Star Cement (STACEM)

CMP: ₹ 284 | Target: ₹ 330 (16%) | Target Period: 12 months | BUY

August 22, 2025

Profitability remains better-than-industry…

About the stock: Star Cement is a leading cement manufacturer in India with a strong foothold in North-Eastern India and a rapidly expanding presence in Eastern region states also (like West Bengal and Bihar)

- At present, company has cement capacity of 7.7 million tonnes (mtpa) and clinker capacity of 6.1 mtpa
- Company has market share of ~27% in North-East markets

Investment Rationale

- **Volume growth expected at ~14% CAGR over FY25-27E:** Company's sales volume growth has been strong over the last 3 years (~11% CAGR over FY22-25), led by healthy demand in northeast (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 to 11.7 mtpa by FY27E by adding 4 mtpa in Assam (2 mtpa at Silchar expected by Q4FY26E & 2 mtpa at Jorhat expected by Q4FY27E). Company also plans to expand in north India with 4 mtpa in Rajasthan (with 3 mtpa clinker). With the pick-up in demand & healthy expansion plan, we believe that the company's volume growth to remain healthy and better-than-industry average in the coming period. We estimate sales volume CAGR of 14% over FY25-27E. By FY30E, the company targets to increase its capacity to 20 mtpa (~17% CAGR over FY24-30E), giving healthy volume growth visibility in the longer term
- **Strong presence in high-growth north-eastern market:** Company has strong presence in north-east markets with ~27% market share. Moreover, with ongoing expansions in Assam, we believe that company would be able to maintain its strong hold in these markets. Company aims to increase its market share to 30% in NE region in coming period
- **Superior profitability to sustain, led by focus on operating efficiencies**: During Q1FY26, company's profitability improved sharply on YoY basis (EBITDA/ton stood at Rs 1761/ton, +75% YoY), led by better volume growth, improvement in realisations and lower RM cost. We believe that company's EBITDA/ton to remain strong going forward, led by continuous focus on operational efficiencies (led by increase in share of renewable power, WHRS and captive coal, freight cost optimisation through addition of grinding units in NE and Rajasthan), incentives from state government & positive operating leverage (on strong volume growth). We estimate company's EBITDA/ton to improve to ₹ 1778/ton in FY27E from ₹ 1229/ton in FY25 (~₹ 550/ton improvement over the period)

Rating and Target Price

- With healthy volume growth and healthy improvement in EBITDA/ton over FY25-27E, we expect revenue to grow ~17% CAGR over FY25-27E while EBITDA & PAT are expected to grow at ~37% & ~65% CAGR respectively
- We recommend **BUY** on Star Cement with a revised target price of Rs 330 (based on 12.5x EV/EBITDA on FY27E)

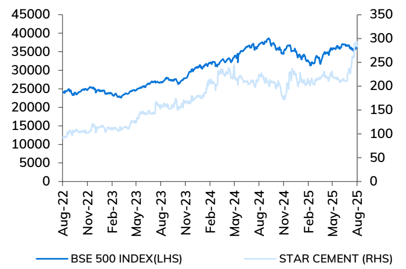
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	11,842
FY25 Gross Debt (Rs Crore)	390
FY25 Cash (Rs Crore)	53
EV (Rs Crore)	12,180
52 Week H/L (Rs)	300 / 172
Equity Capital	40.4
Face Value	2.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	66.5	57.7	57.7	57.7
FII	1.4	1.2	2.0	2.2
DII	5.0	5.0	5.2	4.9
Others	27.2	36.2	35.2	35.2

Price Chart



Recent Event & Key risks

(1) Slowdown in demand (2) Delays in capacity expansion (3) Increase in commodity prices (4) High competition

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Company Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(Year-end March)	FY23	FY24	FY25	2 Year CAGR (FY23-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	2,705	2,911	3,163	8.1%	3,747	4,298	16.6%
EBITDA	468	556	579	11.1%	881	1,088	37.1%
EBITDA margin (%)	17.3	19.1	18.3		23.5	25.3	
Net Profit	248	295	169	-17.4%	353	457	64.6%
EPS (Rs)	6.1	7.3	4.2		8.7	11.3	
P/E (x)	47.8	40.1	70.2		33.6	25.9	
EV/EBITDA (x)	33.2	24.7	21.3		13.9	11.1	
EV/ton ($)	237	239	181		149	121	
RoCE (%)	15.9	15.4	7.9		13.8	15.8	
RoE (%)	10.3	10.9	5.9		10.9	12.4	

Source: Company, ICICI Direct Research

Q1FY26 Result Highlights:

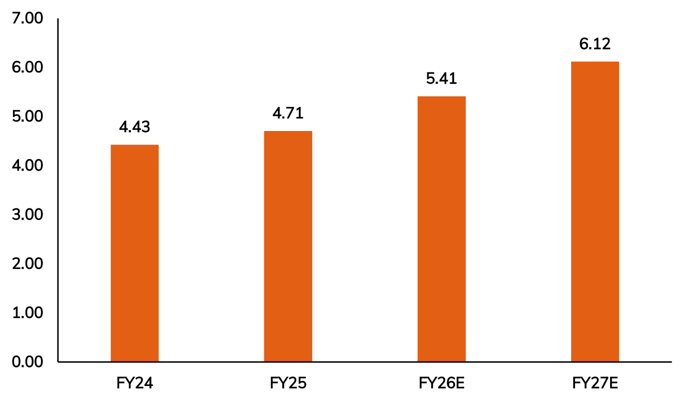
- Revenue increased by 21.4% YoY to Rs 912 crores led by strong growth in sales volume of 12.3% YoY to 1.3 mtpa and increase in realization by 8.1% YoY
- Sequentially, revenue was down by 13.3%, due to 15.4% QoQ decrease in volume, negated the effect of 2.5% QoQ improvement in realisation
- EBITDA/ton increased by 75% YoY (+2.7% QoQ) to Rs 1761/ton mainly on account of lower raw material cost and positive operating leverage on YoY basis. Subsequently, EBITDA came at Rs 228.2 crore (+96.5% YoY, -13.1% QoQ)
- On PAT level, the company reported a profit of Rs 98.2 crore as against net profit of Rs 31 crore in Q1FY25

Recent earnings call highlights:

- The Northeast cement market is ~14 mtpa in size, growing at ~10% CAGR, driven by infrastructure and hydropower projects. Star Cement holds a 27–28% market share, followed closely by Dalmia, maintaining a largely duopolistic structure
- Cement sales grew to 1.22 mtpa from 1.15 mtpa YoY. Of total sales, 0.89 mtpa were from the Northeast (~73%) and 0.33 lakh tonnes from markets outside the region, highlighting strong traction in the core region.
- Company targets 5.4-5.5 mtpa volume sales for FY26E, implies 15-16% YoY
- Around 15% of volumes were OPC, with the remaining being PPC. Premium cement contributed 12.2% of sales, with management targeting an increase to ~18% by year-end
- Revenue increased was aided by higher volumes and better realizations. Growth was also supported by improved pricing in the Northeast market, where trade commanded a premium over non-trade
- Incentives booked were ₹62 crore in Q1, with an outstanding backlog of ~₹150 crore. For FY26, the company expects ₹230–250 crore of incentives, with a one-quarter lag in receipts
- The trade vs. non-trade price gap in the Northeast remains ₹60–70 per bag, highlighting strong pricing power in retail. Stable realizations and higher premium mix are expected to support margins in upcoming quarters
- Variable costs were higher due to kiln shutdowns and lower utilization, but overall costs were offset by higher alternative fuel usage. The clinker-to-cement ratio stood at 1.44, while alternative fuels contributed 18% of thermal energy requirements
- Trade receivables stood at ₹183 crore and inventories at ₹492 crore, reflecting steady working capital requirements. Management highlighted that incentives yet to be disbursed remain a temporary drag on working capital but should normalize in coming quarters
- Net debt stood at ₹320 crore as Q1FY26, keeping leverage at comfortable levels. Management indicated comfort in raising debt up to ₹1,500 crore, given strong cash flows and expected EBITDA of ₹850–900 crore in FY26E
- Capex during Q1FY26 was ₹62 crore, with FY26E capex expected at ₹820 crore and FY27E at ~₹600 crore
- On Capex front - Silchar grinding unit (2 mtpa) - Commissioning targeted for Jan–Feb 2026, with ₹105 crore already spent. Jorhat expansion (2 mtpa) - Expected commissioning by Jan–Feb 2027
- Company is bidding for limestone mines in Rajasthan. If successful, plans include a 3 mtpa clinker unit and 4 mtpa grinding capacity at ~₹2,400–2,500 crore capex, with a likely 3 to 3.5 years execution timeline

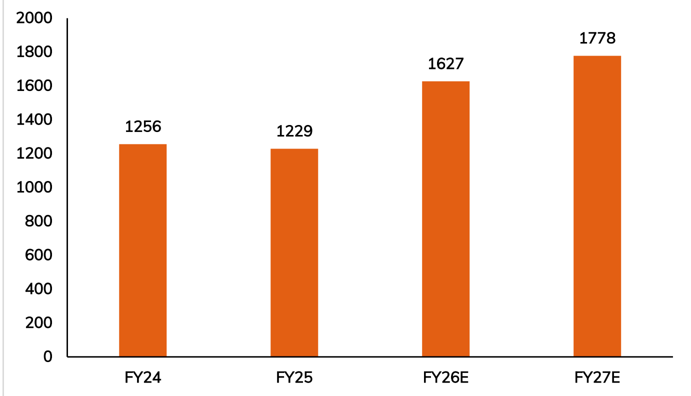
- Post ongoing expansions, capacity will rise to ~11.7 mtpa by FY27E. With the proposed Rajasthan plant and potential Bihar expansion, management targets ~20 mtpa by FY30E, aligned with long-term growth vision
- The AAC block plant, with ~20,000 CBM/month capacity, is operating at ~40% utilization in initial stages. Expected revenue contribution is ₹70–80 crore in FY26E, with 20–30% growth in FY27E as utilization ramps up
- Management is working to prepare a detailed sustainability roadmap. Plans include 40 MW solar capacity in Assam and additional wind energy initiatives. The company targets 55–60% green energy mix by FY26E, with PPA from JSW Green Energy expected to start contributing by end-FY26E
- Potential new entrants like JK Lakshmi are exploring capacity additions in the Northeast. Management believes new capacity will take 3–4 years to materialize and the market is large enough to absorb players, though pricing pressure may arise temporarily
- Trial runs for cement cargo trains to Nagaland & Tripura can improve serviceability and reduce costs. However, management highlighted that this could also allow external players to enter the market more easily

Exhibit 1: Volumes to grow at ~14% CAGR over FY25-27E



Source: Company, ICICI Direct Research

Exhibit 2: EBITDA/ton to improve over FY26E-FY27E



Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue	2,911	3,163	3,747	4,298
% Growth	7.6	8.7	18.5	14.7
Other income	26	11	12	15
Total Revenue	2,911	3,163	3,747	4,298
% Growth	7.6	8.7	18.5	14.7
Total Raw Material Costs	480	519	568	642
Employee Expenses	215	247	278	309
Other expenses	1,660	1,818	2,019	2,259
Total Operating Expenditure	2,354	2,585	2,866	3,210
Operating Profit (EBITDA)	556	579	881	1,088
% Growth	18.8	4.0	52.2	23.5
Interest	13	32	44	50
PBDT	570	558	849	1,053
Depreciation	147	332	378	443
PBT before Exceptional Items	424	226	470	610
Total Tax	128	57	118	152
PAT before MI	295	169	353	457
PAT	295	169	353	457
% Growth	19.2	(42.8)	108.9	29.7
EPS	7.3	4.2	8.7	11.3

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	295	169	353	457
Depreciation	147	332	378	443
Interest	13	32	44	50
Cash Flow before WC changes	454	532	775	950
Changes in inventory	39	(111)	(57)	(39)
Changes in debtors	(46)	(49)	(26)	(21)
Changes in loans & Advances	14	3	-	-
Changes in other current assets	(19)	6	(26)	(28)
Net Increase in Current Assets	17	(314)	(46)	(159)
Changes in creditors	(58)	13	55	66
Changes in provisions	1	(2)	2	1
Net Inc in Current Liabilities	54	75	88	94
Net CF from Operating activities	526	294	818	885
Changes in deferred tax assets	49	(3)	-	-
(Purchase)/Sale of Fixed Assets	(1,143)	(535)	(825)	(600)
Net CF from Investing activities	(829)	(568)	(860)	(630)
Dividend and Dividend Tax	-	-	-	-
Net CF from Financing Activities	90	229	61	(50)
Net Cash flow	(213)	(45)	19	205
Opening Cash/Cash Equivalent	312	98	53	72
Closing Cash/ Cash Equivalent	98	53	72	277

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	40	40	40	40
Reserve and Surplus	2,670	2,839	3,190	3,647
Total Shareholders funds	2,710	2,879	3,230	3,688
Total Debt	130	390	497	497
Total Liabilities	2,880	3,309	3,767	4,224
Gross Block	1,677	3,667	4,412	5,212
Acc: Depreciation	935	1,267	1,645	2,088
Net Block	1,396	2,401	2,767	3,124
Capital WIP	1,019	220	300	100
Total Fixed Assets	2,438	2,640	3,087	3,244
Non Current Assets	399	432	467	497
Inventory	335	446	503	542
Debtors	151	200	226	247
Other Current Assets	167	161	187	215
Cash	98	53	72	277
Total Current Assets	767	1,035	1,100	1,464
Current Liabilities	220	233	287	353
Provisions	13	90	91	92
Total Current Liabilities	723	799	887	981
Net Current Assets	43	236	213	483
Total Assets	2,880	3,309	3,767	4,224

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
EPS	7.3	4.2	8.7	11.3
Cash per Share	2.4	1.3	1.8	6.9
DPS	14.0	14.0	15.0	16.0
BV	67.0	71.2	79.9	91.2
EBITDA Margin	19.1	18.3	23.5	25.3
PAT Margin	10.1	5.3	9.4	10.6
RoE	10.9	5.9	10.9	12.4
RoCE	15.4	7.9	13.8	15.8
RoIC	14.9	7.7	13.7	16.5
EV / EBITDA	20.7	20.4	13.5	10.8
P/E	38.9	68.0	32.6	25.1
EV/ton ($)	176	181	144	118
EV / Net Sales	4.0	3.7	3.2	2.7
Sales / Equity	1.1	1.1	1.2	1.2
Market Cap / Sales	3.9	3.6	3.1	2.7
Price to Book Value	4.2	4.0	3.6	3.1
Asset turnover	1.0	1.0	1.0	1.0
Debtors Turnover Ratio	22.8	18.1	17.6	18.2
Creditors Turnover Ratio	11.7	14.0	14.4	13.4
Debt / Equity	0.0	0.1	0.2	0.1
Current Ratio	1.0	1.3	1.3	1.3
Quick Ratio	0.5	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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