

# Axis Annual Report Analysis 2024



Star Cement Limited

## Capacity Expansion to Drive Growth; Outlook Remains Positive Summary

- Aims to reach a capacity of 15 mtpa in the next 5 years:** In FY24, the company commissioned a 2 mtpa grinding unit in Guwahati, increasing its total grinding capacity to 7.7 mtpa. Its 2 mtpa grinding units at Silchar and Jorhat are progressing well and are expected to be commissioned in FY25-26, bringing the total capacity to 11.7 mtpa. The company aims to reach a capacity of 15 mtpa over the next five years to sustain its growth momentum and enhance its market share in the North-East market. The ongoing expansion is expected to cost Rs 1,750 Cr.
- North-East market to see higher growth:** The proactive investment by the Central government in developing the region's overall infrastructure has contributed to higher cement demand. The North-East region is expected to grow at a faster rate in terms of cement demand compared to pan-India, driven by larger infrastructure investments planned in roads, airports, hydropower, bridges, and flyovers over the next 5-10 years. Cement demand in the region is expected to grow at a CAGR of 9% over FY24-26.
- Increase in sale of Premium Cement:** During the year under review, the company's sale of premium cement grew by 53% YoY, driven by aggressive marketing and promotional efforts. Additionally, it launched a new premium cement brand, Weather Shield Super Premium Cement, further strengthening its product portfolio.

### Key Highlights

- Robust growth in EBITDA/EBITDA tonne:** During the year, the company reported robust EBITDA growth of 19% YoY, reaching Rs 556 Cr. Its EBITDA/tonne also improved from Rs 1,167 in FY23 to Rs 1,260 in FY24, driven by higher demand and reduced operational costs.
- Volume growth at 13% YoY in the Northeast region:** During the year, the company reported healthy volume growth of 10% YoY, reaching 4.40 mtpa, driven by improved capacity utilization and higher demand. In the North-East region, its volume grew by 13%, outperforming the overall industry growth of 7.5% in the region.
- Cost optimisation:** During the year, the overall cost of cement production decreased by 4%, to Rs 5,335/tonne.. Various cost optimization initiatives, including improved procurement of fly ash, maintaining an average lead distance of around 220 km, and effective coal procurement under FSA with CIL, contributed to the reduction in production costs.
- Higher plant subsidy to support revenue growth:** The company is entitled to a government subsidy equivalent to 200% of its investment, to be received over 20 years. It expects to accelerate production and sales to earn this subsidy within seven years, generating an incremental annual cash inflow of Rs 140 Cr. As a result, the company is likely to report a 20% growth in revenues in the coming financial year, along with a proportionately higher EBITDA, validating its commitment to sustainably profitable growth.

**Key Competitive Strengths:** a) Largest cement producer in the NER region with 23% market share; b) Strong entry barriers created by the regional demography, which supports the company in maintaining a healthy market share; c) Access to limestone mines within 2-3 km of plants location; d) Robust financial position; and e) Strong dealers and distribution network in its operating regions.

**Strategies Implemented:** a) Capacity expansion; b) Focus on increasing non-trade sales; c) Focused on cost optimization and value creation, and d) Continued digitization processes.

**Growth Drivers:** a) Increasing overall cement demand in its key operating regions; b) High consumption in the Eastern and North-Eastern regions; c) Augmenting railway infrastructure; d) Supportive initiatives by the proactive government.

**Key Focus Areas Moving Forward:** a) Capacity expansion to sustain market share b) Strengthening the dealer and distribution network; c) Focusing on volume growth; d) Ensuring profitability; e) Brand Building; f) Sustainable operation.

**Outlook & Recommendation:** Increased cement demand is anticipated to continue in the East and North-East regions of the country, driven by higher Capex towards infrastructure and affordable housing. The company is well-positioned to meet the growing cement demand in these regions with its upcoming capacity. It is expected to grow its volume, revenue, and EBITDA at CAGRs of 12%, 22%, and 19%, respectively, during FY23-FY26E. The stock is currently trading at 14x and 10x FY25E/FY26E EV/EBITDA. We maintain our **BUY** rating on the stock with a TP of Rs 250/share, implying an upside potential of 20% from the CMP.

### Key Financials (Consolidated)

(Rs Cr)	FY24	FY25E	FY26E
Net Sales	2,911	3,274	3,811
EBITDA	556	641	853
Net Profit	295	266	420
EPS (Rs)	7.3	6.6	10.4
PER (x)	29	33	21
P/BV (x)	1.0	0.9	0.8
EV/EBITDA (x)	16	14	10
RoE (%)	12	9	13

Source: Company, Axis Securities Research

(CMP as of Sept 16, 2022)

CMP (Rs)	208
Upside /Downside (%)	20%
High/Lower (Rs)	256/147
Market cap (Cr)	8,388
Avg. daily vol. (6m) Shrs.	1,14,828
No. of shares (Cr)	41.2

### Shareholding (%)

	Dec-23	Mar-24	June-24
Promoter	66.5	66.6	66.5
FIIs	1.1	1.5	1.6
MFs / UTI	6.0	6.1	5.0
Banks / FIs	0.0	0.0	0.0
Others	26.5	25.8	26.9

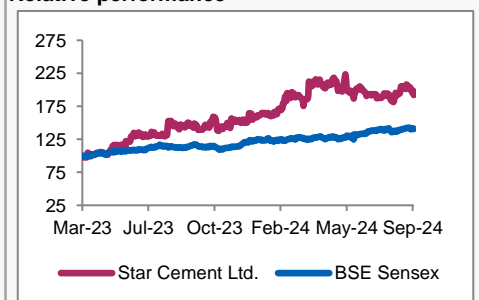
### Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	2,911	3,274	3,811
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EV/EBITDA (x)	16	14	10
RoE (%)	12	9	13

### Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	0	0
EBITDA	0	0
PAT	0	0

### Relative performance



Source: Ace Equity

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## Company Overview

Star Cement Limited (Star Cement) was established in 2001 and is one of India's leading cement companies with operations in eastern India. The company is the largest cement manufacturer in the northeast Indian region and an emerging player in West Bengal and Bihar. Its 200-hectare Lumshnong plant, strategically located in Meghalaya, ensures easy access to high-grade limestone at competitive prices.

The company's brand, "Star Cement," is one of the most recognized in the region, known for its premium quality and fair prices. It has recently established a 2 mtpa clinker grinding plant in Sonapur, Assam, to meet the growing cement demand in the North-East region. The company's total current capacity stands at 7.7 mtpa, with clinker capacity at 6 mtpa.

*Leading Cement company in North East India with estimated 23% market share .*

## FY24 - Financial & Operating Performance round up

- Robust financial performance:** The company reported revenue of Rs 2,910 Cr in FY24, reflecting an 8% YoY increase due to higher volumes. Its blended realization for the year declined by 2% to Rs 6,596 per tonne, attributed to lower prices. Cement volume grew by 10% YoY (4.4 mtpa in FY24 compared to 4.00 mtpa in FY23), supported by higher demand and new capacity ramp-up. Overall cost per tonne declined by 4% to Rs 5,335, in line with the reduction in fuel prices.
- Higher plant subsidy to support revenue:** The company is entitled to a government subsidy equivalent to 200% of its investment, to be received over 20 years. It aims to accelerate production and sales to earn this subsidy within seven years, generating an incremental annual cash inflow of Rs 140 Cr. Consequently, the company is likely to report a 20% growth in revenues in the coming financial year, along with a proportionately higher EBITDA, affirming its commitment to sustainably profitable growth.
- Higher EBITDA:** The company's EBITDA for FY24 stood at Rs 556 Cr, reflecting a 19% increase from Rs 468 Cr in FY23, driven by higher volume. Volume growth was supported by stronger demand in its operating regions, particularly the North-East market. Its EBITDA per tonne improved to Rs 1,260 from Rs 1,167 in FY23.
- Better cost control during the year helped margins expansion:** The company reported an EBITDA margin of 19.1% in FY24, compared to 17.3% in FY23, as cost control initiatives and the benefits of operating leverage contributed to margin expansion. Overall cost declined by 4% to Rs 5,335 Cr.
- Net profit growth at 19%:** The company's net profit witnessed 19% growth owing to better sales and lower costs.
- Enhanced the sale of blended cement:** The company's blended cement sales accounted for 90.9% of its overall sales mix. As a result, the clinker factor decreased from 66.7% in FY23 to 65.9% in FY24. Its capacity utilization in FY24 stood at 77%.
- Premium Cement Sale:** During the year, the company increased its efforts to boost the sales volume of premium cement, which grew by 53% and accounted for 7% of overall trade sales. With ongoing focus and expanded market penetration, the sale of premium cement is expected to continue rising as a proportion of overall trade sales.

*The company reported robust revenue and EBITDA growth with higher EBITDA margins. .Volume growth momentum to be maintained. Higher plant subsidy to support future revenue growth.*

- **Higher Clinker Production:** The company's total clinker production on a consolidated basis in FY24 was 2.80 mtpa, compared to 2.7 mtpa in FY23. Capacity utilization of clinker units increased to 100% in FY24 from 96% in FY23, driven by higher volume sold.
- **Marketing strategies:** The company is continuously developing new marketing strategies to enhance customer recall and foster a positive brand perception. Additionally, it has been actively expanding its reach in West Bengal and Bihar to tap into the deeper pockets of these regions.
- **North-East Market:** The Northeast market remained a key focus area for the company. Cement demand in the region was strong throughout the year, with a 9% increase compared to an estimated India-wide average of 8%. Total cement demand in the Northeast was 13 Mn tonnes in FY23, up from 12 Mn tonnes in FY22. As the market leader in the Northeast, the company continued to expand its dealer and sub-dealer network, which now includes 2,000 dealers and 12,000 sub-dealers.
- **Lower debt level:** During the year, the company raised debt to fund ongoing expansion. The debt-to-equity ratio stood at 0.05x, with total debt amounting to Rs 130 Cr.
- **More use of Green energy:** The company focused on increasing its use of green energy, with the installation of a 12.3 MW waste heat recovery system (WHRS) capacity. An additional 12.5 MW of WHRS capacity is in the pipeline, along with a proposed 18 MW group captive hybrid energy system (wind and solar). The company aims to increase the use of green energy to 55% in FY25-26.

## Key Growth Drivers

### Increasing Cement demand

India is the second-largest cement producer in the world, with significant potential for growth in the sector. The infrastructure and construction sectors are key contributors to the industry's development. The Indian cement industry is projected to add approximately 150-200 Mn tonnes of capacity by FY28, marking the highest expansion in the last decade. Cement demand is expected to grow at a CAGR of 9% between FY23 and FY27, driven by infrastructure investments and robust housing demand.

### Increasing Consumption in Eastern and North-East region

Cement demand in East India is expected to grow at a CAGR of 9% during 2024-2026. West Bengal and Bihar are the largest consumers in the region, with annual consumption of 23 Mn tonnes and 22 Mn tonnes, respectively, accounting for over a quarter of the region's total demand. Demand in these states has risen significantly over the last five years, driven by the central government's "Housing for All" initiative and rapid infrastructure development in both rural and urban areas. Additionally, the central government has approved Rs 2 Lc Cr for road projects spanning over 14,000 km in Northeast India. In the northeastern states, the Ministry of Road Transport and Highways is overseeing 197 road development projects under various schemes, further boosting cement demand in the region.

### Railway and Hydro Power Infrastructure

In the Union Budget FY24-25, Rs 4,183.69 Cr was allocated to the North-East Frontier Railway, with a strong emphasis on safety, as Rs 1.08 Lc Cr was earmarked for track replacements and signalling upgrades. Additionally, hydropower projects, which require large quantities of cement for the construction of dams, reservoirs, and related infrastructure, are expanding to meet India's renewable energy targets. Star Cement is well-positioned to capitalize on these developments by leveraging its robust production capabilities and extensive distribution networks to supply the necessary cement in both quantity and quality.

### Proactive Government Initiatives

Rapid infrastructure development, fueled by government investments and initiatives, has catalyzed economic growth. As the government constructs highways, bridges, and public transit systems, cement demand is projected to rise significantly. In the Union Budget FY24-25, increased allocations to the roads, railways, and housing segments are expected to positively impact cement demand. Moreover, the rapid expansion of India's construction industry, particularly in infrastructure and real estate development, presents significant growth opportunities for the cement industry in the coming years.

*Higher focus on infra development along with affordable housing and real estate development to keep Cement demand elevated and expected to grow at CAGR of 8%-9% over FY23-FY27E.*

## Key Strategies Moving Forward

### Focus on volume growth.

A key element of the company's growth strategy is expanding its volume offtake. To ensure consistent volume growth, the company is increasing its grinding capacity by an additional 4 mtpa. It aims to leverage its robust dealer and distribution network while exploring opportunities in untapped markets. By capitalizing on its well-established distribution channels, the company is confident in its ability to capture a larger market share and accelerate its growth trajectory.

*Strategies implemented to further enhance market share in its operating region.*

### Strengthening the dealer and distribution network

Star Cement's success is strongly supported by its robust dealer and distribution network. The company has consistently focused on building and maintaining strong relationships with its partners, ensuring exceptional customer service and competitive pricing. By continuing to expand this network, the company aims to further leverage its existing market presence, driving sustainable growth and reinforcing its leadership in key regions.

### Ensuring profitability

Star Cement places significant emphasis on maintaining a strong level of profitability. To achieve this, the company focuses on operational efficiency and effectively utilizes its pricing power to maximize returns. By consistently optimizing operations, controlling costs, and delivering value-added products, the company aims to sustain profitability and enhance shareholder value, reinforcing its commitment to long-term growth.

### Continuing Innovation

Star Cement recognizes the critical role of innovation in sustaining its competitive advantage. The company has dedicated substantial resources to research and development, focusing on creating new products and enhancing its existing portfolio. By fostering a culture of innovation, it aims to stay ahead in the marketplace, meet evolving customer demands, and contribute to the overall development of the cement industry.

### Focus on brand-building

Star Cement places a strong emphasis on brand building as a key strategic pillar for growth. Through targeted advertising, strategic sponsorships, and other impactful marketing initiatives, the company seeks to strengthen its brand image and expand its market share. By effectively communicating its value proposition and unique offerings, Star Cement aims to build trust and loyalty among customers, fostering long-term relationships and driving deeper market penetration across its operating regions.

### Strive for Sustainability

Star Cement remains committed to sustainability, integrating eco-friendly practices across its operations. By actively reducing its environmental footprint, adopting sustainable technologies, and implementing greener processes, the company aims to minimize its impact on the environment and contribute to a more sustainable future. This commitment aligns with global environmental goals and positions Star Cement as a responsible business, appealing to environmentally conscious customers and investors who prioritize sustainability. This focus on sustainability enhances the company's long-term value and competitiveness.

## Business Outlook

India's infrastructure and construction sectors are set for substantial development, expected to significantly drive cement demand. Government initiatives, such as the development of smart cities, are contributing to this growth trajectory and creating opportunities for increased cement consumption. Cement consumption in India has consistently risen, partly due to the growing demand for rural housing. Additionally, robust expansion in the industrial sector is a key driver for cement demand, reflecting the broader economic recovery of the country.

Significant capacity additions and moderated cement volume growth are expected to constrain Pan India's average capacity utilization levels to below 70% over the medium term. The cement industry has recently experienced high-volume growth, largely driven by strong demand from the housing sector, extensive infrastructure projects—including roads, expressways, airports, metro rail—and substantial rural demand. Despite these growth drivers, the anticipated increase in capacity may impact overall utilization rates in the coming years.

Cement volume growth is expected to moderate to a 5% to 6.5% CAGR over FY25 and FY26, following the high growth rates observed in the previous three fiscal years. This slowdown is partly due to a high base in rural housing demand, which had been significantly driven by the PMAY-(G) scheme.

However, the latest Budget 2024 announcement, which includes a substantial increase in the allocation for infrastructure development to Rs 11.11 Lc Cr, is expected to boost cement demand. The Pradhan Mantri Awas Yojana (PMAY) received the second-highest allocation for FY24-25 at Rs 80,671 Cr, reflecting a 49.1% increase from the revised estimate for FY23-24. Additionally, the increased funding for the Urban Rejuvenation Mission (AMRUT), Smart Cities Mission, and Swachh Bharat Mission highlights the Government's continued focus on urban development, further supporting the demand for cement.

Overall, the Government's initiatives create a favourable environment for private-sector cement companies, offering significant opportunities for growth and investment in alignment with the country's infrastructure development objectives. Factors such as infrastructure expansion, rising demand, industrial recovery, foreign investment, and raw material availability position India's cement sector for sustained long-term growth. Continued Government budgetary support and favourable policies are likely to further drive this growth trajectory, making the cement industry a promising investment opportunity.

*In the short-term demand is expected to moderate on the back of higher base of previous year. Overall long term industry outlook remains positive driven by housing and infra development.*

## Risks & Mitigation

The company has established an extensive and well-designed risk management framework to identify, assess, and mitigate key risks that may hamper its operating continuity, growth and/or profitability. The Board of Directors has formed a Risk Management Committee to stringently oversee the company's risk assessing and mitigation process and advise the management as required.

**Domestic Sales Risk:** The company's dependence on the domestic market and the concentration of its business on the regional market over a longer period may affect growth prospects. Less than optimal demand growth in the region may reduce the company's revenues as well as its overall profitability.

**Mitigation:** The company plans to further expand its operations to the central region by building a cement plant there, which will reduce its dependence on the northeast market.

**Competition Risk:** Multiple large players along with many small players operating in the cement industry make it an extremely competitive market. Furthermore, the foreign players may further intensify the competition in the domestic market where the company predominately operates. This allows for limited market share in the industry.

**Mitigation:** The company expanded its operation in the Eastern Indian region and has planned aggressive brand promotion initiatives to further strengthen its brand presence there.

**Transportation Risk:** Constant increase in fuel costs leads to high transportation costs. The cement industry is highly fragmented as well as highly regionalized, making transportation of low volumes of cement over long distances uneconomical.

**Mitigation:** The company has initiated "Stock on Wheel" services and a warehouse optimization process enabling it to reduce transportation costs.

**Higher Input Cost Risk:** The cement and power industry depends mainly upon the availability of raw materials at affordable costs. Policies of the government, as well as Central and State Laws, may adversely affect the availability of limestone, and coal, among others. Any major changes in the government's Environmental and Forest regulations may also impact limestone and coal availability at cement plants.

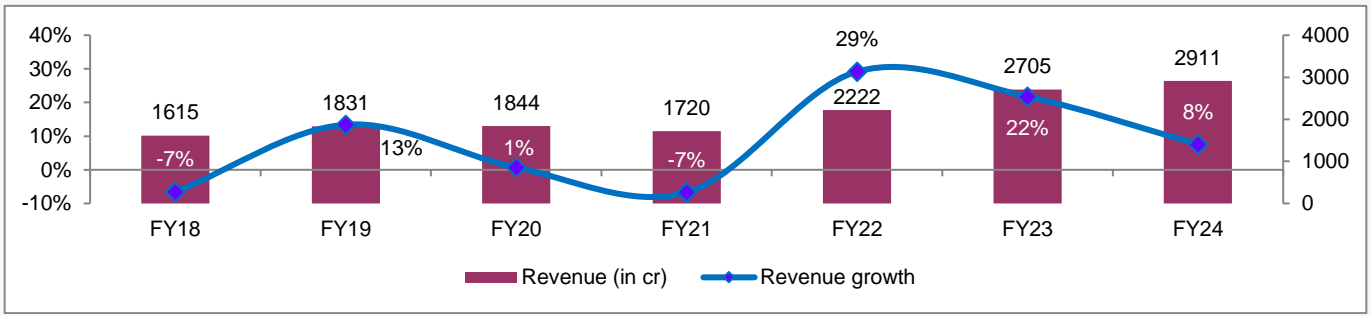
**Mitigation:** The company sources raw materials from alternate sources so that raw materials' availability risks are mitigated.

*The company is exposed to many risks and it takes appropriate measures to deal with these risks.*

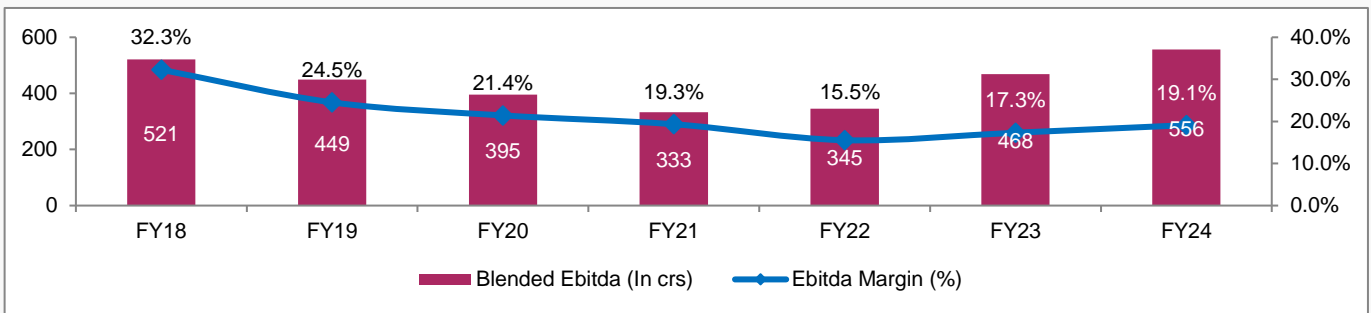
**Profitability Analysis (Rs Cr)**

Particulars	FY23	FY24	Change	Comments/Analysis
Sales	2705	2910	8%	Revenue growth was supported by higher volume on better demand in the Northeast market. The company expects to register a revenue CAGR of 12% over FY23-26E which would be driven by higher demand in the East and North-East markets and ramp up of new capacity
Raw Materials/Others	1689	1776	6%	Higher owing to higher production of Cement sold
Gross Profits	1017	1135	12%	Higher owing to higher sales and volume during the year
Operating Expenses	548	578	5%	Higher owing to increased Volume, Sales and Promotion costa and staff cost during the year.
EBITDA	468	556	19%	EBITDA is higher owing to higher volume and lower operating costs during the year. The company expects to register a CAGR of 22% in EBITDA over FY23-26E and would be led by better revenue and stable realization moving forward.
Depreciation	131	147	12%	Higher owing to increased capex during the year.
Other Income	52	26	50%	Lower owing to decrease in cash & cash equivalent owing to ongoing capex
EBIT	389	436	12%	EBIT was higher owing to better operating performance during the year
Interest	10	13	30%	Higher owing increase in finance charge and new debt raised.
Tax	132	129	-2%	Lower owing to a tax adjustment
PAT	248	295	19%	PAT improved on better operating performance and higher sales. The company expects to report a PAT CAGR of 19% over FY23-FY26E.
EPS	6.13	7.30	19%	EPS growth is in line with the PAT
Volume (mtpa)	4.01	4.40	10%	Volume growth was supported by new capacity ramp-up and higher demand during the year in the North-East region

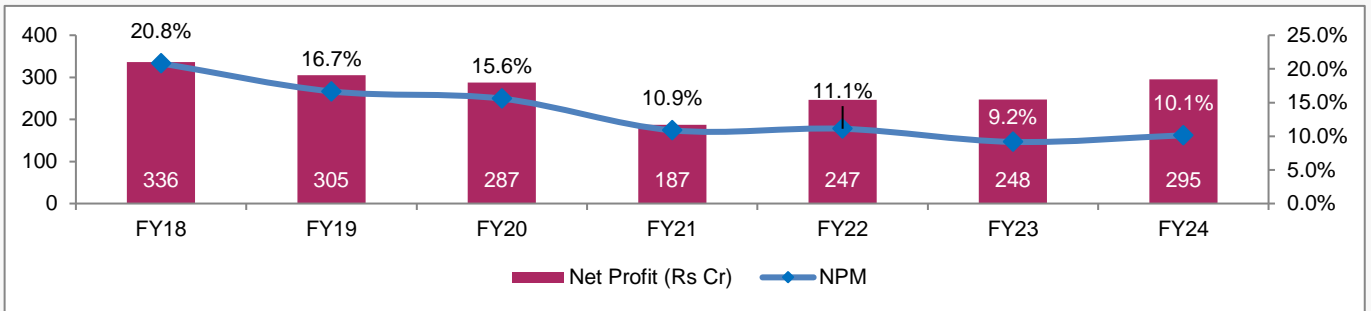
Source: Company; Axis Securities Research

**Exhibit 1: Revenue & Growth Trend**


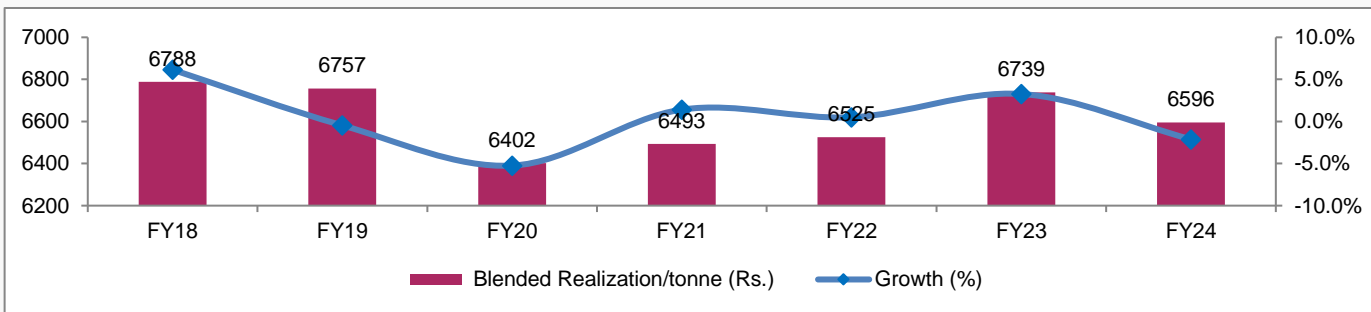
Source: Company, Axis Securities Research

**Exhibit 2: Blended EBITDA & Margin**


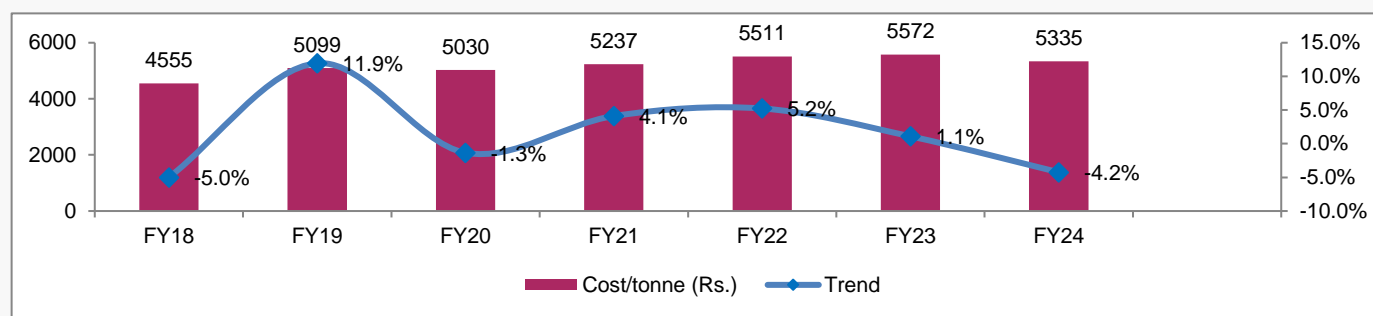
Source: Company, Axis Securities Research

**Exhibit 3: Net profit & NPM trend**


Source: Company, Axis Securities Research

**Exhibit 4: Blended realization & Growth trend**


Source: Company, Axis Securities Research

**Exhibit 5: Cost/tonne & Trend**


Source: Company, Axis Securities Research

### Profitability Margins

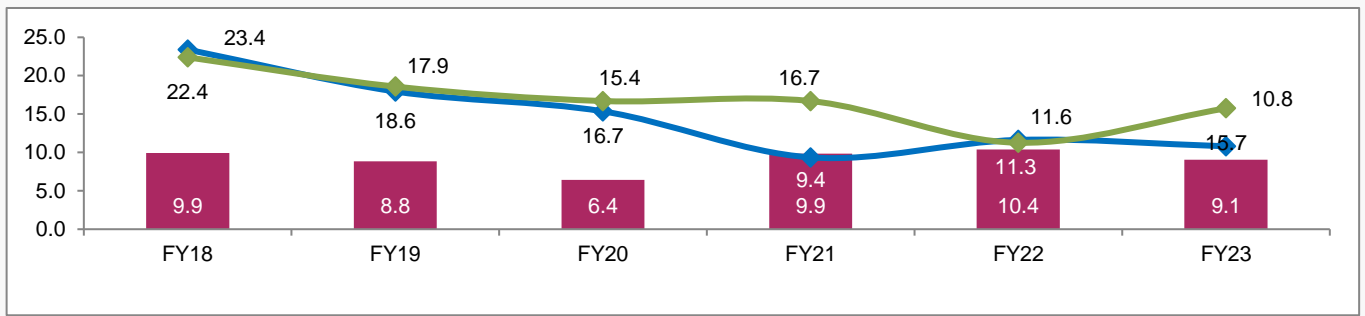
Particulars	FY23	FY24	Change	Comments/Analysis
GPM	38%	39%	100 bps	Higher owing to better operating performance and controlled costs
EBITDAM	17.3%	19.1%	180bps	EBITDA was higher owing to higher sales volume and controlled cost
PATM	9%	10%	100bps	PATM was higher due to higher sales and better operating performance.

Source: Company; Axis Securities Research

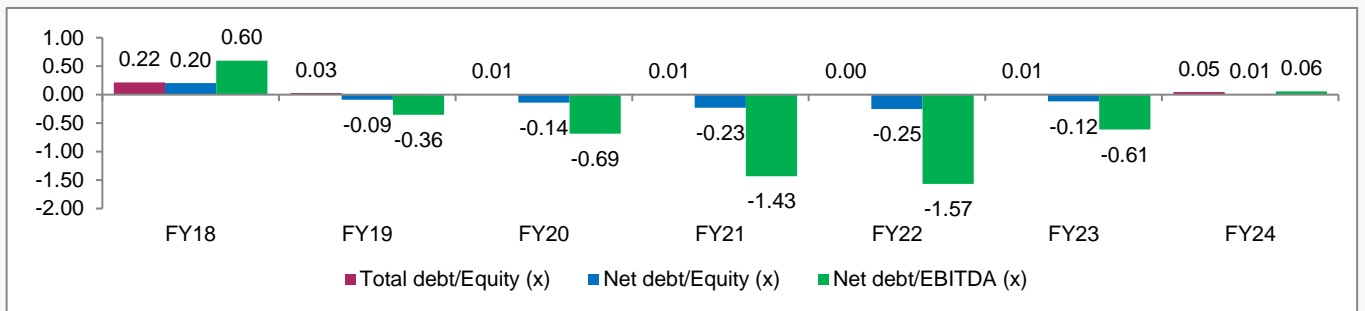
### Financial Ratios

Particulars	FY23	FY24	Change	Comments/Analysis
ROE	11%	11.5%	50 bps	ROE improved due to higher profitability.
ROCE	15.7%	16.1%	40bps	Higher EBIT lifted the ROCE
Asset Turn	1.6x	1.1x	-50x	Asset Turnover was lower due to the addition of new capacity during the year.
Net Debt/Equity	-0.12x	0.1x		Slightly higher owing to borrowing to fund the ongoing capex program.
EV/EBITDA	9x	16x	7x	Higher owing to increase in m/cap during the year.

Source: Company; Axis Securities Research

**Exhibit 6: EV/EBITDA, ROE, & ROCE Trend**


Source: Company, Axis Securities Research

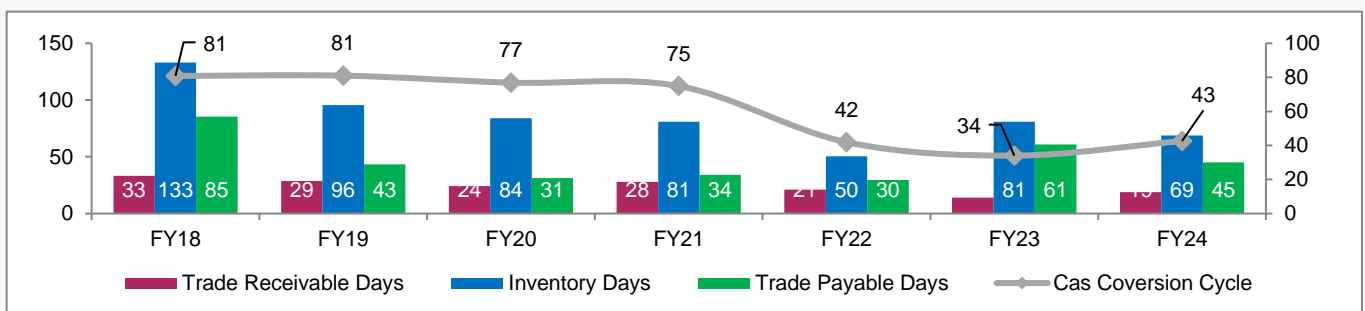
**Exhibit 7: Leverage Ratio**


Source: Company, Axis Securities Research

**Cash Conversion Cycle**

Particulars	FY23	FY24	Change	Comments/Analysis
Inventory Days	81	69	-12	Inventory days declined owing to better procurement during the year
Trade Receivables	14	19	5	Increased owing to higher credit sales during the year
Trade Payables	61	45	16	Decreased in payable days due to prevailing market conditions
Cash Conversion Cycle	34	43	9	

Source: Company; Axis Securities Research

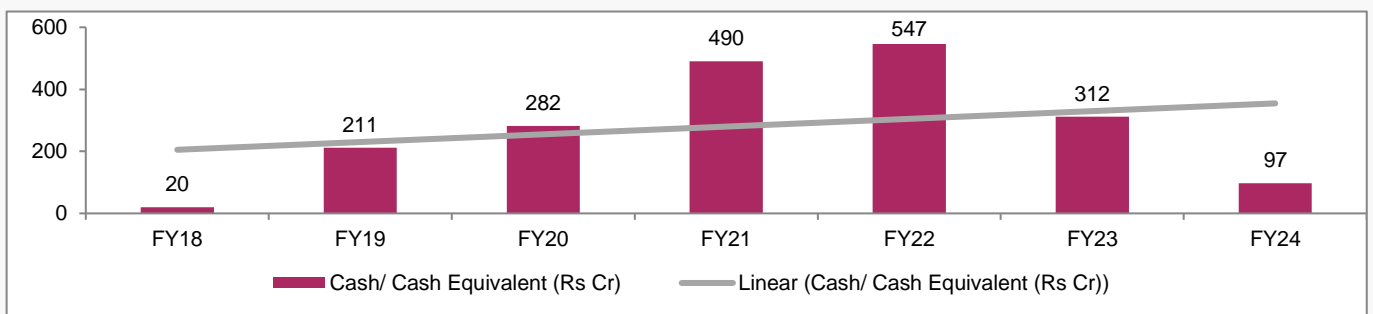
**Exhibit 8: Cash Conversion Cycle**


Source: Company, Axis Securities Research

### Key Balance Sheet Takeaways

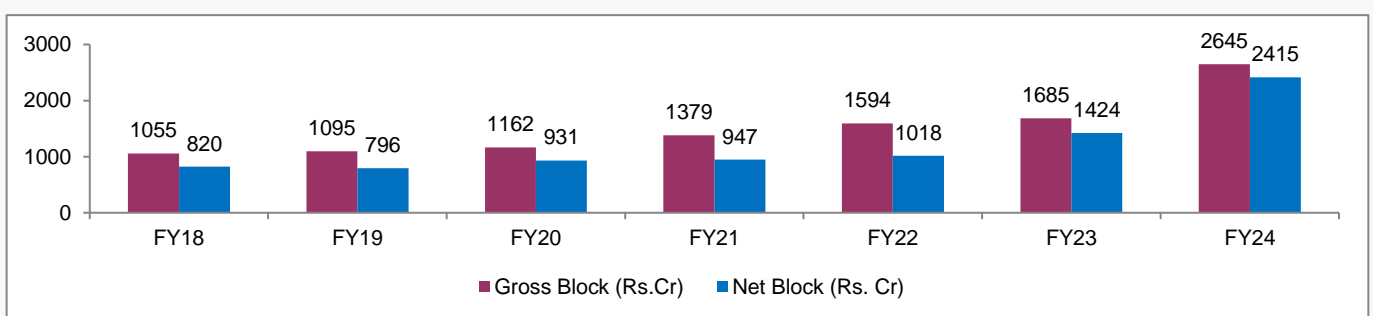
- Working Capital Management:** In FY24, working capital intensity increased as the cash conversion cycle deteriorated to 43 days from 34 days in FY23. This was primarily due to higher debtor days and lower payable days. However, operating cash flow (OCF) to EBITDA conversion improved to 88% from 80% in FY23, driven by higher operating cash flow. From FY19 to FY24, the company generated a total OCF of Rs 2,773 Cr, with 80% of this amount (Rs 2,223 Cr) allocated towards its Capex program, reflecting a high Capex intensity. While cash flow from operations (CFO) remained the major source of funding, the company generated a free cash flow (FCF) of Rs 447 Cr during FY19-FY24.
- Debt:** The company debt to equity ratio stood at 0.05x during the year. The company raised long-term debt of Rs 72 Cr for the ongoing capex program.
- Fixed capital formation:** Gross Fixed Capital Formation improved to Rs 2,645 Cr in FY24 from Rs 1,685 Cr, an improvement of 57% as the company is incurring Capex to set up a 3-mtpa clinkerization unit, 12 MW WHRS unit and 4 mtpa grinding unit.
- Capex plans:** With the rising cement demand in India, the company is advancing its Capex projects to enhance cement capacities, particularly in the highly profitable North-East and East regions. To address the expanding demand, it plans to establish a 4 mtpa grinding unit in Assam (2 mtpa each). During the year, the company invested Rs 1,036 Cr in Capex. Ongoing Capex is anticipated to cost Rs 1,750 Cr.
- Cash and liquidity position:** The company's liquidity position has weakened due to ongoing Capex in FY24. Cash and cash equivalents, including bank balances, stood at Rs 97 Cr in FY24, compared to Rs 312 Cr in FY23, reflecting a decrease of 69% YoY.

**Exhibit 9: Cash & Cash Equivalent (Rs Cr)**



Source: Company, Axis Securities Research

**Exhibit 10: Gross & Net Block**



Source: Company, Axis Securities Research

## Key Cash Flow Takeaways

Particulars (Rs Cr)	FY23	FY24	Change	Comments/Analysis
PBT	380	424	12%	PBT was higher on account of higher sales during the year.
Non-cash expenses				
Depreciation	129	142	10%	Depreciation increased as new capacity was commissioned in FY24
Finance Cost	9.7	12.6	30%	Increased owing to debt raised and higher cost of borrowing
Others	-34	-16	53%	Declined owing to lower interest income
Working Capital Adjustments	-42	4	NA	Elevated WC requirement during the year
CFO	375	490	31%	Higher on account of higher profit
CFI	-272	-650	139%	Higher owing to the ongoing Capex program
CFF	10	87	765%	Increased owing to debt raised during the year
Capex	-572	-1036	84%	Increased owing to Capex incurred on expanding capacity
FCF	-206	-558	-170%	Decreased owing to higher Capex during the year

Source: Company; Axis Securities Research

### Exhibit 11: OCF, Capex and FCF (in Cr)



Source: Company, Axis Securities Research

**Financials (Consolidated)**
**Profit & Loss**

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25E	FY26E
<b>Net sales</b>	2911	3274	3811
Other operating income	0	0	0
Total income	2911	3274	3811
Raw Material	654	719	813
Power & Fuel	555	475	532
Freight & Forwarding	567	793	896
Employee benefit expenses	217	243	262
Other Expenses	361	403	455
<b>EBITDA</b>	<b>556</b>	<b>641</b>	<b>853</b>
Other income	26	17	19
PBIDT	583	658	872
Depreciation	147	290	312
Interest & Fin Chg.	13	27	21
E/o income / (Expense)	0	0	0
Pre-tax profit	424	340	539
Tax provision	128	74	119
<b>RPAT</b>	<b>295</b>	<b>266</b>	<b>420</b>
Minority Interests	0.0	0.0	0.0
Associates	0	0	0
<b>APAT after EO item</b>	<b>295</b>	<b>266</b>	<b>420</b>

Source: Company, Axis Securities Research

**Balance Sheet**

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25E	FY26E
Total assets	3602	4377	4771
Net Block	2418	3139	3399
CWIP	1019	500	500
Investments	0	0	0
Wkg. cap. (excl cash)	266	299	343
Cash / Bank balance	97	93	151
Misc. Assets	-20	35	38
Capital employed	3602	4377	4771
Equity capital	40	40	40
Reserves	2670	2928	3340
Minority Interests	0	0	0
Borrowings	130	330	280
DefTax Liabilities	0	0	0
Other Liabilities and Provision	76	108	111

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25E	FY26E
<b>Profit before tax</b>	424	445	544
Depreciation	142	246	268
Interest Expenses	13	26	21
Non-operating/ EO item	-16	-21	-21
Change in W/C	4	-38	-35
Income Tax	76	124	141
<b>Operating Cash Flow</b>	490	533	636
Capital Expenditure	-1036	-1256	-562
Investments	184	0	0
Others	202	540	21
<b>Investing Cash Flow</b>	-650	-716	-541
Borrowings	104	200	-50
Interest Expenses	-11	-26	-21
Dividend paid	0	-8	-8
Others	-7	0	0
<b>Financing Cash Flow</b>	86	166	-79
Change in Cash	-74	-17	16
Opening Cash	122	48	31
Closing Cash	48	31	47

Source: Company, Axis Securities Research

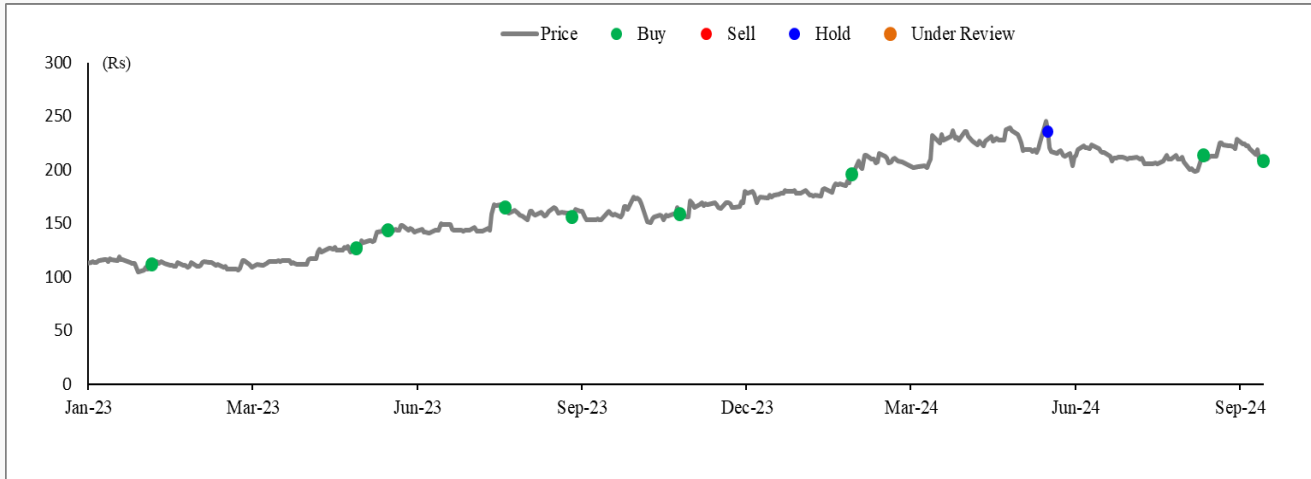
**Ratio Analysis**

(%)

Y/E Mar	FY24	FY25E	FY26E
<b>Operational Ratios</b>			
Sales growth	8%	12%	16%
OPM	19.1%	19.6%	22.4%
Op. profit growth	19%	15%	33%
COGS / Net sales	61%	61%	59%
Overheads/Net sales	20%	20%	19%
Depreciation / G. block	6%	7%	7%
<b>Efficiency Ratios</b>			
Total Asset Turnover (x)	0.81	0.75	0.80
Sales/Gross block (x)	1.10	0.84	0.86
Sales/Net block(x)	1.21	1.04	1.12
Working capital/Sales (x)	-0.04	-0.02	-0.01
<b>Valuation Ratios</b>			
P/E	29	33	21
P/BV (x)	1.0	0.9	0.8
EV/Ebitda (x)	15.7	13.9	10.3
EV/Sales (x)	3.0	2.7	2.3
EV/Tonne \$ (x)	136	140	110
<b>Return Ratios</b>			
ROE	12	9	13
ROCE	16	12	16
ROIC	17	12	17
<b>Leverage Ratios</b>			
Debt/equity (x)	0.05	0.11	0.08
Net debt/ Equity (x)	0.01	0.08	0.04
Interest Coverage ratio (x)	35	13	27
<b>Cash Flow Ratios</b>			
OCF/Sales	0.17	0.16	0.18
OCF/Ebitda	0.88	0.83	0.81
OCF/Capital Employed	0.17	0.16	0.19
FCF/Sales	-0.33	-0.22	-0.15
Payout ratio (Div/NP)	0.0	3.0	1.9
AEPS (Rs.)	7.3	6.6	10.4
AEPS Growth	19.2	-9.9	58.1
CEPS (Rs.)	11	14	18
DPS (Rs.)	0.0	0.2	0.2

Source: Company, Axis Securities Research

## Star Cement Price Chart and Recommendation History



Date	Reco	TP	Research
06-Feb-23	BUY	125	Result Update
23-May-23	BUY	145	Result Update
09-Jun-23	BUY	165	Company Update
10-Aug-23	BUY	185	Result Update
14-Sep-23	BUY	185	AAA
10-Nov-23	BUY	185	Result Update
09-Feb-24	BUY	225	Result Update
23-May-24	HOLD	240	Result Update
13-Aug-24	BUY	250	Result Update
17-Sep-24	BUY	250	AAA

Source: Axis Securities Research

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HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
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