

# Star Cement

## Sustained industry-best margin; strong volumes

We upgrade Star Cement to BUY with a revised target price of INR 290/sh (12x FY28E consolidated EBITDA). We recently interacted with the management to discuss the company's growth prospects. We believe that despite the reduction in GST incentive accruals Q3FY26 onwards, Star's industry-best margin performance will continue. This stance is led by stable pricing outlook in the north-east region (NER), continued high incentive accruals, increased savings from rising share of low-cost green energy, and stabilization of a recently commissioned kiln. Star's Q3FY26E volume and margin are both expected to remain strong. We estimate it will deliver 11% volume CAGR over FY25-28E, along with margins of ~INR 1,632/1,490/1,490/MT in FY26/27/28E. Star's cement capacity will expand by another 4mn MT by FY28-end to 12mn MT, with upcoming expansions in Assam and Bihar. Subsequently, Star plans to commission a greenfield plant in Rajasthan by FY29E, which will help the company diversify its regional mix and expand its NER capacity by FY30-31E.

- Strong volume momentum to continue in Q3FY26:** During H1FY26, Star delivered 16% YoY consolidated volume growth. Star expects its Q3FY26 volume growth also to be strong. Cement prices (net of GST) have been flattish QoQ in the NER, while they have come off by ~INR 5-10/bag in the eastern states of Bihar and West Bengal where Star sells outside the NER. Management had already guided that its incentive accrual run rate will come off to ~INR 300/MT Q3FY26 onwards as against ~INR 460/MT in the preceding 12 months, impacted by GST rate reduction. Hence, we estimate Star's NSR will fall ~3% QoQ. Its Q2FY26 fuel cost rate at ~INR 1.25/mnCal is the lowest in the industry, owing to FSA coal availability. Star expects fuel costs to remain stable at ~INR 1.3/mnCal, as it continues to maintain good inventory of FSA coal. Thus, we estimate unit EBITDA will reduce ~INR 165 QoQ to INR 1,455/MT, which will still be higher by ~INR 480/MT YoY on lower input costs (fuel and raw materials as there was INR 300/MT of additional cost burden from external clinker purchase in Q3FY25) and higher utilization. Star should continue to deliver industry-best margin, in our view.
- Rise in green power share to further cut variable cost:** Star is commissioning 42MW of captive solar power plants by Q1FY27. This will help increase its green power consumption share to 55% by FY27, from 29/27/30% in FY24/25/H1FY26. As this solar capacity is captive, Star will save ~INR 6-7/kWh on grid power substitution, leading to incremental opex reduction by ~INR 100/MT. Star's thermal substitution rate (TSR) rose to its targeted 20% in H1FY26, which is the highest in the industry currently. Its TSR increased from 6/12% in FY24/25 and is helping Star reduce its carbon footprint as well as substitute coal with low-cost alternative fuels. Star also has the lowest lead distance profile in the industry (~220-230km). However, its unit logistics cost is high at ~INR 5/PTPK owing to the hilly terrains in the NER. Star augmented its captive fleet by 120 trucks in FY25 to reduce freight cost spike seen in Q4 when the truckers would raise the rates on account of high demand. We estimate Star's unit opex to decline by 5% YoY in FY26E on the absence of external clinker purchase and increase in low-cost green energy. We estimate flattish unit opex in the subsequent two years.
- Expansions update:** The greenfield 2mn MT Silchar (Assam) SGU is expected to become operational by Mar'26. Thereafter, Star will prioritize setting up a 2mn MT SGU in north Bihar (capex ~INR 5bn), as it would enjoy 300% SGST exemption benefit. Star expects to commission this by FY28E. These will expand its cement capacity to 12mn MT. Thereafter it is targeting setting up a

**BUY**

CMP (as on 19 Dec 2025)	INR 216
Target Price	INR 290
NIFTY	25,966

KEY CHANGES	OLD	NEW
Rating	ADD	BUY
Price Target	INR 280	INR 290
EBITDA	FY26E	FY27E
revision %	(1.8)	(2.0)

### KEY STOCK DATA

Bloomberg code	STRCEM IN
No. of Shares (mn)	404
MCap (INR bn) / (\$ mn)	87/976
6m avg traded value (INR mn)	146
52 Week high / low	INR 309/196

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(20.8)	3.6	(2.8)
Relative (%)	(23.6)	(0.8)	(10.0)

### SHAREHOLDING PATTERN (%)

	Jun-25	Sep-25
Promoters	57.66	57.59
FIs & Local MFs	4.93	4.38
FPIs	2.24	2.96
Public & Others	35.17	35.07
Pledged Shares	0.77	0.77

Source : BSE

Pledged shares as % of total shares

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3mn MT clinker and 4-5mn MT cement capacities in Rajasthan by FY29E, entailing a capex of ~INR 30bn. If Star is able to raise equity funds of up to INR 15bn as per its plans, its net debt will remain flattish at current nominal levels and will provide Star the balance sheet support for subsequent capacity expansion in the NER by FY30-31E. Star has plans for greenfield clinker and cement expansion in Assam.

- **Upgrade to BUY:** We trim our EBITDA estimates for FY26-28E by 2% each, factoring in near-term pricing pressure in the eastern region and lower incentive accruals Q3FY26 onwards. Despite factoring in ~INR 140/MT YoY margin compression in FY27E to INR 1,490/MT, Star should continue to deliver the industry-best margin, in our view. We also expect Star to deliver 11% volume CAGR on continued capacity ramp-up, leading to 19% EBITDA CAGR. We raise our target price to INR 290/share from INR 280 earlier as we roll forward our valuation to Mar'28E vs Sep'27E earlier. We value Star Cement at 12x its FY28E consolidated EBITDA.

### Key financials (consolidated)

INR bn	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	17,199	22,218	27,048	29,107	31,634	36,479	39,325	43,257
EBITDA	3,326	3,453	4,684	5,563	5,786	8,730	8,768	9,645
APAT	2,401	2,468	2,476	2,951	1,690	3,555	3,433	3,751
AEPS (INR)	5.8	6.1	6.1	7.3	4.2	8.8	8.5	9.3
EV/EBITDA (x)	24.3	22.5	16.7	14.6	15.3	10.1	9.7	8.9
EV/MT (INR bn)	14.2	13.7	13.7	10.6	11.5	9.1	8.8	7.4
P/E (x)	35.8	34.8	34.7	29.1	50.9	24.6	25.4	23.3
RoE (%)	12.0	11.6	10.8	11.5	6.0	11.7	10.3	10.3

Source: Company, HSIE Research

### Key operational assumptions

	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Cement Cap (mn MT)</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>	<b>7.7</b>	<b>7.7</b>	<b>9.7</b>	<b>9.7</b>	<b>11.7</b>
<b>Sales Volume (mn MT)</b>	<b>2.7</b>	<b>3.4</b>	<b>4.0</b>	<b>4.4</b>	<b>4.7</b>	<b>5.3</b>	<b>5.9</b>	<b>6.5</b>
YoY change (%)	(8.7)	26.2	17.9	10.6	6.5	13.1	10.0	10.0
Utilisation (%)	47.4	59.8	70.5	57.8	61.5	55.2	60.7	55.4
<b>(Rs/ MT trend)</b>								
<b>NSR</b>	<b>6,220</b>	<b>6,527</b>	<b>6,739</b>	<b>6,554</b>	<b>6,687</b>	<b>6,820</b>	<b>6,684</b>	<b>6,684</b>
YoY change (%)	5.2	4.9	3.2	(2.7)	2.0	2.0	(2.0)	-
Raw Materials	1,458	1,685	1,559	1,647	1,675	1,390	1,411	1,411
Power & Fuel	1,224	1,225	1,347	1,250	1,118	1,129	1,095	1,095
Freight costs	1,150	1,255	1,262	1,103	1,173	1,232	1,251	1,251
Employee cost	475	468	491	484	523	532	532	532
Other expense	711	880	913	819	975	905	905	905
<b>Total Opex</b>	<b>5,017</b>	<b>5,513</b>	<b>5,572</b>	<b>5,301</b>	<b>5,463</b>	<b>5,188</b>	<b>5,194</b>	<b>5,194</b>
YoY change (%)	8.0	9.9	1.1	(4.9)	3.1	(5.0)	0.1	-
<b>EBITDA per MT</b>	<b>1,233</b>	<b>1,014</b>	<b>1,167</b>	<b>1,253</b>	<b>1,223</b>	<b>1,632</b>	<b>1,490</b>	<b>1,490</b>
YoY change (%)	(7.8)	(17.7)	15.1	7.4	(2.4)	33.4	(8.7)	-

Source: Company, HSIE Research

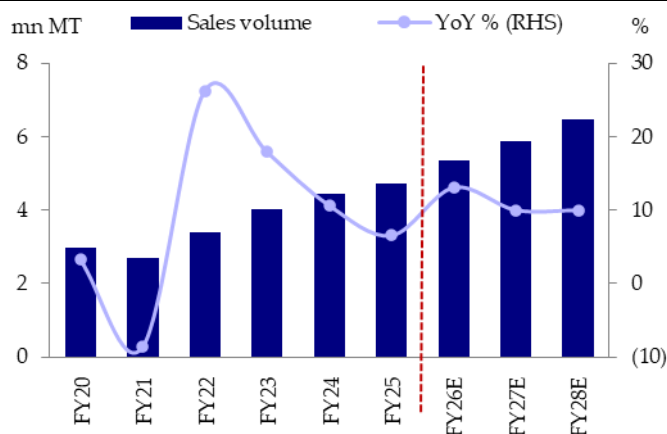
### Estimates revision summary (consolidated)

INR bn	FY26E New	FY27E New	FY28E New	FY26E Old	FY27E Old	FY28E Old	FY26E Chg %	FY27E Chg %	FY28E Chg %
Net Sales	36.48	39.32	43.26	36.94	39.83	43.81	(1.3)	(1.3)	(1.3)
EBITDA	8.73	8.77	9.64	8.89	8.94	9.84	(1.8)	(2.0)	(2.0)
APAT	3.56	3.43	3.75	3.63	3.57	3.91	(2.2)	(3.9)	(4.1)
AEPS	8.80	8.49	9.28	8.99	8.84	9.68	(2.2)	(3.9)	(4.1)

Source: Company, HSIE Research

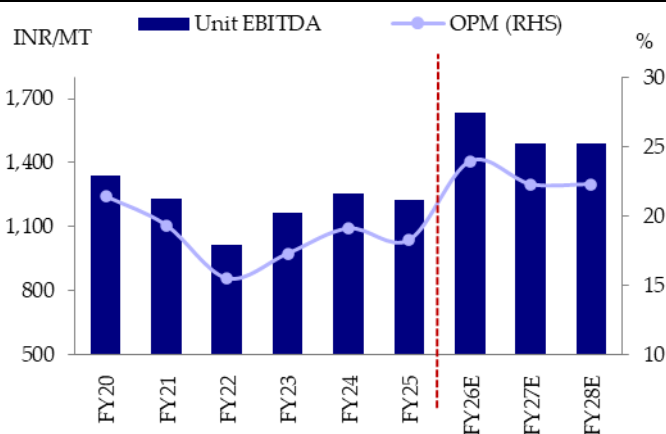
## Star Cement: Company Update

**Consolidated volume is expected to clock 11% CAGR during FY25-28E**



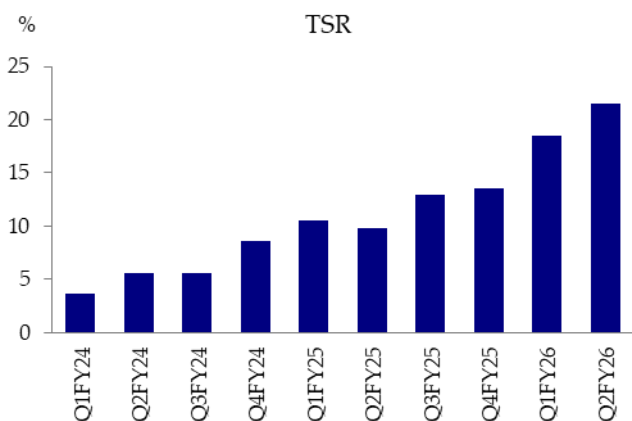
vSource: Company, HSIE Research

**Star should continue to deliver industry leading EBITDA margin**



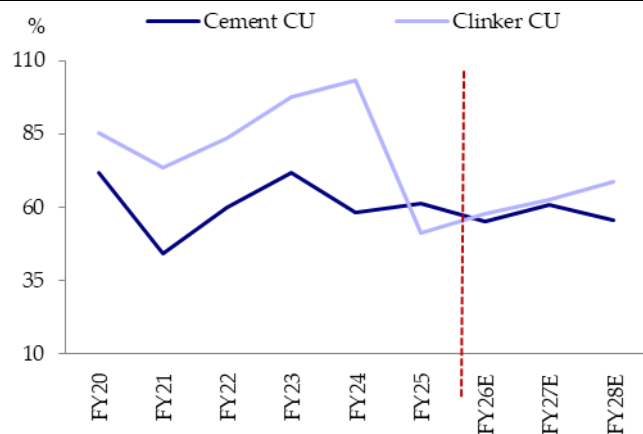
Source: Company, HSIE Research

**Its thermal substitution rate (TSR) has also increased to the highest in the industry**



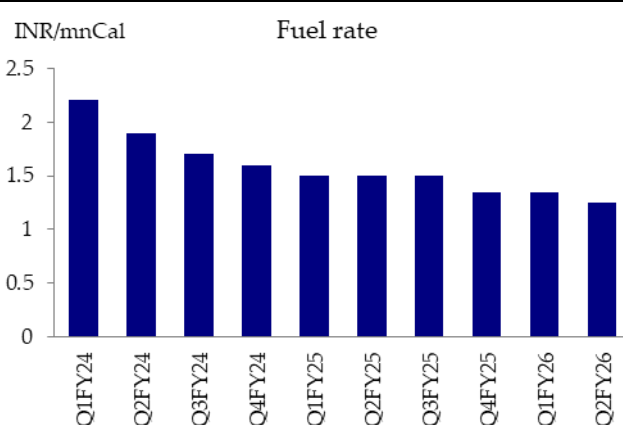
Source: Company, HSIE Research

**Clinker utilization is expected to improve on production ramp-up**



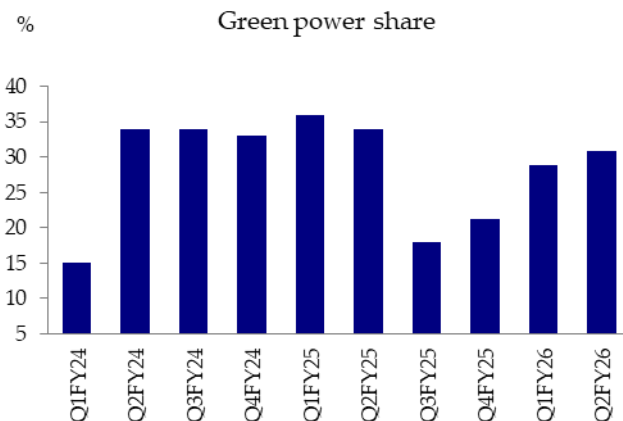
Source: Company, HSIE Research

**Its fuel cost rate remains the lowest in the industry with stable outlook**



Source: Company, HSIE Research

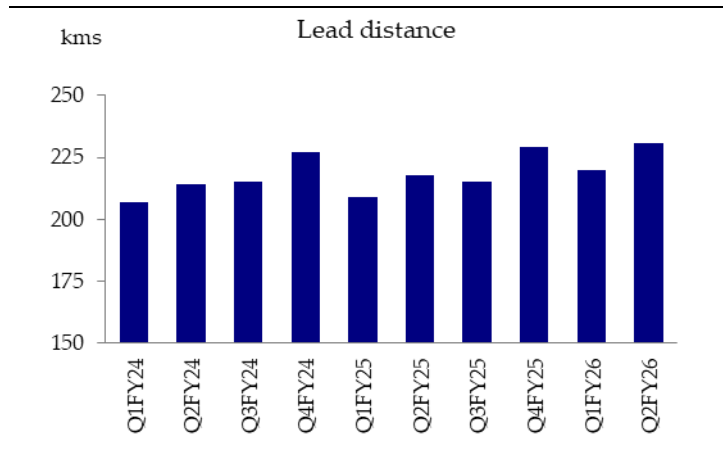
**Low-cost green power share is gradually rising, aiding cost reduction**



Source: Company, HSIE Research

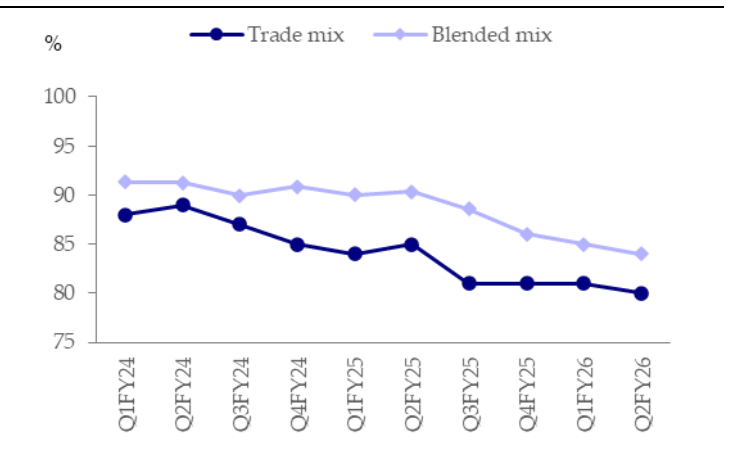
## Star Cement: Company Update

### Star's lead distance is also the lowest in the industry



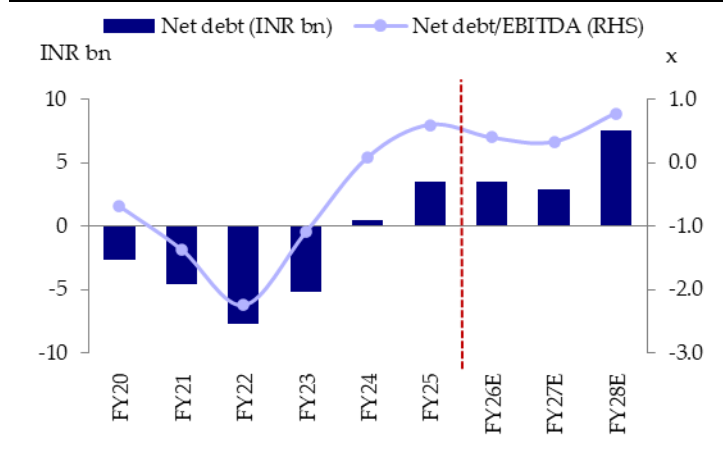
Source: Company, HSIE Research

### Star continues to be retail focused player with trade sales >80%



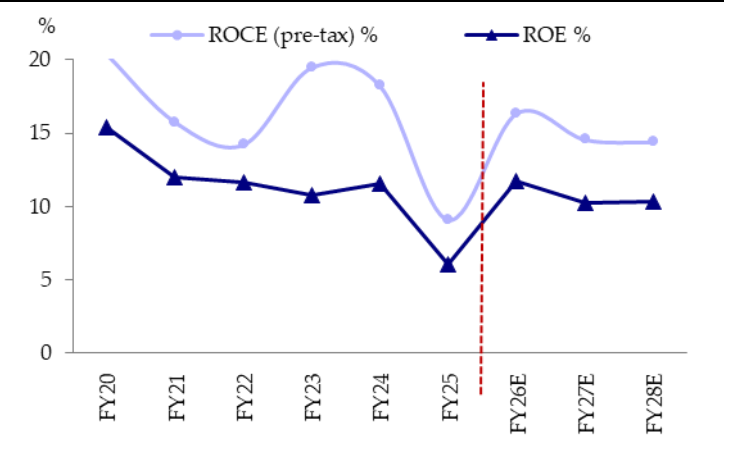
Source: Company, HSIE Research

### Net debt/EBITDA to remain below 1x despite ongoing expansions



Source: Company, HSIE Research

### Healthy return ratio to continue



Source: Company, HSIE Research

## Financials

### Consolidated Income Statement

YE Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Revenues</b>	<b>27,048</b>	<b>29,107</b>	<b>31,634</b>	<b>36,479</b>	<b>39,325</b>	<b>43,257</b>
<i>Growth %</i>	<i>21.7</i>	<i>7.6</i>	<i>8.7</i>	<i>15.3</i>	<i>7.8</i>	<i>10.0</i>
Raw Material	6,257	7,313	7,923	7,435	8,301	9,131
Power & Fuel	5,406	5,551	5,288	6,038	6,443	7,087
Freight Expense	5,067	4,897	5,551	6,590	7,358	8,094
Employee cost	1,969	2,148	2,475	2,846	3,130	3,443
Other Expenses	3,664	3,635	4,611	4,841	5,325	5,858
<b>EBITDA</b>	<b>4,684</b>	<b>5,563</b>	<b>5,786</b>	<b>8,730</b>	<b>8,768</b>	<b>9,645</b>
<i>EBITDA Margin (%)</i>	<i>17.3</i>	<i>19.1</i>	<i>18.3</i>	<i>23.9</i>	<i>22.3</i>	<i>22.3</i>
<i>EBITDA Growth %</i>	<i>35.7</i>	<i>18.8</i>	<i>4.0</i>	<i>50.9</i>	<i>0.4</i>	<i>10.0</i>
Depreciation	1,311	1,466	3,319	3,625	3,789	4,026
EBIT	3,373	4,097	2,467	5,104	4,979	5,619
Other Income	521	265	106	131	68	72
Interest	97	126	316	430	408	622
PBT	3,797	4,236	2,257	4,805	4,639	5,070
Tax	1,321	1,285	569	1,249	1,206	1,318
Minority Interest	-	-	(2)	-	-	-
RPAT	2,476	2,951	1,690	3,555	3,433	3,751
EO (Loss) / Profit (Net of Tax)	-	-	-	-	-	-
<b>APAT</b>	<b>2,476</b>	<b>2,951</b>	<b>1,690</b>	<b>3,555</b>	<b>3,433</b>	<b>3,751</b>
<i>APAT Growth (%)</i>	<i>0.3</i>	<i>19.2</i>	<i>(42.7)</i>	<i>110.4</i>	<i>(3.4)</i>	<i>9.3</i>
AEPS	6.1	7.3	4.2	8.8	8.5	9.3
<i>AEPS Growth %</i>	<i>0.3</i>	<i>19.2</i>	<i>(42.7)</i>	<i>110.4</i>	<i>(3.4)</i>	<i>9.3</i>

Source: Company, HSIE Research

### Consolidated Balance Sheet

YE Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>SOURCES OF FUNDS</b>						
Share Capital	404	404	404	404	404	404
Reserves And Surplus	23,760	26,697	28,388	31,539	34,457	37,646
<b>Total Equity</b>	<b>24,164</b>	<b>27,101</b>	<b>28,792</b>	<b>31,943</b>	<b>34,861</b>	<b>38,050</b>
Minority Int	-	-	(3)	(3)	(3)	(3)
Long-term Debt	48	848	2,999	3,506	3,014	7,023
Short-term Debt	305	622	1,029	821	827	1,573
<b>Total Debt</b>	<b>354</b>	<b>1,469</b>	<b>4,028</b>	<b>4,327</b>	<b>3,841</b>	<b>8,596</b>
Deferred Tax Liability	(2,890)	(2,401)	(2,431)	(2,719)	(2,997)	(3,302)
<b>TOTAL SOURCES OF FUNDS</b>	<b>21,627</b>	<b>26,170</b>	<b>30,386</b>	<b>33,549</b>	<b>35,702</b>	<b>43,342</b>
<b>APPLICATION OF FUNDS</b>						
Net Block	8,909	14,159	24,205	25,480	22,175	22,925
Capital WIP	5,506	10,216	2,199	5,199	10,699	17,199
Total Non-current Investments	-	-	-	-	-	-
<b>Total Non-current Assets</b>	<b>14,416</b>	<b>24,375</b>	<b>26,404</b>	<b>30,679</b>	<b>32,874</b>	<b>40,124</b>
Inventories	3,741	3,350	4,464	4,560	4,916	5,407
Debtors	1,047	1,508	1,995	2,006	2,163	2,595
Cash and Cash Equivalents	5,493	1,001	569	856	963	1,096
Other Current Assets	3,727	3,389	5,205	4,668	4,941	5,052
<b>Total Current Assets</b>	<b>14,008</b>	<b>9,248</b>	<b>12,233</b>	<b>12,090</b>	<b>12,983</b>	<b>14,151</b>
Creditors	2,820	2,187	2,325	3,498	3,771	4,148
Other Current Liabilities & Provns	3,976	5,267	5,926	5,722	6,384	6,785
<b>Total Current Liabilities</b>	<b>6,796</b>	<b>7,453</b>	<b>8,251</b>	<b>9,220</b>	<b>10,155</b>	<b>10,933</b>
<b>Net Current Assets</b>	<b>7,212</b>	<b>1,794</b>	<b>3,982</b>	<b>2,870</b>	<b>2,828</b>	<b>3,218</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>21,627</b>	<b>26,170</b>	<b>30,386</b>	<b>33,549</b>	<b>35,702</b>	<b>43,342</b>

Source: Company, HSIE Research

## Consolidated Cash Flow

YE Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	3,797	4,236	2,257	4,805	4,639	5,070
Non-operating & EO Items	(337)	(161)	37	(131)	(68)	(72)
Interest Expenses	97	126	316	430	408	622
Depreciation	1,289	1,418	3,270	3,625	3,789	4,026
Working Capital Change	(417)	41	(2,439)	1,035	(408)	(865)
Tax Paid	(677)	(762)	(689)	(961)	(928)	(1,014)
<b>OPERATING CASH FLOW ( a )</b>	<b>3,752</b>	<b>4,897</b>	<b>2,752</b>	<b>8,804</b>	<b>7,432</b>	<b>7,766</b>
Capex	(5,694)	(10,391)	(5,757)	(7,900)	(5,985)	(11,275)
Free Cash Flow (FCF)	(1,942)	(5,494)	(3,005)	904	1,448	(3,510)
Investments	2,512	3,548	398	-	-	-
Non-operating Income	466	343	73	131	68	72
<b>INVESTING CASH FLOW ( b )</b>	<b>(2,717)</b>	<b>(6,501)</b>	<b>(5,285)</b>	<b>(7,769)</b>	<b>(5,916)</b>	<b>(11,203)</b>
Debt Issuance/(Repaid)	197	972	2,743	87	(486)	4,755
Interest Expenses	(97)	(107)	(288)	(430)	(408)	(622)
FCFE	(1,842)	(4,629)	(551)	560	553	623
Share Capital Issuance	-	-	-	-	-	-
Dividend	-	-	-	(404)	(515)	(563)
<b>FINANCING CASH FLOW ( c )</b>	<b>100</b>	<b>865</b>	<b>2,454</b>	<b>(748)</b>	<b>(1,409)</b>	<b>3,570</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>1,135</b>	<b>(738)</b>	<b>(79)</b>	<b>287</b>	<b>107</b>	<b>133</b>
<b>Closing Cash &amp; Equivalents</b>	<b>9,017</b>	<b>4,755</b>	<b>921</b>	<b>856</b>	<b>963</b>	<b>1,096</b>

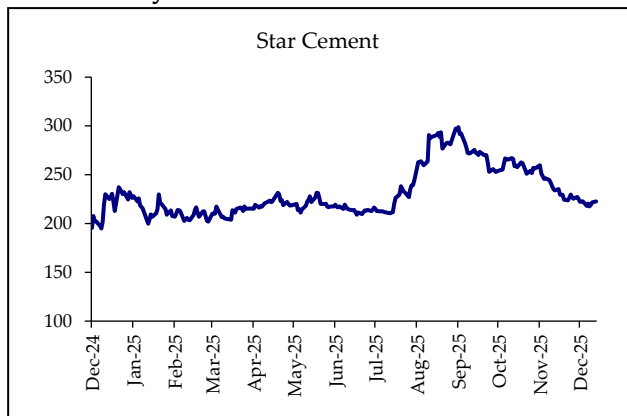
Source: Company, HSIE Research

## Key Ratios

	FY23	FY24	FY25E	FY26E	FY27E	FY28E
<b>PROFITABILITY %</b>						
EBITDA Margin	17.3	19.1	18.3	23.9	22.3	22.3
EBIT Margin	12.5	14.1	7.8	14.0	12.7	13.0
APAT Margin	9.2	10.1	5.3	9.7	8.7	8.7
RoE	10.8	11.5	6.0	11.7	10.3	10.3
RoIC (pre-tax)	33.8	32.0	11.6	18.5	19.3	22.9
RoCE (pre-tax)	19.5	18.3	9.1	16.4	14.6	14.4
<b>EFFICIENCY</b>						
Tax Rate %	34.8	30.3	25.2	26.0	26.0	26.0
Fixed Asset Turnover (x)	1.6	1.4	1.0	0.9	0.9	1.0
Inventory (days)	50	42	52	46	46	46
Debtors (days)	14	19	23	20	20	22
Other Current Assets (days)	50	43	60	47	46	43
Payables (days)	38	27	27	35	35	35
Other Current Liab & Provns (days)	54	66	68	57	59	57
Cash Conversion Cycle (days)	23	10	39	20	17	18
Net Debt/EBITDA (x)	(1.1)	0.1	0.6	0.4	0.3	0.8
Net D/E	(0.2)	0.0	0.1	0.1	0.1	0.2
Interest Coverage	34.8	32.5	7.8	11.9	12.2	9.0
<b>PER SHARE DATA (Rs)</b>						
EPS	6.1	7.3	4.2	8.8	8.5	9.3
CEPS	9.4	10.9	12.4	17.8	17.9	19.2
Dividend	-	-	-	1.0	1.3	1.4
Book Value	59.8	67.1	71.2	79.0	86.2	94.1
<b>VALUATION</b>						
P/E (x)	34.7	29.1	50.9	24.6	25.4	23.3
P/Cash EPS (x)	22.7	19.5	17.2	12.2	12.1	11.2
P/BV (x)	3.6	3.2	3.0	2.7	2.5	2.3
EV/EBITDA (x)	16.7	14.6	15.3	10.1	9.7	8.9
EV/MT(Rs)	13.7	10.6	11.5	9.1	8.8	7.4
Dividend Yield (%)	-	-	-	0.5	0.6	0.6

Source: Company, HSIE Research

## Price History



## Rating Criteria

**BUY:** >+15% return potential  
**ADD:** +5% to +15% return potential  
**REDUCE:** -10% to +5% return potential  
**SELL:** >10% Downside return potential



**Disclosure:**

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