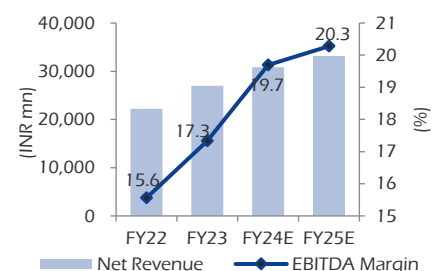


Q4FY23 - Quarterly Result Analysis

Star Cement: cost deflation lifts margin

Mcap: INR 51bn, Accumulate, ↑TP: INR 149, CMP: INR 127, Upside: 17%

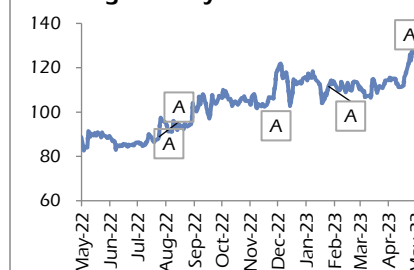
Revenue & margin growth trend



Source: Company, Elara Securities Estimate

- Star Cement (STRCEM IN) Q4FY23 performance was broadly in line as the negative impact of below our expectations volume and realization was offset by lower-than-expected operating cost. Net sales grew ~10% YoY and ~33% QoQ to ~INR 8.3bn and EBITDA improved ~47% YoY and ~53% QoQ to INR 1.7bn. Net sales and EBITDA were broadly in line with our estimates of ~INR 8.5bn and ~INR 1.6bn, respectively. PAT rose ~9% YoY and ~82% QoQ to INR 961mn
- Sales volume improved ~7% YoY and ~36% QoQ to 1.24mn tonne, ~1% below our estimates. Further, realization grew ~3% YoY but fell ~2% QoQ to INR 6,680/tonne, ~2% below our estimates. However, operating cost declined ~3% YoY and ~5% QoQ to INR 5,335/tonne, ~4% below our estimates. Thus, EBITDA per tonne jumped ~37% YoY and ~13% QoQ to INR 1,346, above our estimates of INR 1,251
- A 12-MW waste heat recovery (WHR) unit is at a stabilization phase and cost savings benefits through this are likely to accrue from the current month. Further, STRCEM has incurred a capex of ~INR 21bn toward: 1) a 3.0mn-tonne clinker unit in Meghalaya along with ~12MW WHR capacity for ~INR 12.5bn, with an expected timeline of January 2024, 2) 2.0mn-tonne Brownfield expansion at Guwahati (Assam) for ~INR 4.0bn with an expected timeline of November 2023, and 3) another 2.0mn-tonne grinding unit at Silchar (Assam) at ~INR 4.5-4.7bn by August 2024
- Valuation:** we believe near-term volume will get support from healthy demand in its serving markets whereas the gradual completion of ongoing expansion works bodes well for volume growth. Although any major price hike in the near term may not ensue, STRCEM's strong exposure to the trade segment and its focus on higher selling to margin-accretive Northeast market bode well for realization. On the cost front, an expected fall in fuel expenses led by a reduction in coal prices and the start of WHR would enable the company to achieve better cost optimization. Thus, we raise our EBITDA estimates ~14% for FY24 and ~12% for FY25. We rollover to March 2025E from December 2024E and increase our TP to INR 149 from INR 128 based on 9x (unchanged) FY25E EV/EBITDA. We reiterate **Accumulate**

Coverage history



Note: Stock under coverage since February 2019

YE March (INR mn)	Key metrics							(INR mn)			Growth (%)		
	Q4FY23	Q4FY23E	Var (%)	Q3FY23	QoQ (%)	Q4FY22	YoY (%)	FY23	FY24E	FY25E	FY22-23	FY23-24E	FY24-25E
Revenue	8,250	8,495	(2.9)	6,195	33.2	7,492	10.1	27,012	30,829	33,180	21.7	14.1	7.6
EBITDA	1,662	1,556	6.8	1,084	53.3	1,134	46.6	4,684	6,072	6,728	35.7	29.6	10.8
Adj. net profit	961	857	12.2	529	81.8	884	8.7	2,476	3,361	3,236	0.3	35.8	(3.7)
EPS (INR)	2.4	2.1	12.2	1.3	81.8	2.2	8.7	6.1	8.3	8.0	0.3	35.8	(3.7)

Note: Pricing as 22 May 2023, Source: Company, Elara Securities Estimate

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Note: B: Buy, A: Accumulate, R: Reduce, S: Sell; Source: Company, Bloomberg, Elara Securities Estimate

**Guide to Research Rating: BUY:** Absolute Return >+20%; **ACCUMULATE:** Absolute Return +5% to +20%; **REDUCE:** Absolute Return -5% to +5%; **SELL:** Absolute Return < -5%

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