

HOLD Star Cement

Your success is our success

Lower cost drives EBITDA beat; capacity enhancement on track

Cement ▶ Result Update ▶ November 10, 2023

TARGET PRICE (Rs): 180

Star Cement's consolidated EBITDA increased 42% YoY/declined 24% QoQ to Rs986mn in Q2FY24 which was 9% above Consensus estimate. EBITDA/t stood at Rs1,100 (Emkay: Rs900). Volume growth was muted at 1% YoY (down 23% QoQ) to 0.9mt, owing to subdued demand in NER (post a robust over 20% growth witnessed in Q1) and maintenance shutdown during the quarter. Company has reiterated its guidance of 13-14% volume growth in FY24, on anticipation of strong performance in H2FY24. 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 recent price hikes, we raise our EBITDA by 4% for FY24-25E and revise up Sep-24E TP to Rs180/share, based on 10x EV/E; we retain HOLD on the stock.

Star Cement: Financial Snapshot (Consolidated)

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------|--------|--------|--------|--------|--------|
| Revenue | 22,218 | 27,048 | 29,424 | 34,380 | 39,470 |
| EBITDA | 3,453 | 4,684 | 5,467 | 6,742 | 7,773 |
| Adj. PAT | 2,468 | 2,476 | 3,035 | 3,811 | 4,407 |
| Adj. EPS (Rs) | 6.1 | 6.1 | 8.0 | 9.4 | 10.9 |
| EBITDA margin (%) | 15.5 | 17.3 | 18.6 | 19.6 | 19.7 |
| EBITDA growth (%) | 3.8 | 35.7 | 16.7 | 23.3 | 15.3 |
| Adj. EPS growth (%) | 34.6 | 0.3 | 30.4 | 18.0 | 15.6 |
| RoE (%) | 11.6 | 10.8 | 11.8 | 13.0 | 13.2 |
| RoIC (%) | 15.1 | 15.0 | 15.4 | 14.2 | 13.9 |
| P/E (x) | 26.1 | 26.0 | 21.2 | 16.9 | 14.6 |
| EV/EBITDA (x) | 17.1 | 12.8 | 11.9 | 9.6 | 8.1 |
| P/B (x) | 3.0 | 2.7 | 2.3 | 2.1 | 1.8 |
| FCFF yield (%) | 3.7 | (3.2) | (9.0) | 0.4 | 3.5 |

Source: Company, Emkay Research

Result Summary

On a favorable base, EBITDA/ton rose 41% YoY (down 1% QoQ) to Rs1,100. RM+P&F costs witnessed a significant decline of Rs410/t, given the ~20% QoQ decline in fuel cost to Rs1.9/Kcal. However, owing to negative operating leverage, total cost/t remained constant QoQ (down 8% YoY) at Rs5,432. Realization also remained flattish QoQ (down 2% YoY) at Rs6,532/t. The management indicated that demand was healthy in Oct-23 which expects to sustain for remaining H2FY24. Further, with the recent price hikes in the East and the North-East region (NER), we expect profitability to improve in H2FY24. Company is on track to increase its clinker and grinding capacities to 5.8mt and 9.7mt, respectively, and has already spent ~Rs10bn, as of Sep-24 (of the total project cost of Rs24bn). In H1FY24, consolidated FCF generation stood at a negative Rs2.9bn post working capital blockage of Rs441mn and capex spend of Rs4.5bn. Company continues to have healthy cash reserves, of Rs2.3bn. Despite the ongoing capex, we expect leverage to remain low during FY24-25E.

What we like: Better than expected profitability growth**What we do not like:** Lower than industry volume growth

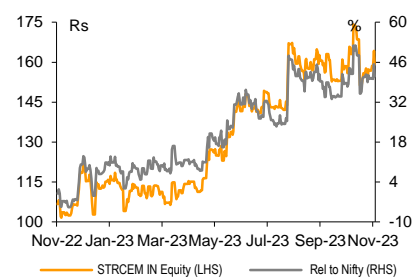
Key Concall Takeaways: 1) Star's 3mt clinker plant in Meghalaya, along with 12MW of WHRS, to be commissioned by Feb-24, while two GUs of 2mt each, in Guwahati and Silchar, to be commissioned by Dec-23 and Dec-24, respectively. Capex guidance for FY24 and FY25 stands at Rs10bn and Rs6bn, respectively. 2) Fuel cost declined to Rs1.9/Kcal vs Rs2.4/Kcal in Q1FY24. Company expects the fuel cost to track similar levels in Q3FY24. Fuel mix: 32% Nagaland Coal, 57% e-auction coal, 5% biomass and 6% FSA. 3) Premium product share improved by 300bps to 6.9%, with target of reaching 10% by FY24. Trade share stood at 89%; lead distance at 214km (up 7km QoQ). 4) Prices in NER have improved by Rs10/bag, while clocking higher by Rs50/bag in the East. Profitability is expected to materially improve in the East post the price hikes (Eastern region EBITDA/t before the price hike: Rs300). 5) Volume in NER improved 3% YoY to 0.7mt in Q2FY24.

| | |
|-------------------------|------------|
| Target Price – 12M | Sep-24 |
| Change in TP (%) | 8.8 |
| Current Reco. | HOLD |
| Previous Reco. | HOLD |
| Upside/(Downside) (%) | 12.8 |
| CMP (09-Nov-23) (Rs) | 159.1 |

| Stock Data | Ticker |
|-----------------------------|---------|
| 52-week High (Rs) | 182 |
| 52-week Low (Rs) | 93 |
| Shares outstanding (mn) | 404.2 |
| Market-cap (Rs bn) | 64 |
| Market-cap (USD mn) | 772 |
| Net-debt, FY24E (Rs mn) | 945 |
| ADTV-3M (mn shares) | 1 |
| ADTV-3M (Rs mn) | 136.1 |
| ADTV-3M (USD mn) | 1.6 |
| Free float (%) | - |
| Nifty-50 | 19,395 |
| INR/USD | 83.3 |
| Shareholding, Sep-23 | |
| Promoters (%) | 66.6 |
| FPIs/MFs (%) | 0.8/6.1 |

Price Performance

| (%) | 1M | 3M | 12M |
|---------------|-----|-------|------|
| Absolute | 2.1 | (3.8) | 52.5 |
| Rel. to Nifty | 2.7 | (2.6) | 42.8 |

1-Year share price trend (Rs)**Dharmesh Shah**dharmesh.shah@emkayglobal.com
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Quarterly Analysis

Exhibit 1: Actual vs. Estimates (Q2FY24)

| (Rs mn) | Actual | Estimates | | Variation (%) | | Comment |
|-----------------------------|------------|------------|------------|---------------|------------|---|
| | | Emkay | Consensus | Emkay | Consensus | |
| Net sales | 5,853 | 5,926 | 5,927 | (1.2) | (1.3) | |
| EBITDA | 986 | 810 | 905 | 21.7 | 8.9 | EBITDA beat owing to significant decline in input cost |
| PAT | 407 | 428 | 490 | (5.0) | (17.0) | |
| Volumes (mt) | 0.90 | 0.90 | | (0.43) | | |
| Cement realization (Rs/ton) | 6,532 | 6,586 | | (0.8) | | |
| EBITDA/ton (Rs) | 1,100 | 900 | | 22.2 | | |

Source: Bloomberg, Emkay Research

Exhibit 2: Quarterly analysis

| (Rs mn) | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | YoY (%) | QoQ (%) | H1FY23 | H1FY24 | YoY (%) |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|-------------|
| Revenue | 5,942 | 6,195 | 8,300 | 7,605 | 5,853 | (1.5) | (23.0) | 12,594 | 13,457 | 6.9 |
| Expenditure | 5,245 | 5,111 | 6,638 | 6,312 | 4,867 | (7.2) | (22.9) | 10,656 | 11,179 | 4.9 |
| Total RM cost | 1,668 | 1,090 | 1,967 | 2,003 | 1,195 | (28.3) | (40.3) | 3,215 | 3,198 | (0.5) |
| Staff cost | 506 | 486 | 558 | 510 | 571 | 12.9 | 12.1 | 986 | 1,081 | 9.6 |
| Other expenditure | 3,072 | 3,535 | 4,113 | 3,799 | 3,101 | 0.9 | (18.4) | 6,455 | 6,900 | 6.9 |
| EBITDA | 697 | 1,084 | 1,662 | 1,293 | 986 | 41.5 | (23.8) | 1,938 | 2,278 | 17.6 |
| Depreciation | 315 | 341 | 351 | 318 | 360 | 14.2 | 13.2 | 620 | 678 | 9.4 |
| EBIT | 381 | 743 | 1,311 | 975 | 625 | 64.1 | (35.8) | 1,318 | 1,600 | 21.4 |
| Other Income | 136 | 117 | 127 | 87 | 58 | (57.4) | (33.9) | 276 | 145 | (47.5) |
| Interest | 26 | 33 | 12 | 22 | 32 | 23.1 | 44.8 | 52 | 55 | 5.1 |
| PBT | 490 | 828 | 1,427 | 1,040 | 651 | 32.7 | (37.4) | 1,542 | 1,690 | 9.6 |
| Total Tax | 180 | 299 | 466 | 300 | 244 | 35.7 | (18.7) | 556 | 544 | (2.1) |
| Adjusted PAT | 311 | 529 | 961 | 739 | 407 | 31.0 | (45.0) | 986 | 1,146 | 16.2 |
| (Profit)/loss from JVs/Assoc./MI | - | - | - | - | - | - | - | - | - | - |
| PAT after MI | 311 | 529 | 961 | 739 | 407 | 31.0 | (45.0) | 986 | 1,146 | 16.2 |
| Extra ordinary items | - | - | - | 193 | - | - | - | - | 193 | - |
| Reported PAT | 311 | 529 | 961 | 932 | 407 | 31.0 | (56.4) | 986 | 1,339 | 35.8 |
| Adjusted EPS (Rs) | 0.8 | 1.3 | 2.4 | 1.8 | 1.0 | 31.0 | (45.0) | 2.4 | 2.8 | 16.2 |

| (%) | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | YoY (bps) | QoQ (bps) | H1FY23 | H1FY24 | YoY (bps) |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|------------|
| EBITDAM | 11.7 | 17.5 | 20.0 | 17.0 | 16.8 | 43.6 | (0.9) | 15.4 | 16.9 | 154 |
| EBITM | 6.4 | 12.0 | 15.8 | 12.8 | 10.7 | 66.6 | (16.6) | 10.5 | 11.9 | 142 |
| EBTM | 8.3 | 13.4 | 17.2 | 13.7 | 11.1 | 34.7 | (18.7) | 12.2 | 12.6 | 32 |
| PATM | 5.2 | 8.5 | 11.6 | 9.7 | 6.9 | 33.0 | (28.5) | 7.8 | 8.5 | 69 |
| Effective Tax rate | 36.7 | 36.1 | 32.6 | 28.9 | 37.5 | | | 36.1 | 32.2 | |

Source: Company, Emkay Research

Exhibit 3: Quarterly analysis on a per-ton basis

| (Rs/ton) | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | YoY (%) | QoQ (%) | H1FY23 | H1FY24 | YoY (%) |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| Volumes (mt) | 0.89 | 0.91 | 1.24 | 1.16 | 0.90 | 0.6 | (23.0) | 1.87 | 2.06 | 10.1 |
| Blended Realization | 6,669 | 6,823 | 6,720 | 6,533 | 6,532 | (2.1) | (0.0) | 6,731 | 6,533 | (3.0) |
| Raw Material cost | 1,872 | 1,201 | 1,593 | 1,721 | 1,334 | (28.7) | (22.5) | 1,719 | 1,553 | (9.7) |
| Staff cost | 568 | 536 | 452 | 438 | 638 | 12.3 | 45.6 | 527 | 525 | (0.4) |
| Other expenditure | 3,448 | 3,893 | 3,330 | 3,264 | 3,461 | 0.4 | 6.0 | 3,450 | 3,349 | (2.9) |
| Operating cost | 5,887 | 5,629 | 5,375 | 5,423 | 5,432 | (7.7) | 0.2 | 5,696 | 5,427 | (4.7) |
| EBITDA | 782 | 1,194 | 1,346 | 1,111 | 1,100 | 40.7 | (1.0) | 1,036 | 1,106 | 6.8 |

Source: Company, Emkay Research

Exhibit 4: We increase our FY24-25 estimates by 4% and maintain estimates for FY26E

| (Rs mn) | FY24E | | | FY25E | | | FY26E | | |
|---------------|--------------|--------------|------------|--------------|--------------|------------|--------------|--------------|------------|
| | Old | New | Chg. (%) | Old | New | Chg. (%) | Old | New | Chg. (%) |
| Revenue | 29,587 | 29,424 | (0.6) | 34,487 | 34,380 | (0.3) | 39,943 | 39,470 | (1.2) |
| EBITDA | 5,239 | 5,467 | 4.4 | 6,489 | 6,742 | 3.9 | 7,772 | 7,773 | 0.0 |
| PAT | 3,165 | 3,035 | (4.1) | 3,912 | 3,811 | (2.6) | 4,727 | 4,407 | (6.8) |

Source: Emkay Research

Exhibit 5: We maintain HOLD on Star Cement, with TP of Rs180/share, based on Sep-25E EV/E

| EV/E valuation | |
|--|------------|
| Sep-25E EBITDA (Rs bn) | 7.3 |
| EV/E (x) | 10.0 |
| Enterprise Value (Rs bn) | 73 |
| Net debt (Sep-24E; Rs bn) | 1 |
| Equity value (Rs bn) | 73 |
| No. of shares (mn) | 404 |
| Sep-24E Target Price (Rs/share) | 180 |

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 | 4.5 | 5.1 | 5.7 | 9.3 | 12.7 |
| Utilization (%) | 60 | 63 | 67 | 46 | 60 | 70 | 58 | 52 | 59 | | |
| Blended Realization (Rs/ton) | 6,243 | 6,747 | 6,389 | 6,500 | 6,523 | 6,735 | 6,600 | 6,765 | 6,873 | 1.5 | 0.7 |
| EBITDA/ton (Rs) | 2,026 | 1,660 | 1,369 | 1,258 | 1,014 | 1,167 | 1,227 | 1,327 | 1,354 | (10.4) | 5.1 |
| P&L (Rs bn) | | | | | | | | | | | |
| Revenue | 16 | 18 | 18 | 17 | 22 | 27 | 29 | 34 | 39 | 10.9 | 13.4 |
| EBITDA | 5 | 4 | 4 | 3 | 3 | 5 | 5 | 7 | 8 | (2.1) | 18.4 |
| Adj. Net Profit | 3 | 3 | 3 | 3 | 2 | 2 | 3 | 4 | 4 | (4.4) | 21.2 |
| Balance Sheet (Rs bn) | | | | | | | | | | | |
| Equity | 15 | 17 | 19 | 21 | 22 | 24 | 27 | 31 | 36 | | |
| Net Debt | 4 | (1) | (3) | (5) | (5) | (5) | 1 | 1 | (1) | | |
| 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 | 11.8 | 13.0 | 13.2 | | |
| RoCE | 17.7 | 16.3 | 15.4 | 12.8 | 12.2 | 11.0 | 11.0 | 11.8 | 12.3 | | |
| RoIC | 18.4 | 17.9 | 18.0 | 15.8 | 15.2 | 15.1 | 15.7 | 14.2 | 14.0 | | |
| Valuations (x) | | | | | | | | | | | |
| PER | | | | | | 26.0 | 21.2 | 16.9 | 14.6 | | |
| EV/EBITDA | | | | | | 12.6 | 10.9 | 9.7 | 8.4 | | |
| EV/ton (USD) | | | | | | 126 | 95 | 82 | 82 | | |

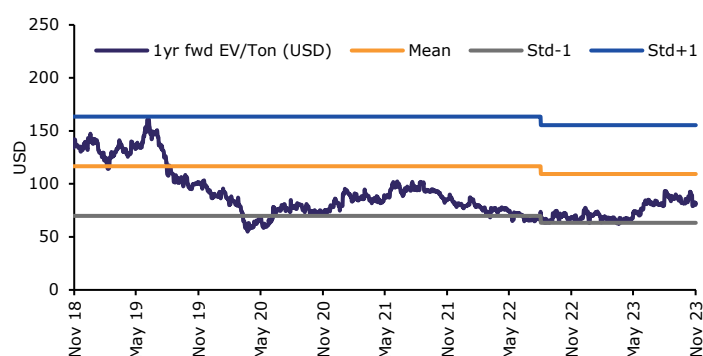
Source: Emkay Research

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 | 6,600 | 6,765 | 6,873 |
| % YoY | (0.7) | 8.1 | (5.3) | 1.7 | 0.3 | 3.2 | (2.0) | 2.5 | 1.6 |
| Raw materials cost | 1,176 | 1,614 | 1,396 | 1,525 | 1,685 | 1,559 | 1,512 | 1,535 | 1,572 |
| Power & fuel cost | 840 | 956 | 1,257 | 1,280 | 1,225 | 1,419 | 1,368 | 1,361 | 1,354 |
| Freight cost | 1,126 | 1,341 | 1,226 | 1,202 | 1,255 | 1,262 | 1,161 | 1,185 | 1,214 |
| Staff cost | 417 | 430 | 439 | 497 | 468 | 488 | 501 | 510 | 514 |
| Other expenses | 690 | 765 | 713 | 743 | 880 | 843 | 835 | 851 | 868 |
| Total OpEx | 4,249 | 5,107 | 5,031 | 5,247 | 5,513 | 5,572 | 5,377 | 5,441 | 5,523 |
| % YoY | (11.8) | 20.2 | (1.5) | 4.3 | 5.1 | 1.1 | (3.5) | 1.2 | 1.5 |
| 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 | 1,227 | 1,327 | 1,354 |
| % YoY | 35.7 | (18.1) | (17.5) | (8.1) | (19.4) | 15.1 | 5.1 | 8.2 | 2.0 |

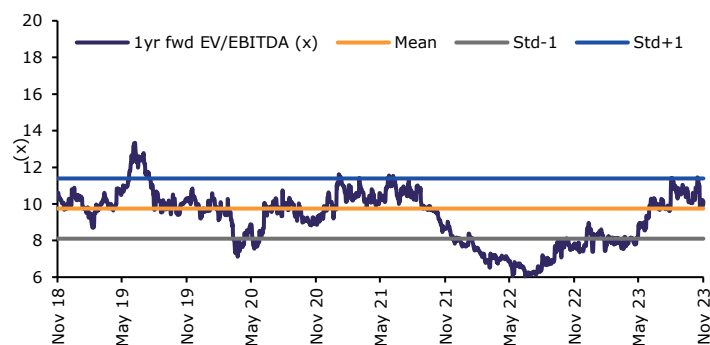
Source: Company, Emkay Research

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 | 29,424 | 34,380 | 39,470 |
| Revenue growth (%) | 29.2 | 21.7 | 8.8 | 16.8 | 14.8 |
| EBITDA | 3,453 | 4,684 | 5,467 | 6,742 | 7,773 |
| EBITDA growth (%) | 3.8 | 35.7 | 16.7 | 23.3 | 15.3 |
| Depreciation & Amortization | 1,216 | 1,311 | 1,433 | 1,594 | 1,894 |
| EBIT | 2,236 | 3,373 | 4,034 | 5,147 | 5,878 |
| EBIT growth (%) | (7.8) | 50.8 | 19.6 | 27.6 | 14.2 |
| Other operating income | 15 | 16 | 18 | 19 | 21 |
| Other income | 334 | 521 | 308 | 303 | 310 |
| Financial expense | 133 | 97 | 143 | 349 | 289 |
| PBT | 2,437 | 3,797 | 4,199 | 5,101 | 5,899 |
| Extraordinary items | 0 | 0 | 193 | 0 | 0 |
| Taxes | (31) | 1,321 | 1,164 | 1,291 | 1,493 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Income from JV/Associates | 0 | 0 | 0 | 0 | 0 |
| Reported PAT | 2,468 | 2,476 | 3,228 | 3,811 | 4,407 |
| PAT growth (%) | 31.9 | 0.3 | 30.4 | 18.0 | 15.6 |
| Adjusted PAT | 2,468 | 2,476 | 3,035 | 3,811 | 4,407 |
| Diluted EPS (Rs) | 6.1 | 6.1 | 8.0 | 9.4 | 10.9 |
| Diluted EPS growth (%) | 34.6 | 0.3 | 30.4 | 18.0 | 15.6 |
| 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 | 18.6 | 19.6 | 19.7 |
| EBIT margin (%) | 10.1 | 12.5 | 13.7 | 15.0 | 14.9 |
| Effective tax rate (%) | (1.3) | 34.8 | 27.7 | 25.3 | 25.3 |
| NOPLAT (pre-IndAS) | 2,265 | 2,200 | 2,916 | 3,845 | 4,391 |
| 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 | 4,199 | 5,101 | 5,899 |
| Others (non-cash items) | (197) | (261) | 0 | 0 | 0 |
| Taxes paid | (350) | (677) | (1,164) | (1,291) | (1,493) |
| Change in NWC | 1,065 | (417) | (144) | (189) | (110) |
| Operating cash flow | 4,170 | 3,753 | 4,158 | 5,262 | 6,170 |
| 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 | 308 | 303 | 310 |
| Investing cash flow | 878 | (817) | (9,692) | (4,697) | (3,690) |
| 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) | (143) | (349) | (289) |
| Dividend paid (incl tax) | 0 | 0 | 0 | 0 | 0 |
| Others | (102) | 197 | 193 | 0 | 0 |
| Financing cash flow | (1,756) | 100 | 5,050 | (349) | (2,289) |
| Net chg in Cash | 3,292 | 3,037 | (483) | 216 | 191 |
| OCF | 4,170 | 3,753 | 4,158 | 5,262 | 6,170 |
| Adj. OCF (w/o NWC chg.) | 3,106 | 4,170 | 4,303 | 5,451 | 6,280 |
| FCFF | 2,197 | (1,941) | (5,842) | 262 | 2,170 |
| FCFE | 2,195 | (1,941) | (842) | 262 | 170 |
| OCF/EBITDA (%) | 120.8 | 80.1 | 76.1 | 78.1 | 79.4 |
| FCFE/PAT (%) | 88.9 | (78.4) | (27.7) | 6.9 | 3.9 |
| FCFF/NOPLAT (%) | 97.0 | (88.3) | (200.3) | 6.8 | 49.4 |

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 | 26,988 | 30,799 | 35,205 |
| Net worth | 21,684 | 24,164 | 27,392 | 31,203 | 35,610 |
| 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 | 32,697 | 36,508 | 38,915 |
| Net tangible fixed assets | 6,669 | 8,670 | 18,237 | 24,643 | 26,748 |
| 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 | 4,360 | 4,576 | 4,767 |
| Current assets (ex-cash) | 11,742 | 12,192 | 12,456 | 13,819 | 15,134 |
| Current Liab. & Prov. | 5,690 | 6,845 | 6,965 | 8,138 | 9,343 |
| NWC (ex-cash) | 6,052 | 5,347 | 5,492 | 5,681 | 5,791 |
| Total assets | 21,761 | 24,469 | 32,697 | 36,508 | 38,915 |
| Net debt | (5,389) | (4,538) | 945 | 729 | (1,462) |
| Capital employed | 21,761 | 24,469 | 32,697 | 36,508 | 38,915 |
| Invested capital | 15,232 | 14,120 | 23,831 | 30,426 | 32,641 |
| BVPS (Rs) | 53.7 | 59.8 | 67.8 | 77.2 | 88.1 |
| Net Debt/Equity (x) | (0.2) | (0.2) | 0.0 | 0.0 | 0.0 |
| Net Debt/EBITDA (x) | (1.6) | (1.0) | 0.2 | 0.1 | (0.2) |
| Interest coverage (x) | 19.3 | 40.2 | 30.4 | 15.6 | 21.4 |
| RoCE (%) | 12.0 | 16.8 | 15.2 | 15.8 | 16.4 |

Source: Company, Emkay Research

| Valuations and key Ratios | | | | | |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
| Y/E Mar | FY22 | FY23 | FY24E | FY25E | FY26E |
| P/E (x) | 26.1 | 26.0 | 21.2 | 16.9 | 14.6 |
| P/CE(x) | 17.5 | 17.0 | 14.4 | 11.9 | 10.2 |
| P/B (x) | 3.0 | 2.7 | 2.3 | 2.1 | 1.8 |
| EV/Sales (x) | 2.7 | 2.2 | 2.2 | 1.9 | 1.6 |
| EV/EBITDA (x) | 17.1 | 12.8 | 11.9 | 9.6 | 8.1 |
| EV/EBIT(x) | 26.3 | 17.7 | 16.2 | 12.6 | 10.7 |
| EV/IC (x) | 3.9 | 4.2 | 2.7 | 2.1 | 1.9 |
| FCFF yield (%) | 3.7 | (3.2) | (9.0) | 0.4 | 3.5 |
| FCFE yield (%) | 3.7 | (3.2) | (1.3) | 0.4 | 0.3 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| DuPont-RoE split | | | | | |
| Net profit margin (%) | 11.1 | 9.2 | 10.3 | 11.1 | 11.2 |
| 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 | 11.8 | 13.0 | 13.2 |
| DuPont-RoIC | | | | | |
| NOPLAT margin (%) | 10.2 | 8.1 | 9.9 | 11.2 | 11.1 |
| IC turnover (x) | 1.5 | 1.8 | 1.6 | 1.3 | 1.3 |
| RoIC (%) | 15.1 | 15.0 | 15.4 | 14.2 | 13.9 |
| Operating metrics | | | | | |
| Core NWC days | 99.4 | 72.2 | 68.1 | 60.3 | 53.6 |
| Total NWC days | 99.4 | 72.2 | 68.1 | 60.3 | 53.6 |
| Fixed asset turnover | 1.5 | 1.6 | 1.3 | 1.1 | 1.0 |
| Opex-to-revenue (%) | 58.6 | 59.5 | 58.5 | 57.7 | 57.5 |

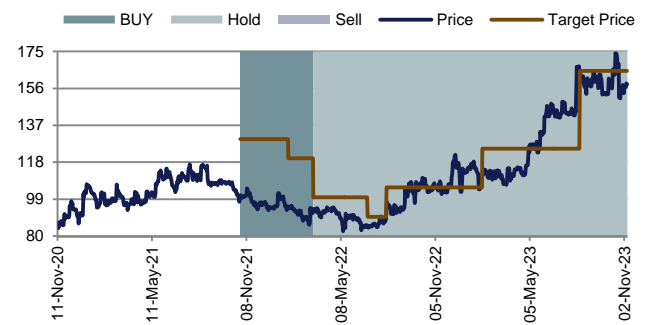
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

| Date | Closing Price (INR) | TP (INR) | Rating | Analyst |
|-----------|---------------------|----------|--------|---------------|
| 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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