

# Star Cement

## Stable margins

Star Cement (STRCEM) reported 37/42/49% YoY consolidated revenue/EBITDA/APAT decline to Rs 2.92/0.65/0.43 bn respectively. While lower sales (volume down 38% YoY) drove this fall, the impact is moderated on stable input costs and a sharp cut in discretionary expenses. Pent-up demand execution and upcoming Siliguri GU should accelerate volume growth hereon. Further, the upcoming e-auction of local coal should aid fuel cost reduction. We estimate 15% EBITDA CAGR during FY20-23E.

- 1QFY21 - Stable margin QoQ:** Total sales volume fell 38/49% YoY/QoQ to 0.45mn MT, which is due to significant sales loss in April and early May. However, STRCEM registered volume growth in June, despite COVID impact. NSR firmed up 6% QoQ (+5% YoY), aided by price hikes and lower clinker sales in 1Q. The opex inflated 6/7% QoQ/YoY, on account of stable employee cost amid sharp volume decline. STRCEM's input cost fell, aided by lower fuel prices. The company also reduced discretionary expenses, thus cushioning cost inflation. Subsequently, unitary EBITDA stood at Rs 1,455/MT (+2% QoQ, -6% YoY).
- Concall KTAs and outlook:** STRCEM expects to deliver flattish volume in FY21E (despite sharp loss in 1Q), buoyed by demand pick-up June onwards (we build in a 5% decline). By Sep'20, STRCEM expects to operationalise the 2mn MT Siliguri GU and complete 0.2mn MT clinker debottlenecking. These should aid in 24% volume CAGR during FY21-23E, in our view. The company is optimistic about the upcoming local coal auction in Meghalaya, which will reduce costs. We estimate 15% EBITDA CAGR during FY20-23E. We maintain our estimates and target price of Rs 120/share. We value the company at 9x its consolidated Jun'22E EBITDA.

### Consolidated quarterly/annual financial summary

YE Mar (Rs mn)	Q1 FY21	Q1 FY20	YoY (%)	Q4 FY20	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Sales (mn MT)	0.45	0.73	(38.3)	0.87	(48.6)	2.9	3.0	2.8	3.7	4.3
NSR (Rs/T)	6,267	5,993	4.6	5,933	5.6	6,098	5,912	5,971	5,790	5,750
Opex (Rs/T)	4,865	4,535	7.3	4,587	6.1	4,602	4,645	4,607	4,453	4,353
EBITDA(Rs/T)	1,455	1,542	(5.7)	1,427	1.9	1,570	1,337	1,408	1,347	1,397
Net Sales	2,920	4,609	(36.6)	5,494	(46.9)	18,310	18,439	17,234	21,661	24,557
EBITDA	653	1,121	(41.7)	1,246	(47.6)	4,492	3,951	3,937	5,004	5,966
APAT	433	839	(48.4)	858	(49.5)	2,988	2,855	2,746	3,551	4,224
AEPS (Rs)	1.0	2.0	(48.4)	2.1	(50.4)	7.1	6.9	6.7	8.6	10.2
EV/EBITDA (x)						7.9	8.7	8.8	7.0	6.0
EV/MT (Rs bn)						9.65	9.55	8.07	7.09	6.71
P/E (x)						12.1	12.7	13.2	10.2	8.6
RoE (%)						17.9	15.4	13.7	16.1	17.2

Source: Company, HSIE Research, consolidated financials

## BUY

CMP (as on 12 Aug 2020)	Rs 88
Target Price	Rs 120
NIFTY	11,308

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 120	Rs 120
EBITDA %	FY21E	FY22E
	-	-

### KEY STOCK DATA

Bloomberg code	STRCEM IN
No. of Shares (mn)	412
MCap (Rs bn) / (\$ mn)	37/488
6m avg traded value (Rs mn)	22
52 Week high / low	Rs 106/56

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	27.2	0.5	(13.2)
Relative (%)	4.9	8.2	(15.3)

### SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	66.77	66.78
FIs & Local MFs	8.28	8.36
FPIs	0.24	0.24
Public & Others	24.71	24.62
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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