

## Strong operational performance ahead...

**About the stock:** Star Cement, a largest cement manufacturer in North-east India, has a cement capacity of 7.7 million tonnes (mtpa) at present.

- Star cement has an integrated plant at Meghalaya (clinker capacity 6.1 mtpa & cement capacity 1.7 mtpa) with 2 grinding units at West Bengal (2 mtpa) & Assam (2mtpa)

**Q1FY25 Result:** Consolidated revenue de-grew by 1.3% YoY (-17.8% QoQ) to ₹ 751 crores, led by de-growth in volumes & flattish sales realisation. EBITDA/ton de-grew by 9.4% YoY (-21% QoQ) to ₹ 1006/ton. EBITDA decreased by 10.2% YoY (-35.4% QoQ) to ₹ 116 crores. PAT declined by 66.8% YoY (-64.7% QoQ) to ₹ 31 crores

### Investment Rationale:

- Healthy volume growth led by capacity expansions:** Sales volumes has grown at a healthy pace of 19% CAGR over FY21-24, led by healthy demand in north-east (NE) region and aggressive capacity expansion (capacity increased to 7.7 mtpa from 4.3 mtpa in FY21). Further, the company is in process of expanding its capacity by 4 mtpa (2 million tonne each in Silchar & Jorhat in Assam) to 11.7 mtpa by FY27E. With the pick-up in demand & healthy expansion plan, we believe that the company's volume growth to remain strong. Moreover, the company aims to increase its market share to 30% in NE region (from 24% at present). In the longer term, the company targets to increase its capacity to 20 mtpa by FY30E. We expect volumes to grow significantly at a CAGR of 16% to 6 million tonne in FY26E (in-line with management's guidance)
- EBITDA/ton to improve led by favourable market mix & focus on improving operating efficiencies:** We believe, EBITDA/ton to improve hereon, led by better operational efficiencies (led by increase in share of renewable power, higher share of premium products), pick up in AAC block business (a higher margin business), incentives from government for their presence in north-east region (superior pricing), & positive operating leverage. The management has guided for EBITDA/ton to reach ₹ 1500/ton in FY25 (currently at ₹ 1006/ton in Q1FY25). Going ahead, we estimate EBITDA/ton to improve to ₹ 1478/ton in FY26E from ₹ 1254/ton in FY24

### Rating and Target Price

- We believe that Star Cement is well placed to cater to high growth market of north east region of India (where incentives are provided for their presence in that region). We expect operating performance to grow significantly in coming years led by strong volume growth & healthy EBITDA/ton
- We recommend BUY on Star Cement with target price of ₹ 255 per share (based on 12x FY26E EV/EBITDA)



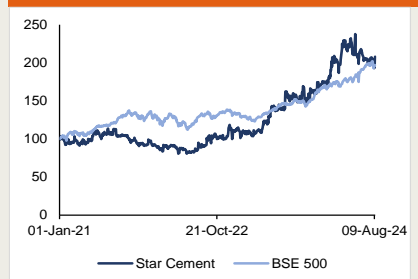
### Particulars

Particular	Amount
Market Capitalization (? crore)	8,447.4
Total Debt (FY24) (Rs crore)	129.8
Cash & inv (FY24) (Rs crore)	99.3
EV (Rs crore)	8,477.9
52 week H/L	256 / 147
Equity capital (? crore)	40.4
Face value (?)	1.0

### Shareholding pattern

(in %)	Sep-23	Dec-23	Mar-24	Jun-24
Promoters	66.6	66.5	66.6	66.5
FII	0.8	1.1	1.5	1.6
DII	6.1	6.0	6.1	5.0
Others	26.6	26.5	25.8	26.9

### Price Chart



### Key risks

- (i) Slowdown in demand (ii) Delay in capacity expansion (iii) Increase in commodity prices (iv) High competition

### Research Analyst

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### Key Financial Summary

Key Financials (Rs crore)	FY21	FY22	FY23	FY24	3 Year CAGR FY21-24 (%)	FY25E	FY26E	2 Year CAGR FY24-26E (%)
Net Sales	1719.9	2221.8	2704.8	2910.7	19.2	3330.5	3935.7	16.3
EBITDA	332.0	345.3	468.4	556.3	18.8	690.4	882.6	26.0
EBITDA (%)	19.3	15.5	17.3	19.1		20.7	22.4	
PAT	187.1	246.8	247.6	295.2	16.4	309.7	398.8	
EPS (Rs)	4.5	6.1	6.1	7.3		7.7	9.9	16.2
EV/EBITDA	24.1	22.9	17.1	15.2		12.7	9.9	
EV/Tonne (\$)	231	167	169	133		137	109	
RoNW (%)	9.0	11.4	10.2	10.9		10.3	11.7	
RoCE (%)	11.6	10.2	13.8	14.4		12.9	15.2	

**Q1FY25 Result Highlights:**

- Consolidated revenue de-grew by 1.25% YoY to ₹ 751 crores, due to de-growth in volume by ~1% & flattish sales realisation. On sequential basis, revenue declined by 17.8% led by decrease in volumes by 18.2%, though sales realisation was flattish
- EBITDA/ton dropped by 9.4% YoY (-21% QoQ) to ₹ 1006/ton, led by increase in cost/ton (primarily due to increase in freight cost & negative operating leverage)
- EBITDA declined by 10.2% YoY (-35.4% QoQ) to ₹ 116 crores
- Net profit decreased by 66.7% YoY (-64.7% QoQ) to ₹ 31 crores

**Earnings Call highlights**

- Demand in Q1FY25 was subdued due to general election & monsoon season in north east region. The demand is expected to be subdued in Q2, but anticipates an uptick from September onwards
- The company posted a volume of 1.15 million tonne (0.85 million tonne in north east & 0.30 million tonne outside north east) in Q1FY25. As far as region-wise volumes growth is concerned, north-east volumes grew by 3%, while outside north east region de-grew by 8%
- The company has revised its volume guidance to 15% (earlier 18-20%) for FY25
- Prices in north east & outside north east (fallen by ₹ 12-13/bag) from Q1FY25 prices
- Profitability was impacted due to one-time purchase of clinker from outside which negatively impacted ₹ 30 crores (cost differential versus own production) translating into ₹ 250/ton impact on EBITDA/ton. Full benefit of SGST benefit would come in Q2FY25 onwards which would have an effect of about ₹ 300/ton. There was one-off political donation & incentives in projects of ₹ 6 crores & ₹ 4 crores respectively. Hence, the company has maintained its EBITDA/ton guidance of ₹ 1500/ton
- Capex is expected to be ₹ 834 crores (₹ 110 crores already spent in Q1FY25) in FY25. The commencement of Silichar & Jorhat is likely to be in Oct-25 & Oct-26 respectively. The capacity expansion of 4.5-5 mtpa in Jaisalmer/ Nagaur in Rajasthan is still under progress.
- The capex of ₹ 65 crores is expected in AAC blocks with revenue potential of ₹ 60-70 crores at 80-85% utilization level with EBITDA margin of 20%. Pay-back period is very healthy
- The company expects GST incentives benefit of ₹ 150-160 crores (booked ₹ 10.9 crores in Q1FY25) in FY25 & ₹ 200 crores in FY26E
- Blended fuel consumption cost in Q1FY25 stood at ₹ 1.5/kcal vs 1.7/ Kcal in Q4FY24. Going forward, they do not see further change in fuel cost
- With the 18 MW of group captive power installation, the company expects a saving of ₹ 23 crores per year (saving of ₹ 2.5/unit) for 25 years with an investment of ₹ 23 crores (payback period of 1 year). This is expected to start factoring before 18 months
- Gross debt stood at ₹ 240 crores. The company expects a net debt of ₹ 350 crores by FY25
- Asset was capitalised in Guwahati in this year due to which there was a higher depreciation in this quarter. Depreciation will go down from next year. Tax rate of 22% is likely to continue for the next 5 years
- Premium cement share stood at 9.2% in Q1FY25 vs ~7% in Q4FY24

**Exhibit 1: Quarterly Analysis**

	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comments
Operating Income	751.0	760.5	-1.2	913.5	-17.8	Revenue declined due to volume de-growth of ~1% (-17.8% QoQ) & flattish sales realisation on YoY & QoQ basis
Other income	1.4	8.7	-84.2	7.8	-82.4	
Total Revenue	752.4	769.2	-2.2	921.4	-18.3	
Raw materials costs	170.4	200.3	-14.9	286.4	-40.5	
Employees Expenses	62.2	51.0	22.0	54.8	13.6	
Other Expenses	402.2	379.9	5.9	392.6	2.5	
Total Expenditure	634.9	631.2	0.6	733.8	-13.5	
EBITDA	116.1	129.3	-10.2	179.7	-35.4	EBITDA dedined due to higher freight cost & negative operating leverage.
EBITDA margins (%)	15.5	17.0	-154 bps	19.7	-421 bps	
Interest	5.9	2.2		4.2		
Depreciation	72.6	31.8	128.1	42.3	71.7	
Tax	8.1	10.7	-24.5	53.5	-84.9	
Other Income	1.4	8.7	-84.2	7.8	-82.4	
PAT	31.0	93.3	-66.8	87.7	-64.7	

Source: Company, ICICI Direct Research

**Exhibit 2: Quarterly per tonne analysis**

Rs/ton	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Sales volume (mn tonne)	1.15	1.16	(0.9)	1.41	(18.2)
<b>Sales realisation (Rs/ton)</b>	<b>6,508</b>	<b>6,533</b>	<b>(0.4)</b>	<b>6,474</b>	<b>0.5</b>
<b>Total operating expense (Rs/ton)</b>	<b>5,501</b>	<b>5,423</b>	<b>1.5</b>	<b>5,201</b>	<b>5.8</b>
Raw material consumed	1,477	1,721	(14.2)	2,030	(27.3)
Power & fuel	992	1,487	(33.3)	831	19.4
Employee Cost	539	438	23.1	388	38.9
Freight & forwarding	1,628	1,083	50.3	1,158	40.6
Other Expense	866	694	24.8	794	9.1
<b>EBITDA/ton</b>	<b>1,006</b>	<b>1,111</b>	<b>(9.4)</b>	<b>1,274</b>	<b>(21.0)</b>

Source: Company, ICICI Direct Research

**Exhibit 3: Assumptions**

Rs/ton	FY21	FY22	FY23	FY24	FY25E	FY26E
Sales volume (mn tonne)	2.6	3.4	4.0	4.4	5.1	6.0
<b>Sales realisation (Rs/ton)</b>	<b>6,515</b>	<b>6,533</b>	<b>6,745</b>	<b>6,559</b>	<b>6,526</b>	<b>6,591</b>
<b>Total operating expense (Rs/ton)</b>	<b>5,258</b>	<b>5,511</b>	<b>5,577</b>	<b>5,305</b>	<b>5,173</b>	<b>5,113</b>
Raw material consumed	1,527	1,680	1,564	1,648	1,710	1,700
Power & fuel	1,280	1,226	1,421	1,251	1,000	980
Employee Cost	496	468	488	490	503	503
Freight & forwarding	1,204	1,256	1,225	1,103	1,140	1,110
Other Expense	750	882	879	813	820	820
<b>EBITDA/ton</b>	<b>1,257</b>	<b>1,022</b>	<b>1,168</b>	<b>1,254</b>	<b>1,353</b>	<b>1,478</b>

Source: Company, ICICI Direct Research

## Financial summary

### Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY23	FY24	FY25E	FY26E
Revenue	2,704.8	2,910.7	3,330.5	3,935.7
Growth (%)	21.7	7.6	14.4	18.2
Total Operating Exp.	2,236.4	2,354.3	2,640.1	3,053.1
EBITDA	468.4	556.3	690.4	882.6
Growth (%)	35.7	18.8	24.1	27.8
Depreciation	131.1	146.6	253.0	306.9
Interest	9.7	12.6	24.0	38.0
Other Income	52.1	26.5	29.1	32.0
PBT	379.7	423.6	442.5	569.7
Total Tax	-132.1	-128.4	-132.7	-170.9
PAT	247.6	295.2	309.7	398.8
PAT margin	9.2	10.1	9.3	10.1
Growth (%)	0.3	19.3	4.9	28.7
Adjusted EPS (Rs)	6.1	7.3	7.7	9.9

Source: Company, ICICI Direct Research

### Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY23	FY24	FY25E	FY26E
Profit after Tax	247.6	295.2	309.7	398.8
Add: Depreciation	131.1	146.6	253.0	306.9
(Inc)/dec in Current Assets	-40.9	139.6	-160.1	-179.1
Inc/(dec) in CL and Prov.	70.8	216.3	104.9	149.2
CF from operations	408.6	797.8	507.7	675.9
(Inc)/dec in Investments	-8.9	170.6	0.0	0.0
(Inc)/dec in Fixed Assets	-540.1	-1,142.5	-816.0	-670.0
Others	40.0	0.0	0.0	0.0
CF from investing act.	-509.0	-972.0	-816.0	-670.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	10.5	103.7	250.0	0.0
Others	17.1	-143.9	6.5	8.3
CF from financing act.	27.6	-40.2	256.5	8.3
Net Cash flow	-72.9	-214.4	-51.8	14.2
Opening Cash	384.7	311.7	97.3	45.5
Closing Cash	311.8	97.3	45.5	59.7

Source: Company, ICICI Direct Research

### Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY23	FY24	FY25E	FY26E
<b>Liabilities</b>				
Share Capital	40.4	40.4	40.4	40.4
Reserve and Surplus	2,375.6	2,669.7	2,979.4	3,378.2
Total Shareholders funds	2,416.0	2,710.1	3,019.9	3,418.6
Total Debt	26.1	129.8	379.8	379.8
Others	183.2	39.1	45.6	53.9
Total Liabilities	2,625.3	2,879.0	3,445.3	3,852.4
<b>Assets</b>				
Gross Block	1,705.8	2,380.0	3,615.0	4,385.0
Less: Acc Depreciation	814.9	961.5	1,214.5	1,521.5
Net Block	890.9	1,418.5	2,400.4	2,863.5
Capital WIP	550.6	1,019.0	600.0	500.0
Total Fixed Assets	1,441.6	2,437.5	3,000.4	3,363.5
Investments	172.5	2.0	2.0	2.0
Inventory	374.1	335.0	392.4	463.7
Debtors	104.7	150.8	173.4	204.9
Loans and Advances	206.9	182.6	209.9	248.0
Other Current Assets	0.0	0.0	0.0	1.0
Cash	311.7	97.3	45.5	59.7
Total Current Assets	997.4	765.6	821.1	977.2
Creditors & other CL	496.0	720.7	821.2	970.4
Provisions	9.7	2.6	7.0	7.0
Total Current Liabilities	505.7	723.3	828.2	977.4
Net Current Assets	491.7	42.4	-7.1	-0.2
Others Assets	519.5	397.2	449.9	488.1
Application of Funds	2625.3	2879.0	3445.3	3853.3

Source: Company, ICICI Direct Research

### Exhibit 7: Key ratios

(Year-end March)	FY23	FY24	FY25E	FY26E
<b>Per share data (Rs)</b>				
Adjusted EPS	6.1	7.3	7.7	9.9
Cash EPS	9.4	10.9	13.9	17.5
BV	59.8	67.1	74.7	84.6
Cash Per Share	12.0	2.5	1.2	1.5
<b>Operating Ratios (%)</b>				
EBITDA Margin	17.3	19.1	20.7	22.4
Adjusted PAT Margin	9.2	10.1	9.3	10.1
Inventory days	50.5	42.0	43.0	43.0
Debtor days	14.1	18.9	19.0	19.0
Creditor days	66.9	90.4	90.0	90.0
<b>Return Ratios (%)</b>				
RoE	10.2	10.9	10.3	11.7
RoCE	13.8	14.4	12.9	15.2
RoIC	17.2	15.0	13.0	15.4
<b>Valuation Ratios (x)</b>				
P/E (adjusted)	34.1	28.6	27.3	21.2
EV / EBITDA	17.1	15.2	12.7	9.9
EV / Net Sales	3.0	2.9	2.6	2.2
Market Cap / Sales	3.1	2.9	2.5	2.1
Price to Book Value	3.5	3.1	2.8	2.5
<b>Solvency Ratios</b>				
Debt/EBITDA	0.1	0.2	0.6	0.4
Debt / Equity	0.0	0.0	0.1	0.1
Current Ratio	2.0	1.1	1.0	1.0
Quick Ratio	1.2	0.6	0.5	0.5

Source: Company, ICICI Direct Research

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