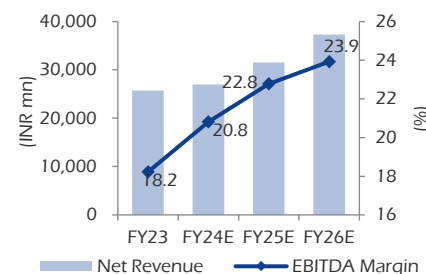


Q3FY24 - Quarterly Result Analysis

Star Cement: margin leadership continues

Mcap: INR 79bn, Buy, TP: **↑**INR 236, CMP: INR 196, Upside: 20%

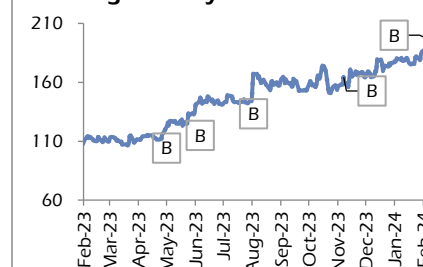
Revenue growth & margin trend



Source: Company, Elara Securities Estimate

- Star Cement (STRCEM IN) Q3 EBITDA was up ~37% YoY and ~51% QoQ to ~INR 1.5bn, slightly ahead of our and Consensus estimates of ~INR 1.3bn and ~INR 1.4bn, respectively, aided by lower-than-expected operating cost. Net sales grew ~6% YoY and ~11% QoQ to INR 6.5bn. PAT improved ~39% YoY and ~81% QoQ to INR 735mn
- Sales volume increased by ~7% YoY and ~8% QoQ to 0.97mn tonne. Realization was down ~1% YoY but up ~3% QoQ to INR 6,716/tonne. Operating cost declined ~8% YoY and ~5% QoQ to INR 5,182/tonne. Thus, EBITDA/tonne increased ~28% YoY and ~39% QoQ to INR 1,534, marking the highest among the listed cement firms in Q3FY24. Also, we expect margin leadership to strengthen once the incentive income starts kicking in from new projects
- Capex work on previously announced growth capex is on track and likely to be completed in a phased manner over FY26: 1) a 3.3mn-tonne clinker unit in Meghalaya is expected to be commissioned by end-March 2024, 2) a 2.0mn-tonne Brownfield expansion at Guwahati in Assam should start operations during the first week of March 2024, and 3) a 2.0mn-tonne grinding unit at Silchar in Assam is likely to come onstream by end-H1FY26
- Valuation:** We cut our EBITDA by ~5% for FY24E and ~3% for FY25E but largely retain it for FY26E, to factor in delayed completion of ongoing growth projects by a month. However, we remain positive on the long-term prospects. We believe the gradual completion of ongoing expansion will bolster 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 the margin-accretive Northeast markets augur well for realization. While incremental savings from the ramp-up of WHR may contain cost, incentive from grinding units may bolster margin next year. Further, we roll over to March 2026E from September 2025E and raise our TP to INR 236 from INR 212 on 10x (unchanged) FY26E EV/EBITDA. We reiterate **Buy**

Coverage history



Note: Stock under coverage since February 2019

| YE March (INR mn) | Key metrics | | | | | | | | (INR mn) | | | Growth (%) | | |
|----------------------|-------------|---------|---------|--------|---------|--------|---------|--------|----------|--------|----------|------------|----------|--|
| | Q3FY24 | Q3FY24E | Var (%) | Q2FY24 | QoQ (%) | Q3FY23 | YoY (%) | FY24E | FY25E | FY26E | FY23-24E | FY24-25E | FY25-26E | |
| Revenue | 6,514 | 6,463 | 0.8 | 5,853 | 11.3 | 6,172 | 5.5 | 26,975 | 31,564 | 37,280 | 5.0 | 17.0 | 18.1 | |
| EBITDA | 1,488 | 1,282 | 16.0 | 986 | 50.9 | 1,084 | 37.2 | 5,611 | 7,187 | 8,919 | 19.8 | 28.1 | 24.1 | |
| Adj. net profit | 735 | 612 | 20.1 | 407 | 80.8 | 529 | 39.0 | 3,073 | 3,676 | 5,330 | 24.1 | 19.6 | 45.0 | |
| EPS (INR) | 1.8 | 1.5 | 20.1 | 1.0 | 80.8 | 1.3 | 39.0 | 7.6 | 9.1 | 13.2 | 24.1 | 19.6 | 45.0 | |

Note: Pricing as 8 February 2024, Source: Company, Elara Securities Estimate

Ravi Sodah
ravi.sodah@elaracapital.com
+91 22 6164 8517
Saurabh Mitra
saurabh.mitra@elaracapital.com
+91 22 6164 8546
Bhavi Shah
bhavi.shah@elaracapital.com
+91 22 6164 8521

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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India

Elara Securities (India) Pvt. Ltd.
One International Center, Tower 3,
21st Floor, Senapati Bapat Marg,
Elphinstone Road (West)
Mumbai – 400 013, India
Tel : +91 22 6164 8500

Europe

Elara Capital Plc.
6th Floor, The Grove,
248A Marylebone Road,
London, NW1 6JZ
United Kingdom
Tel : +44 20 7486 9733

USA

Elara Securities Inc.
230 Park Avenue, Suite 2415,
New York, NY 10169, USA
Tel: +1 212 430 5870
Fax: +1 212 208 2501

Asia / Pacific

Elara Capital (Asia) Pte.Ltd.
One Marina Boulevard,
Level 20,
Singapore 018989
Tel : +65 6978 4047