

About the Company

Star Cements Ltd is engaged in the manufacturing and selling of Cement. The company operates across the North-Eastern and Eastern states of India and is the largest cement manufacturer in North-East India, with an estimated market share of 25-26%. It currently has a Cement grinding capacity of 7.7 mtpa.

Investment Rationale

- **Capacity Expansion to Drive Growth:** The Guwahati 2 mtpa Grinding Unit (Line 2) has successfully ramped up, contributing to the volume growth of the company. Additionally, the Silchar Grinding Unit is expected to be commissioned by Q4FY26. These expansions will increase the company's total capacity to 9.7 mtpa from the existing 7.7 mtpa, providing substantial growth potential. The company is projected to grow its volume at a CAGR of 11% over FY24-27E.
- **Plant Incentives & Cost Optimisation to Support Higher EBITDA Margin:** The company's Grinding Units in Guwahati and Silchar, along with its Clinker Unit in Meghalaya, are set to receive SGST refunds as part of the Assam government's incentives, estimated at Rs 200 Cr annually. These units benefit from a reduced tax rate of 17%. Additionally, increased sales of premium cement, advantages from the WHRS plant in terms of lower power costs, and other efficiency gains are expected to enhance the EBITDA margin. We expect the company to rake in an EBITDA margin in the range of 21-22% over FY26E/27E.
- **Cement Demand in Northeast and Eastern India:** Cement demand in these regions is expected to remain stable, driven by (a) government initiatives to boost infrastructure and housing development, and (b) lower per capita cement consumption than the national average.

Valuation & Analyst Recommendation

- Star Cement has guided for 12-15% volume growth in FY26. Current prices are higher in the North-East and Eastern region by Rs 5-7 per bag and are expected to sustain depending on demand. With its upcoming capacity expansion, it is well-positioned to capitalise on the rising demand in its operating region, primarily the Northeast. We project the company to achieve a CAGR of 11%/14% in volume and revenue and a 19% CAGR in EBITDA over FY24-FY27E.
- **The stock is currently trading at 11x/9x FY26E/27E EV/EBITDA. We recommend a BUY rating on the stock with a TP of Rs 237/share, implying an upside potential of 10% from the CMP.**

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
FY24	2,911	556	295	7.3	29	12	16	15
FY25	3,163	579	169	4.2	52	6	9	15
FY26E	3,751	794	327	8.1	27	11	13	11
FY27E	4,274	936	370	9.2	23	11	14	9

Source: Axis Securities; CMP as on 9th June, 2025

Duration: 3-6 Months

CMP (Rs)	215
Target Price (Rs)	237
Upside (%)	10%

| Why Star Cement Ltd

- ✓ **Capacity Expansion to Drive Growth**
- ✓ **Improvement in EBITDA Margin**
- ✓ **Robust Cement Demand in the North-East**

| Key risks

- ✓ **Lower Cement Price & Demand**
- ✓ **Higher Input Costs may Impact EBITDA Margins**

MARKET DATA

No. of Shares	40 Cr
Market Cap	Rs 8,688 Cr
52-week High / Low	248/172
BSE Code	540575
NSE Code	STARCEMENT

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| OBJECTIVE



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| Axis PUNCH is a strong, research-based idea based on



Events-Based: Our recommendations are based on the following critical factors, providing a comprehensive approach to medium-term investment opportunities:

- **Company-Specific Events:** Recommendations consider significant company-specific events such as new orders, product launches, acquisitions, management changes, and the commissioning of new plants.
- **Commodity Price Fluctuations:** We analyse changes in commodity prices, including metals, cement, chemicals, and pharmaceutical materials.
- **Macro-Economic Events:** Key macroeconomic events such as RBI Monetary Policy, US Fed decisions, inflation rates, GDP figures, budget announcements, and changes in government policies are factored into our recommendations.
- **Sector Developments:** Material developments within sectors, including monthly production and sales numbers in industries like Auto, Cement, and Steel, as well as competitive landscape changes due to business actions or new entrants/exits, are considered.
- **Earnings Surprises:** We identify companies expected to report better-than-anticipated earnings in upcoming quarters.
- **Corporate Actions:** Corporate actions such as mergers and acquisitions, capital raising programs, and regulatory announcements that impact a company or its industry form crucial elements for our recommendations.

Strategic Insights: Benefit from insights based on a blend of critical business events, economic trends, and thorough company valuations.

Informed Decisions: Make well-informed investment decisions backed by the expertise of our dedicated research team.

Medium-term Horizon: Enjoy the medium-term investment strategy, perfectly suited for those looking to optimise returns over 3 to 6 months.

| Why to choose Axis PUNCH



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