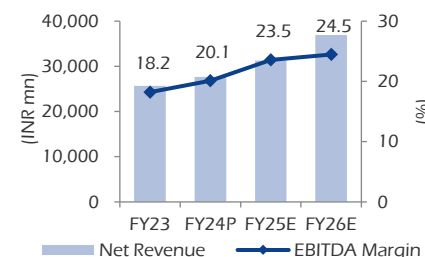


Q4FY24 - Quarterly Result Analysis

Star Cement: Looks north for next phase of growth

Mcap: INR 95bn, ↓ Accumulate, ↑ TP: INR 269, CMP: INR 236, Upside: 14%

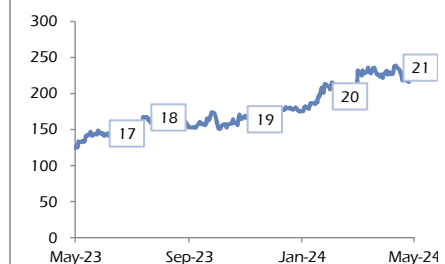
Revenue growth & margin trend



Source: Company, Elara Securities Estimate

- Star Cement's (STRCEM IN) Q4 net sales grew ~10% YoY and ~40% QoQ to ~INR 9.1bn. EBITDA rose ~8% YoY and ~21% QoQ to ~INR 1.8bn. Net sales and EBITDA were largely in line with our estimates of ~INR 9bn and ~INR 1.8bn, respectively. PAT fell ~9% YoY but improved ~19% QoQ to ~INR 877mn.
- Sales volume jumped ~14% YoY and ~45% QoQ to 1.41mn tonnes. Further, operating cost dipped ~3% YoY but was flat QoQ to INR 5,201/tonne. But these benefits were partly offset by weak realization, down ~4% YoY and QoQ each to INR 6,474/tonne. Thus, EBITDA/tonne contracted ~5% YoY and ~17% QoQ to INR 1,274.
- STRCEM has completed the previously-announced 3.3mn tonnes clinker unit in Meghalaya and a 2.0mn-tonnes brownfield expansion in Guwahati, Assam. The capex work for a 2.0mn tonnes grinding unit at Silchar in Assam is expected to be completed by Q3FY26. Also, STRCEM is in the process of adding another 2.0mn tonnes grinding unit at Jorhat in Assam. Total capex for this project is likely to be ~INR 4.5bn, with capacity expected to come onstream in the next two years. Apart from these, STRCEM is considering expanding its reach in North India, with a total potential capex of ~INR 25bn for an additional capacity of ~4-5mn tonnes, which may take 3-4 years to complete.
- Valuation:** We believe Q1FY25 margin may be hit by soft volume, and clinker purchase – the new clinker unit is in the process of stabilization. But margin may improve from Q2FY25, led by the ramp-up in recently added capacity, access to incentive benefit and saving on coal linkage. So, we raise FY25E/26E EBITDA estimates ~2%/~1%. Given improved growth visibility due to the announcement of another grinding unit in the North East and potential entry into North India, with stronger mid-term earnings visibility versus peers led by incentive benefit, better demand supply in the North East and coal linkage benefits, we raise our target multiple to 12x from 10x. Thus, our TP is increased to INR 269 from INR 236 on 12x FY26E EV/EBITDA. As our TP offers ~14% upside, we revise STRCEM to **Accumulate** from Buy.

Coverage history



Note: Stock under coverage since February 2019

Date	Rating	Target Price	Closing Price
16 22-May-2023	Accumulate	INR 149	INR 127
17 12-Jun-2023	Buy	INR 177	INR 145
18 9-Aug-2023	Buy	INR 200	INR 165
19 9-Nov-2023	Buy	INR 212	INR 159
20 8-Feb-2024	Buy	INR 236	INR 196
21 22-May-2024	Accumulate	INR 269	INR 236

YE March (INR mn)	Key metrics							(INR mn)			Growth (%)		
	Q4FY24	Q4FY24E	Var (%)	Q3FY24	QoQ (%)	Q4FY23	YoY (%)	FY24P	FY25E	FY26E	FY23-24P	FY24-25E	FY25-26E
Revenue	9,135	9,049	1.0	6,514	40.2	8,292	10.2	27,663	31,271	36,933	7.6	13.0	18.1
EBITDA	1,797	1,841	(2.4)	1,488	20.8	1,662	8.1	5,563	7,362	9,037	18.8	32.3	22.8
Adj. net profit	877	978	(10.4)	735	19.2	961	(8.8)	2,951	3,921	5,390	19.2	32.9	37.5
EPS (INR)	2.2	2.4	(10.4)	1.8	19.2	2.4	(8.8)	7.3	9.7	13.3	19.2	32.9	37.5

Note: Pricing as 22 May 2024, 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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