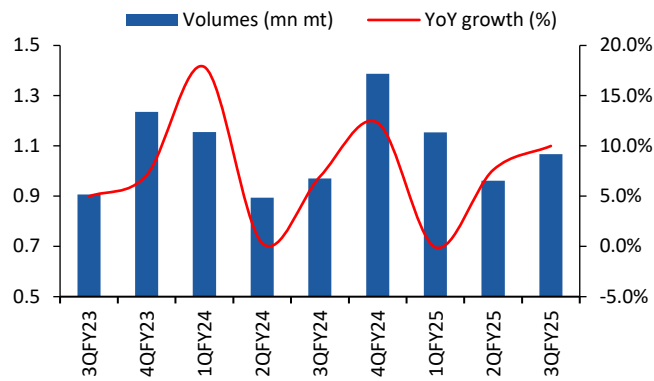
Source: Centrum Broking, Company Data

Exhibit 3: Trend in operating costs/mt

Costs/mt (Rs)	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	YoY (%)	QoQ (%)
RM consumption	1,202	875	1,734	1,337	1,289	1,508	1,477	937	1,453	12.8	55.2
Employee cost	536	447	441	639	562	395	539	671	568	1.1	(15.4)
Freight, packing etc	1,256	1,850	1,091	1,009	1,135	1,735	1,628	1,808	1,495	31.7	(17.3)
Power and fuel	1,767	1,288	1,498	1,467	1,378	845	992	1,212	1,076	(21.9)	(11.2)
Other exp	874	908	700	992	818	808	866	1,047	1,167	42.6	11.4
Operating costs/mt	5,635	5,368	5,465	5,444	5,182	5,291	5,502	5,675	5,759	11.1	1.5
EBITDA/mt	1,195	1,346	1,119	1,102	1,534	1,296	1,006	994	977	(36.3)	(1.7)

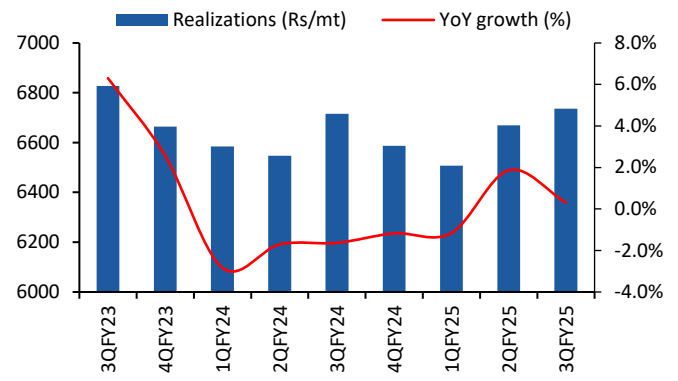
Source: Centrum Broking, Company Data

Exhibit 4: Volumes up 10% YoY



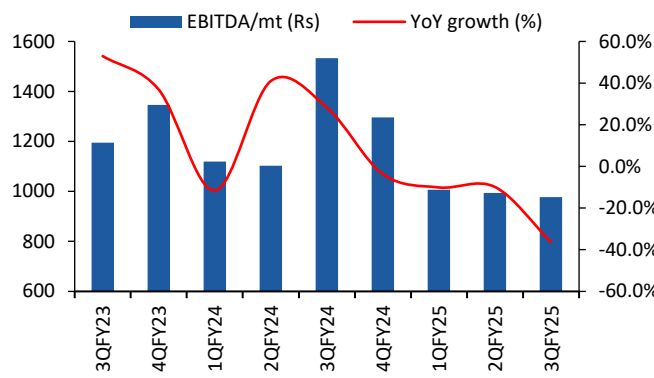
Source: Centrum Broking, Company Data

Exhibit 5: Realizations up 1% QoQ



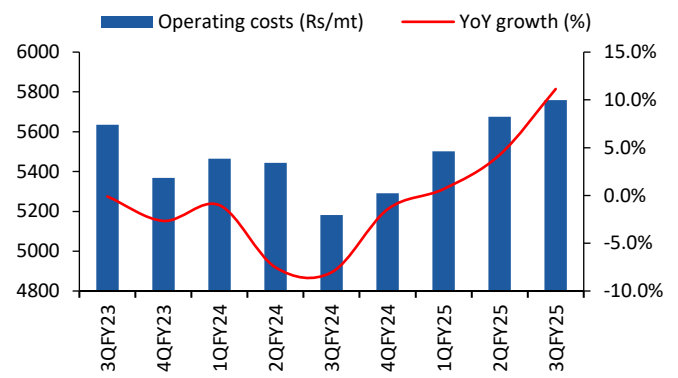
Source: Centrum Broking, Company Data

Exhibit 6: EBITDA/mt at Rs977



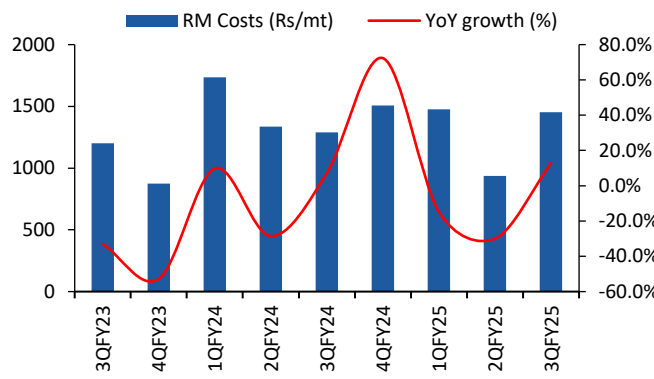
Source: Centrum Broking, Company Data

Exhibit 7: Operating costs up 11% YoY



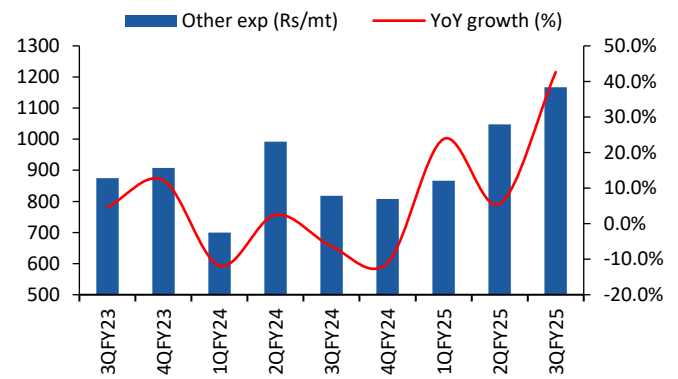
Source: Centrum Broking, Company Data

Exhibit 8: RM costs up 12.8% YoY



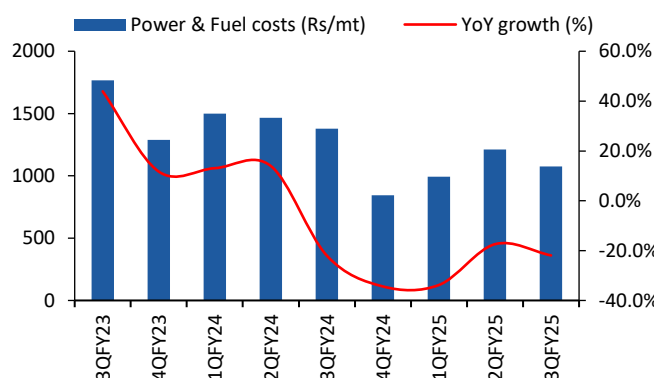
Source: Centrum Broking, Company Data

Exhibit 9: Other expenses up 42.6% YoY



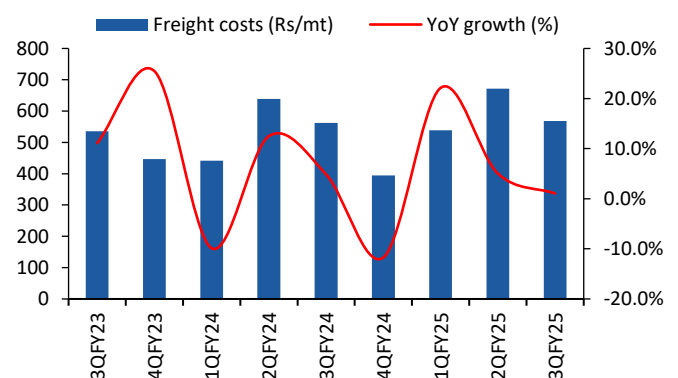
Source: Centrum Broking, Company Data

Exhibit 10: Power & Fuel costs down 22% YoY



Source: Centrum Broking, Company Data

Exhibit 11: Freight costs up 31.7% YoY



Source: Centrum Broking, Company Data

Q3FY25 conference call highlights

Demand – Management is very bullish on NE demand; expects better growth in demand than previous years.

Volume- Reported 10% volume growth YoY and expects similar growth in Q4. For FY25, volume growth is expected at ~7-8% while for FY26 it is estimated at ~12-15%.

Pricing – Cement prices in NE have been better while pricing outside NE have taken a hit; expects no more hit and prices largely to be stable outside NE.

Costs- Fuel cost for Q3FY25 stood at Rs1.5/kcal. Fuel mix: FSA coal - 63%, Biomass- 13% and Spot & Nagaland coal-20%. Other expenses increased this quarter due to maintenance shutdown cost and purchase of clinker from outside.

Capex – 9MFY25 at Rs4.4bn; another Rs2-2.5bn to be spent in Q4. FY26/FY27 capex pegged at Rs6bn/Rs3-4bn.

Others –11% OPC and rest PPC; 81% trade share, premium share at 12%; Lead distance – 222kms; Fuel cost at Rs1.5/kcal. Incentives for the quarter stood at Rs430mn; expects incentives to be upward of Rs500mn in the coming quarters.

Exhibit 12: Valuation summary

Particulars	(Rs mn)
FY27E EBITDA	9,090
Target multiple (x)	9.0
Enterprise value	81,808
Less: Net debt and CWIP	(3,358)
Equity value	85,166
No of shares (mn)	404
Target Price (Rs)	211

Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenues	27,048	29,107	31,667	36,980	41,941
Operating Expense	16,896	17,761	18,979	21,617	24,676
Employee cost	1,959	2,147	2,510	2,683	2,867
Others	3,510	3,609	4,424	4,916	5,307
EBITDA	4,684	5,590	5,753	7,765	9,090
Depreciation & Amortisation	1,311	1,465	2,397	2,769	3,189
EBIT	3,373	4,125	3,356	4,996	5,901
Interest expenses	97	126	200	100	100
Other income	521	265	282	306	332
PBT	3,797	4,264	3,439	5,202	6,133
Taxes	1,321	1,285	894	1,352	1,595
Effective tax rate (%)	34.8	30.1	26.0	26.0	26.0
PAT	2,476	2,979	2,545	3,849	4,539
Minority/Associates	0	0	0	0	0
Recurring PAT	2,476	2,979	2,545	3,849	4,539
Extraordinary items	0	0	0	0	0
Reported PAT	2,476	2,979	2,545	3,849	4,539

Ratios					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
Growth (%)					
Revenue	21.7	7.6	8.8	16.8	13.4
EBITDA	35.7	19.3	2.9	35.0	17.1
Adj. EPS	0.3	20.3	(14.6)	51.3	17.9
Margins (%)					
Gross	77.3	77.5	81.9	81.8	81.5
EBITDA	17.3	19.2	18.2	21.0	21.7
EBIT	12.5	14.2	10.6	13.5	14.1
Adjusted PAT	9.2	10.2	8.0	10.4	10.8
Returns (%)					
ROE	10.8	11.6	9.0	12.2	12.7
ROCE	11.0	11.5	8.8	11.4	12.1
ROIC	9.5	10.4	8.1	10.8	11.7
Turnover (days)					
Gross block turnover ratio (x)	1.6	1.2	0.9	0.9	0.9
Debtors	16	16	18	18	18
Inventory	62	73	70	68	65
Creditors	53	52	44	43	43
Net working capital	25	(6)	(4)	(5)	(4)
Solvency (x)					
Net debt-equity	(0.1)	0.0	0.0	0.0	0.0
Interest coverage ratio	48.3	44.4	28.8	77.6	90.9
Net debt/EBITDA	(0.6)	0.0	0.1	0.0	(0.1)
Per share (Rs)					
Adjusted EPS	6.1	7.4	6.3	9.5	11.2
BVPS	59.8	67.2	73.5	83.0	94.2
CEPS	9.4	11.0	12.2	16.4	19.1
DPS	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Valuation (x)					
P/E	34.9	29.0	34.0	22.5	19.0
P/BV	3.6	3.2	2.9	2.6	2.3
EV/EBITDA	17.8	15.5	15.1	11.1	9.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity share capital	404	404	404	404	404
Reserves & surplus	23,760	26,738	29,283	33,132	37,671
Shareholders fund	24,164	27,143	29,687	33,537	38,075
Minority Interest	0	0	0	0	0
Total debt	261	1,577	3,077	2,277	2,477
Non Current Liabilities	1,865	391	422	467	512
Def tax liab. (net)	0	0	0	0	0
Total liabilities	26,290	29,111	33,187	36,281	41,064
Gross block	16,827	23,423	36,614	42,614	48,614
Less: acc. Depreciation	(8,055)	(9,520)	(11,917)	(14,685)	(17,874)
Net block	8,772	13,903	24,697	27,928	30,740
Capital WIP	5,506	10,190	2,000	2,000	2,000
Net fixed assets	14,416	24,264	26,867	30,099	32,910
Non Current Assets	2,308	1,571	1,789	2,050	2,362
Investments	1,725	20	20	20	20
Inventories	3,741	3,350	3,905	4,162	4,680
Sundry debtors	1,047	1,508	1,640	1,916	2,173
Cash & Cash Equivalents	3,117	1,361	2,483	2,194	3,835
Loans & advances	1,485	1,674	1,822	2,127	2,413
Other current assets	584	151	154	156	159
Trade payables	2,820	2,197	2,420	2,729	3,068
Other current liab.	2,184	4,965	5,447	6,089	6,794
Provisions	20	26	26	26	26
Net current assets	4,950	855	2,110	1,712	3,371
Total assets	26,290	29,111	33,187	36,281	41,064

Cashflow					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Profit Before Tax	3,894	4,390	3,639	5,302	6,233
Depreciation & Amortisation	1,311	1,465	2,397	2,769	3,189
Net Interest	(97)	(126)	(200)	(100)	(100)
Net Change – WC	24	2,338	(132)	109	(19)
Direct taxes	(1,321)	(1,285)	(894)	(1,352)	(1,595)
Net cash from operations	3,811	6,782	4,810	6,727	7,709
Capital expenditure	(5,447)	(11,313)	(5,000)	(6,000)	(6,000)
Acquisitions, net	0	0	0	0	0
Investments	1,812	3,206	0	0	0
Others	6	909	(216)	(259)	(311)
Net cash from investing	(3,629)	(7,199)	(5,216)	(6,259)	(6,311)
FCF	(1,636)	(4,532)	(190)	727	1,709
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	209	1,316	1,500	(800)	200
Dividend paid	0	0	0	0	0
Interest paid	(97)	(126)	(200)	(100)	(100)
Others	744	(1,156)	29	43	43
Net cash from financing	857	35	1,329	(857)	143
Net change in Cash	1,038	(383)	923	(389)	1,541

Source: Company, Centrum Broking

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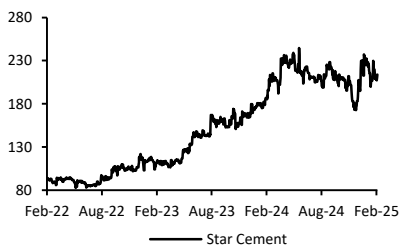
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Star Cement



Source: Bloomberg

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PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

Research Analyst

SEBI Registration No. INH000001469

Mutual Fund Distributor

AMFI REGN No. ARN- 147569

Website: www.centrumbroking.com

Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:

Ajay S Bendkhale

(022) 4215 9000/9023; Email ID: compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)**Registered and Corporate Office:**

Level -9, Centrum House, C.S.T. Road,

Vidyanagari Marg, Kalina,

Santacruz (East) Mumbai – 400098

Tel.: - +91 22 4215 9000