

FINANCIAL MODEL

PLANT VISIT

Rising Stars

2024

IMPORT
SUBSTITUTION

ORGANISED
V/S
UNORGANISED

MANAGEMENT MEET

EXPORT
OPPORTUNITY

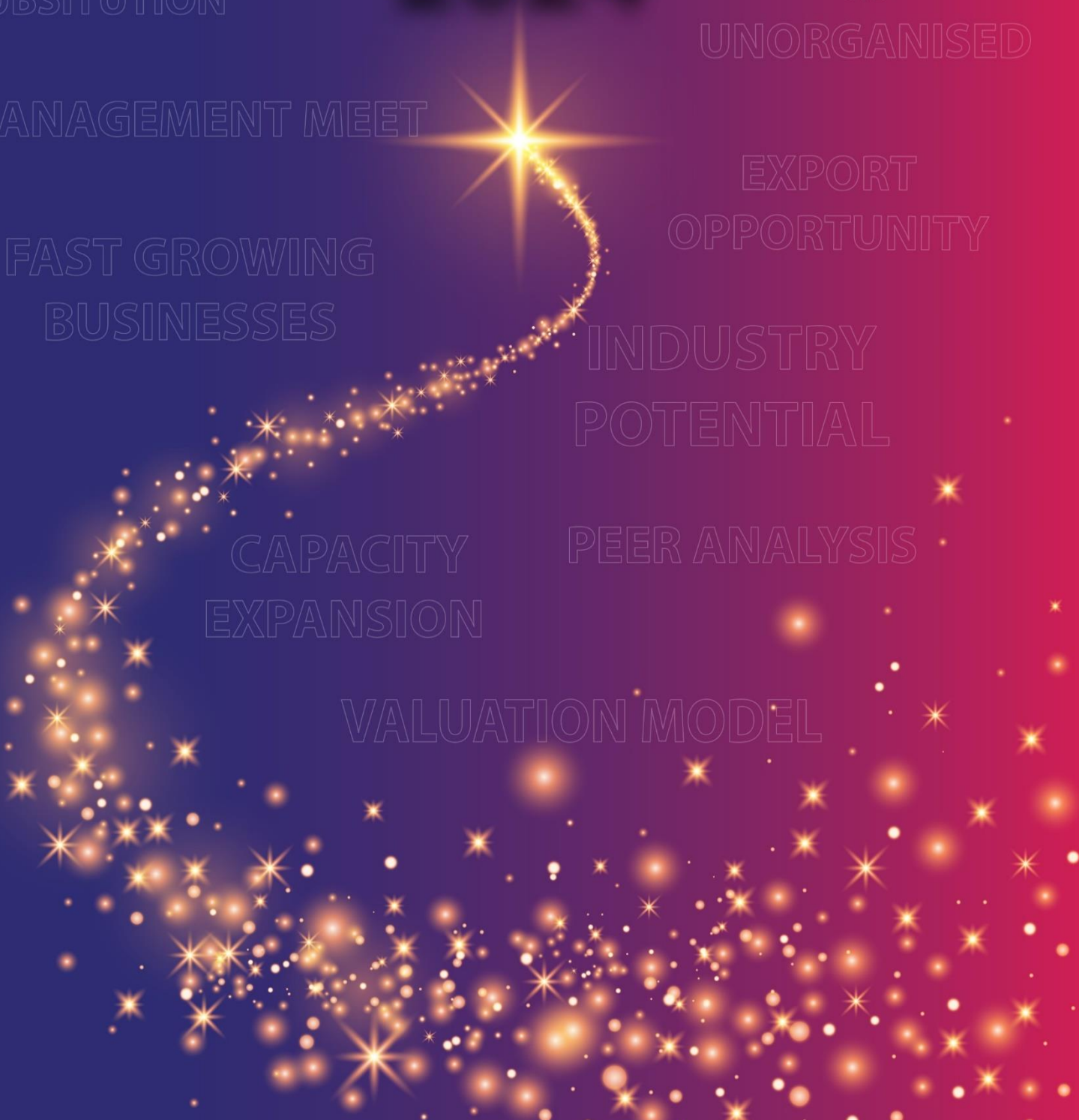
FAST GROWING
BUSINESSES

INDUSTRY
POTENTIAL

CAPACITY
EXPANSION

PEER ANALYSIS

VALUATION MODEL



Current Price (Rs)*	205.0
Target Price (Rs)	240.0
Upside (%)	17.1

*live price on 12th Feb, 2024

STOCK DATA

Industry Segment	Cement
BSE Code	540575
NSE Code	STARCEMENT
Bloomberg Code	STRCEM IN
52 Week High / Low (Rs.)	198.0/103.4
Face Value (Rs.)	1.0
Diluted Number of Shares (Crore.)	40.4
Market Cap. (Rs Crore.)	8,285.7

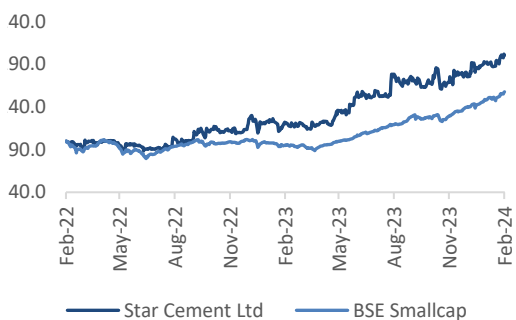
SHAREHOLDING PATTERN (%)

Particulars	Mar-23	Jun-23	Sep-23	Dec-23
Promoters	67.1	66.8	66.6	66.5
FII	0.6	0.7	0.8	1.1
Other Institution	6.2	6.2	6.1	6.0
Public & Others	26.1	26.3	26.6	26.4
Total	100.0	100.0	100.0	100.0

RETURNS STATISTICS (%)

Particulars	1M	3M	6M	12M
Star Cement	9.2	19.3	19.8	72.1
BSE SmallCap	6.0	20.7	31.3	64.3

STOCK PERFORMANCE (2-years)



Source: BSE/SSL Research

Key highlights of 3QFY24 result

Strong growth in premium cement sales and low-cost fuel inventory drove operating margins higher; Volume growth remained decent amid stable demand environment: Star Cement Ltd (SCL) reported decent sales growth of 5.5% YoY at Rs 651 cr driven by an underlying sales volume growth of 6.1% YoY at 1.0 mn tonnes. The sales growth was partially offset by muted cement prices which led to a marginal decline of 0.5% YoY in realization at Rs 6,764 per ton. EBITDA and PAT grew 37.2%/39.0% YoY to Rs 149 cr/Rs 74 cr respectively. The EBITDA margin expanded 527 bps YoY to 22.8% aided by consumption of low-cost fuel inventory and increase in the share of premium cement sales to 6.5% vs. 4.5% in 3QFY23. Strong growth of 40% YoY in premium cement sales also contributed in robust margin expansion. The average fuel cost during the quarter stood at Rs 1.75 per kcal and is expected to come down to Rs 1.7 per kcal in 4QFY24.

Capex Update: SCL started the commercial trial of Guwahati grinding unit (GU) of 2 MTPA during the quarter. This facility will lead to SGST benefit of Rs 150-160 cr (Rs 800 per ton) per annum for 5-6 years. Clinker capacity of 3 MTPA will be started by March or April month against its targeted commencement timeline of Feb'24. The timeline to complete its greenfield expansion of Silchar plant is targeted by 3QFY25. The company is focused on land acquisition (cost of Rs 20 cr) for Silchar plant. The capex cost for this expansion is reduced to Rs 450 cr vs. Rs 500 cr earlier due to reduction in cost of steel and other items. Post commissioning all the capex, SCL's total clinker/cement capacity will expand to 5.8/9.7 MTPA from 2.8/7.7 MTPA at present. The full capacities are likely to get added by FY26.

Guidance & Outlook: The management has alluded subdued demand for 4QFY24 due to slowdown in construction activities. However, management expects 4QFY24 volume growth to be 8-10% vs. 5-7% industry volume growth expectations. With commissioning of the Guwahati GU, SCL expects FY25 volume growth to be 18-20%. Moreover, the company is looking to diversify and is in the process of buying mines in Rajasthan and South market. SCL is looking to add ~2.5 MTPA clinker and cement plant in Rajasthan, the capex for which can be ~Rs 2,500 cr. The company intends to fund this capex from internal accruals and might also make plans to raise money from market. SCL targets 20 MTPA capacity by 2030 end.

Accumulate for price target of Rs 240: We continue to like Star Cement given its established track record in one of the fastest growing cement markets of North-East and East. Its medium-term plan to diversify outside North-East and East also looks prudent. Factoring in slightly muted sales growth for 4QFY24, we have reduced our sales estimates for FY24E/FY25E by 4.0%/6.4% respectively and have raised EPS estimates by 16.1%/6.2% for the same period respectively on continued benefit of low input cost.

We maintain our coverage on the stock with **Accumulate** rating and upgrade our target price to Rs 240 valuing the stock at 12.1x of EV/EBITDA multiple, which implies an upside potential of 17.1% for 12-18 months.

Financial Summary

Particulars (Rs cr)	FY22A	FY23A	FY24E	FY25E	FY26E
Net sales	2,221.8	2,704.8	2,946.8	3,598.9	4,408.0
EBITDA margin (%)	15.5	17.3	18.5	18.5	18.5
Adjusted net profit	246.8	247.6	281.4	352.0	451.2
Free cash flow	219.7	-194.2	-419.9	-228.9	162.3
EPS (Rs)	6.1	6.1	7.0	8.7	11.2
Growth (%)	34.6	0.3	13.7	25.1	28.2
P/E (x)	33.6	33.5	29.4	23.5	18.4
P/BV (x)	3.8	3.4	3.1	2.7	2.4
EV/EBITDA (x)	22.9	17.0	14.6	12.1	9.7
D/E (x)	0.0	0.0	0.2	0.1	0.1
RoE (%)	11.6	10.8	11.0	12.2	13.8
RoCE (%)	12.0	16.8	14.7	15.0	17.4
Dividend yield (%)	-	-	-	-	-

3QFY24 Result

Particular	3QFY24	3QFY23	Y-o-Y % Change	2QFY24	Q-o-Q % Change	Comments
Net Sales	651.4	617.2	5.5	585.3	11.3	Decent volume growth coupled with 40% YoY growth in premium sales contributed YoY sales growth
COGS	125.0	109.3	14.4	119.5		
Power & Fuel Cost	133.6	149.0	-10.3	131.2		
Freight Cost	110.1	113.9	-3.4	90.2		
Employee Cost	54.5	45.2	20.6	57.1		
Other Expense	79.4	91.4	-13.1	88.7		
Total Operating Expenditure	502.6	508.8	-1.2	486.7		
EBITDA	148.8	108.4	37.2	98.6	50.9	
EBITDA Margin (%)	22.8	17.6		16.8		High premium sales share and consumption of low-cost fuel inventory led to healthy operating margin growth
Depreciation	36.5	34.1		36.0		
EBIT	112.2	74.3	51.0	62.5	79.5	
EBIT Margin (%)	17.2	12.0		10.7		
Interest	3.0	3.3		3.2		
Other Income	4.1	11.7		5.8		
Extraordinary item	-	-		-		
PBT	113.4	82.8	37.0	65.1	74.3	
PBT Margin (%)	17.4	13.4		11.1		
Tax	39.9	29.9	33.4	24.4	63.5	
Effective Tax Rate (%)	35.2	36.1		37.5		
PAT	73.5	52.9	39.0	40.7	80.8	Healthy operational profits resulted in robust PAT growth
PAT Margin (%)	11.3	8.6		6.9		
EPS (Rs per share)	1.8	1.3	39.0	1.0	80.8	
Sales Volume (MT)	1.0	0.9	6.1	0.9	7.5	
Realisation/T	6,764.3	6,797.3	-0.5	6,531.9	3.6	

Source: Company/SSL Research

Estimates

Particulars (Rs cr)	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	2,946.8	3,598.9	4,408.0	3,069.8	3,843.2	-	-4.0	-6.4	-
EBITDA	545.5	664.1	813.5	500.0	634.4	-	9.1	4.7	-
EBITDA Margin (%)	18.5	18.5	18.5	16.3	16.5	-	2.2	1.9	-
PAT	281.4	352.0	451.2	241.8	332.2	-	16.4	6.0	-
EPS (Rs per share)	7.0	8.7	11.2	6.0	8.2	-	16.1	6.2	-

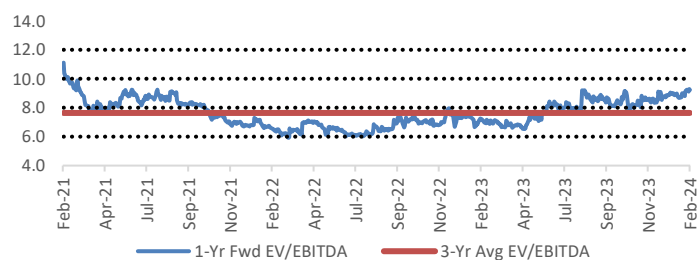
Source: SSL Research

Quarterly Per Ton Analysis

Particulars	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Sales Volume (mn Tonnes)	0.9	1.2	1.0	0.9	0.9	1.2	1.2	0.9	1.0
Realisation (Rs/t)	6,437	6,504	6,788	6,669	6,823	6,720	6,590	6,532	6,764
Power & Fuel cost (Rs/t)	1,231	1,154	1,325	1,288	1,765	1,357	1,500	1,464	1,388
Freight cost (Rs/t)	NA	NA	1,334	NA	NA	1,137	1,092	1,007	1,143
Operating cost (Rs/t)	5,654	5,520	5,521	5,887	5,629	5,375	5,470	5,432	5,220
EBITDA (Rs/t)	783	984	1,267	782	1,194	1,346	1,120	1,100	1,545

Source: Company, SSL Research

Valuation – Rolling 1-Yr Forward EV/EBITDA



Source: SSL Research

Financial Statements

Income Statement

Figures in crore

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Net sales	2,221.8	2,704.8	2,946.8	3,598.9	4,408.0
growth (%)	29.2	21.7	8.9	22.1	22.5
Operating expenses	1,876.6	2,236.5	2,401.3	2,934.8	3,594.5
EBIDTA	345.3	468.4	545.5	664.1	813.5
growth (%)	28.8	35.7	16.5	21.8	22.5
Depreciation & amortization	121.6	131.1	158.0	199.2	227.9
EBIT	223.6	337.3	387.4	464.9	585.5
Other income	33.4	52.1	30.6	31.5	31.5
Interest paid	13.3	9.7	42.8	27.1	15.4
PBT	243.7	379.7	375.2	469.3	601.6
Tax	-3.1	132.1	93.8	117.3	150.4
Effective tax rate (%)	-1.3	34.8	25.0	25.0	25.0
Reported Net profit	246.8	247.6	281.4	352.0	451.2
Minority interest/Share of JVs	-	-	-	-	-
Adj. Net profit after minority interest	246.8	247.6	281.4	352.0	451.2
Non-recurring items	-	-	-	-	-
Adj. Net profit after minority interest & exceptional items	246.8	247.6	281.4	352.0	451.2
growth (%)	-0.4	0.3	13.7	25.1	28.2

Balance Sheet

Figures in crore

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Cash & Bank balances	384.7	311.7	465.4	440.3	487.7
Inventories	195.3	374.1	333.6	387.7	450.7
Other current assets	384.5	311.6	436.6	483.9	653.1
Net fixed assets	923.5	890.9	1,664.2	2,217.6	2,432.7
Capital WIP	104.5	550.6	543.3	139.8	195.3
Intangible Assets under development	4.5	-	-	-	-
Other non-current assets	748.1	692.4	642.8	674.4	658.3
Total assets	2,745.1	3,131.4	4,085.8	4,343.8	4,878.0
Current liabilities	399.3	528.5	1,027.3	889.1	977.5
Borrowings	8.0	4.8	150.0	170.0	110.0
Other non-current liabilities	169.3	181.7	210.7	234.9	289.4
Total Non-Current liabilities	576.7	715.0	1,388.0	1,294.0	1,376.9
Share capital	40.4	40.4	40.4	40.4	40.4
Reserves & surplus	2,128.0	2,376.0	2,657.4	3,009.4	3,460.6
Shareholders' funds	2,168.4	2,416.4	2,697.8	3,049.8	3,501.0
Minority interest	-	-	-	-	-
Total equity & liabilities	2,745.1	3,131.4	4,085.8	4,343.8	4,878.0

Cash Flow Statement

Figures in Cr.

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	243.7	379.7	375.2	469.3	601.6
Depreciation	121.6	131.1	158.0	199.2	227.9
Chg in working capital	106.5	(41.7)	59.7	(23.0)	(57.8)
Total tax paid	(35.0)	(67.7)	(93.8)	(117.3)	(150.4)
Other operating activities	(19.7)	(26.2)	(54.1)	(57.1)	(59.1)
Operating CF	417.1	375.2	445.1	471.1	562.3
Capital expenditure	(197.4)	(569.4)	(865.0)	(700.0)	(400.0)
Other investing activities	(91.5)	297.8	87.6	403.4	(8.0)
Investing CF	(288.9)	(271.7)	(777.4)	(296.6)	(408.0)
FCF	219.7	(194.2)	(419.9)	(228.9)	162.3
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	(9.9)	20.7	499.7	(196.6)	(146.0)
Dividend (incl. tax)	-	-	-	-	-
Other financing activities	(165.7)	(10.7)	(13.8)	(3.0)	39.1
Financing CF	(175.7)	10.0	486.0	(199.6)	(106.9)
Net change in cash & bank bal.	(47.4)	113.5	153.6	(25.0)	47.4
Closing cash & cash equivalents	8.1	121.7	275.3	250.3	297.7

Important Ratios

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Profitability and return ratios (%)					
EBIDTAM	15.5	17.3	18.5	18.5	18.5
EBITM	10.1	12.5	13.1	12.9	13.3
NPM	10.9	9.0	9.5	9.7	10.2
RoE	11.6	10.8	11.0	12.2	13.8
RoCE	12.0	16.8	14.7	15.0	17.4
Per share data (Rs)					
O/s shares (Cr.)	40.4	40.4	40.4	40.4	40.4
EPS	6.1	6.1	7.0	8.7	11.2
FDEPS	6.1	6.1	7.0	8.7	11.2
CEPS	9.1	9.4	10.9	13.6	16.8
BV	53.7	59.8	66.7	75.5	86.6
DPS	-	-	-	-	-
Valuation ratios (x)					
PE	33.6	33.5	29.4	23.5	18.4
P/BV	3.8	3.4	3.1	2.7	2.4
EV/EBIDTA	22.9	17.0	14.6	12.1	9.7
EV/ Net sales	3.6	2.9	2.7	2.2	1.8
Other key ratios					
D/E (x)	0.0	0.0	0.2	0.1	0.1
Cash conversion cycle (days)	26	14	14	11	10
Du Pont Analysis - RoE					
NPM (%)	10.9	9.0	9.5	9.7	10.2
Asset turnover (x)	2.3	2.2	1.6	1.6	1.8
Equity Multiplier (x)	0.5	0.5	0.7	0.8	0.8
RoE (%)	11.6	10.8	11.0	12.2	13.8

Source: Company, SSL Research

Recommendation History



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