CMP: ₹ 246 Target: ₹ 300 (22%) Target Period: 12 months

BUY

November 7, 2025

Industry-leading performance to continue...

About the stock: Star Cement is a leading cement manufacturer in India with a strong foothold in North-Eastern region 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

Q2FY26 performance: Consolidated revenue increased by 26.4% YoY (-11% QoQ) to Rs 810.9 crores led by strong volume growth of 21.6% YoY (1.2 mtpa, -9.7% QoQ) and improvement in realization by 3.8% YoY (-1.5% QoQ). EBITDA/ton increased by 63.6% YoY (-7.7% QoQ) to Rs 1625/ton. Subsequently, EBITDA came at Rs 190.2 crore (+99% YoY, -16.7% QoQ). On PAT level, the company reported a profit of Rs 71 crore as against net profit of Rs 5.7 crore in Q2FY25

Investment Rationale

- **Volume growth expected at ~13% CAGR over FY25-28E:** Company's sales volume grew at 16.5% for H1FY26, reflecting a healthy demand across its key markets of north-east and east regions. Going ahead, with improving market conditions and healthy expansion plan, we believe that the company's volume growth to remain healthy and better-than-industry average in the coming period. The company is in the process of expanding its capacity to 9.7 mtpa by FY26E through the addition of 2 mtpa at Silchar, Assam (from the current 7.7 mtpa). It also plans to enter into Bihar market with a 2 mtpa capacity, expected to be commissioned by H1FY28E. Further, expansion plans at Rajasthan (include 4 mtpa grinding with 3 mtpa clinker capacity) and Jorhat (2 mtpa), targeted for completion by FY29E, which will take total capacity to 17.7 mtpa by FY29E. We estimate sales volume CAGR of 13% over FY25-28E. By FY30E, the company targets to increase its capacity to 18-20 mtpa, giving healthy volume growth visibility in the longer term
- **EBITDA/ton expected to improve to Rs 1850+/ton by FY28E, led by focus on cost structure**: During H1FY26, company's profitability improved sharply on YoY basis (EBITDA/ton stood at Rs 1697/ton, +70% 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, North & West regions), incentives from state government & positive operating leverage (on strong volume growth). We estimate company's EBITDA/ton to improve to ₹ 1869/ton in FY28E from ₹ 1229/ton in FY25 (~₹ 640/ton improvement over the period)

Rating and Target Price

- With healthy volume growth and healthy improvement in EBITDA/ton over FY25-28E, we expect revenue to grow ~15% CAGR over FY25-28E while EBITDA & PAT are expected to grow at ~30% & ~50% CAGR respectively. We recommend **BUY** on Star Cement with a revised target price of Rs 300 (based on 11x EV/EBITDA on FY27E and FY28E average)

STAR CEMENT Solid Setting

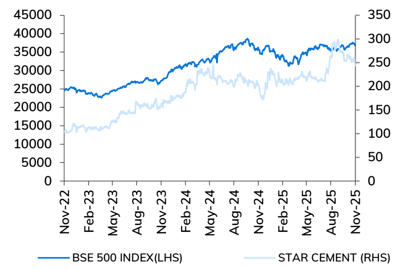
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	9,943
FY25 Gross Debt (Rs Crore)	390
FY25 Cash (Rs Crore)	53
EV (Rs Crore)	10,280
52 Week H/L (Rs)	309 / 172
Equity Capital	40.4
Face Value	2.0

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	57.7	57.7	57.7	57.6
FII	1.2	2.0	2.2	3.0
DII	5.0	5.2	4.9	4.4
Others	36.2	35.2	35.2	35.1

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	FY28E	3 Year CAGR (FY25-28E)
Revenues	2,705	2,911	3,163	8.1%	3,732	4,224	4,756	14.6%
EBITDA	468	556	579	11.1%	878	1,047	1,253	29.4%
EBITDA margin (%)	17.3	19.1	18.3		23.5	24.8	26.3	
Net Profit	248	295	169	-17.4%	359	454	562	49.3%
EPS (Rs)	6.1	7.3	4.2		8.9	11.2	13.9	
P/E (x)	40.1	33.7	58.9		27.7	21.9	17.7	
EV/EBITDA (x)	27.7	20.6	17.9		11.9	9.9	8.5	
EV/ton ($)	197	199	152		127	126	107	
RoCE (%)	15.9	15.4	7.9		13.5	15.2	15.7	
RoE (%)	10.3	10.9	5.9		11.1	12.3	13.2	

Source: Company, ICICI Direct Research

Q2FY26 Result Highlights:

- Revenue increased by 26.4% YoY to Rs 810.9 crores led by strong volume growth of 21.6% YoY (1.2 mtpa) and improvement in realization by 3.8% YoY.
- Sequentially, revenue was down by 11%, due to 9.7% QoQ decrease in volume and 1.5% QoQ decline in realisation.
- EBITDA/ton increased by 63.6% YoY (-7.7% QoQ) to Rs 1625/ton, mainly on account of better realisation, lower raw material cost and positive operating leverage on YoY basis. Subsequently, EBITDA came at Rs 190.2 crore (+99% YoY, -16.7% QoQ).
- On PAT level, the company reported a profit of Rs 71 crore as against net profit of Rs 5.7 crore in Q2FY25.
- For H1FY26, revenue increased by 23.7% YoY led by healthy volume growth of 16.5% YoY and 6.2% YoY improvement in realisation. EBITDA/ton stood at Rs 1697/ton against Rs 1000/ton in H1FY25

Recent earnings call highlights:

- Government-led infrastructure projects in Arunachal and other Northeastern states are expected to drive incremental demand as major hydro and dam projects move into execution stages. Management noted robust demand in the Northeast region, growing at 8–9%, outperforming other Indian regions
- Management maintained FY26E volume guidance at 5.4–5.5 MTPA, supported by a healthy October performance and stable pricing. Expects 12% volume growth in FY27E, driven by ramp-up at Silchar and steady market growth in the Northeast
- Company's focus remains on expanding beyond the Northeast, targeting Bihar and North India as next growth frontiers
- Cement prices in the Northeast averaged ₹493/bag during Q2FY26, up ₹8 QoQ, and remained broadly stable entering Q3FY26E. Bihar prices fell slightly by ₹5 QoQ, while West Bengal saw a decline of ₹7/bag QoQ; both markets have stabilized since Q2FY26. Management expects stable pricing in H2FY26, with no material pressure from competition despite capacity additions
- Trade sales formed 80% of total cement volumes, while premium product share improved to 13.1%, indicating strong traction for higher-margin brands
- Lead distance averaged 230 km, largely stable YoY, logistics optimization through rake movement continues to improve distribution efficiency
- Fuel cost declined to ₹1.25 per kcal (vs ₹1.35/kcal in Q1FY26), among the lowest in the industry. Power & fuel costs are expected to remain in the ₹1.25–1.30/kcal range in the next few quarters
- Management highlighted that shutdown related maintenance cost of ₹13–14 crore impacted Q2FY26 EBITDA by ~₹100/ton, but this is a recurring annual expense, not a one-off
- Silchar grinding unit (2 mtpa) to be commissioned by Jan-2026, adding incremental capacity to serve the Northeast market
- Bihar Grinding Unit (2 mtpa) - Land acquired with approvals in place and commissioning targeted for H1FY28E. Estimated project cost is ₹500 crore (including land). The unit will benefit from 300% SGST incentive under Bihar's new industrial policy, ensuring high project viability
- Rajasthan Expansion - Land acquisition ongoing at Nimbol and Jaisalmer. Company plans to set up 3 mtpa clinker + 4 mtpa grinding capacity. Estimated cost ₹2,400–2,500 crore; project currently under evaluation

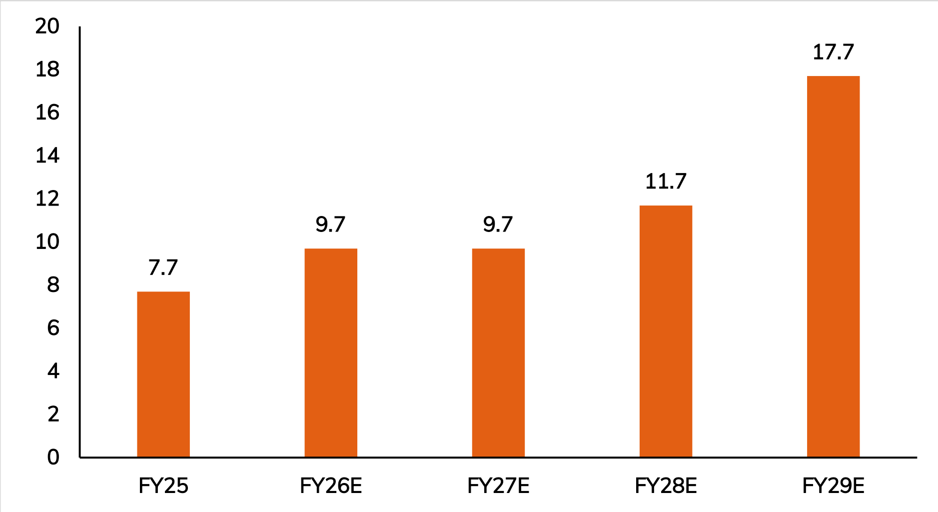
- Umrangshu (Assam) Integrated Unit - Land and mine already acquired; mine reserve ~180 mtpa at 57% premium. Environmental clearance (EC) process underway
- Capex for FY26E projected at ₹700–720 crore, including Silchar plant completion, Bihar land purchase, and 32 MW solar plant installation. FY27–FY28 capex will depend on progress in Bihar, Rajasthan, and Umrangshu projects
- A resolution to raise ₹1,500 crore has been passed, enabling flexibility to fund the upcoming Rajasthan expansion through rights issue or preferential allotment, as required
- Company booked ₹56 crore as incentives in Q2FY26. Post-GST rate cut, management expects ₹130–150/ton impact on incentive accrual due to lower SGST reimbursement percentage. For FY26E, total incentive accrual is expected around ₹180–190 crore
- The company commissioned its AAC block plant four months ago, currently running at 60% utilization. Q2FY26 revenue contribution was ₹13–14 crore; expected to reach ₹50–60 crore for FY26E as production ramps up.
- Together, AAC + construction chemicals + RMC expected to contribute ₹80–90 crore in FY27, as part of company's forward integration and brand diversification plan

Exhibit 1: Quarterly Analysis – Q2FY26

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
Operating Income	810.9	641.6	26.4	912.0	-11.1	Increase in volume and improvement in realisation led to YoY increase in revenue
Other income	3.5	1.6	112.6	1.8	93.7	
Total Revenue	814.4	643.2	26.6	913.8	-10.9	
Raw materials costs	87.8	90.1	-2.5	116.9	-24.9	
Employees Expenses	71.5	64.6	10.7	66.8	7.0	
Other Expenses	99.9	83.4	19.9	112.0	-10.8	
Total Expenditure	620.8	546.0	13.7	683.8	-9.2	
EBITDA	190.2	95.6	99.0	228.2	-16.7	Margins improved YoY led by improvement in realisation
EBITDA margins (%)	23.4	14.9	855 bps	25.0	-157 bps	
Interest	11.1	7.1		10.2		
Depreciation	90.2	82.5	9.3	85.2	5.9	
Tax	21.3	1.9	1,020.4	36.5	-41.7	
PAT	71.1	5.7	1154.6	98.2	-27.6	

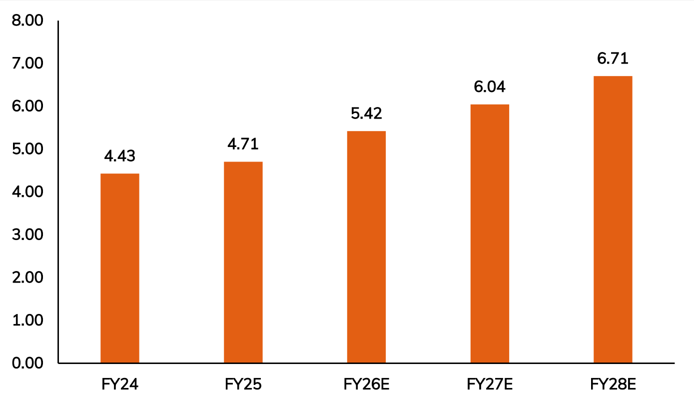
Source: Company, ICICI Direct Research

Exhibit 1: Capacity expansion plan over FY25-FY29E



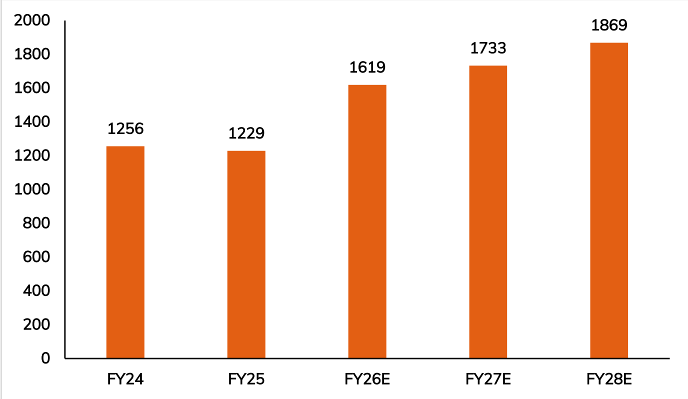
Source: Company, ICICI Direct Research

Exhibit 2: Volumes to grow at ~13% CAGR over FY25-28E



Source: Company, ICICI Direct Research

Exhibit 3: EBITDA/ton to improve over FY26E-FY28E



Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Revenue	3,163	3,732	4,224	4,756
% Growth	*8.7*	*18.0*	*13.2*	*12.6*
Other income	11	12	14	15
Total Revenue	3,163	3,732	4,224	4,756
% Growth	*8.7*	*18.0*	*13.2*	*12.6*
Total Raw Material Costs	519	448	514	570
Employee Expenses	247	288	326	365
Other expenses	1,818	2,118	2,337	2,568
Total Operating Expenditure	2,585	2,854	3,176	3,503
Operating Profit (EBITDA)	579	878	1,047	1,253
% Growth	*4.0*	*51.7*	*19.3*	*19.6*
Interest	32	43	54	67
PBDT	558	847	1,007	1,201
Depreciation	332	368	401	452
PBT before Exceptional Items	226	479	606	749
Total Tax	57	120	151	187
PAT before MI	169	359	454	562
PAT	169	359	454	562
% Growth	*(42.8)*	*112.8*	*26.5*	*23.7*
EPS	4.2	8.9	11.2	13.9

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	169	359	454	562
Depreciation	332	368	401	452
Interest	32	43	54	67
Cash Flow before WC changes	532	770	910	1,081
Changes in inventory	(111)	(55)	(31)	(67)
Changes in debtors	(49)	(5)	(27)	(29)
Changes in loans & Advances	3	-	-	-
Changes in other current assets	6	(26)	(25)	(27)
Net Increase in Current Assets	(314)	(190)	(120)	(163)
Changes in creditors	13	23	34	36
Changes in provisions	(2)	2	0	0
Net Inc in Current Liabilities	75	55	59	63
Net CF from Operating activities	294	635	849	981
Changes in deferred tax assets	(3)	-	-	-
(Purchase)/Sale of Fixed Assets	(535)	(720)	(650)	(1,200)
Net CF from Investing activities	(568)	(801)	(679)	(1,231)
Dividend and Dividend Tax	-	-	-	-
Net CF from Financing Activities	229	201	(54)	233
Net Cash flow	(45)	36	116	(16)
Opening Cash/Cash Equivalent	98	53	89	205
Closing Cash/ Cash Equivalent	53	89	205	188

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	40	40	40	40
Reserve and Surplus	2,839	3,197	3,651	4,213
Total Shareholders funds	2,879	3,237	3,691	4,253
Total Debt	390	636	636	936
Total Liabilities	3,309	3,912	4,366	5,228
Gross Block	3,667	4,407	4,857	5,457
Acc: Depreciation	1,267	1,634	2,036	2,488
Net Block	2,401	2,773	2,822	2,970
Capital WIP	220	200	400	1,000
Total Fixed Assets	2,640	2,993	3,242	3,990
Non Current Assets	432	502	531	562
Inventory	446	501	532	599
Debtors	200	205	231	261
Other Current Assets	161	187	211	238
Cash	53	89	205	188
Total Current Assets	1,035	1,261	1,497	1,643
Current Liabilities	233	256	289	326
Provisions	90	91	92	93
Total Current Liabilities	799	854	913	976
Net Current Assets	236	407	584	667
Total Assets	3,309	3,912	4,366	5,228

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
EPS	4.2	8.9	11.2	13.9
Cash per Share	1.3	2.4	5.3	4.9
DPS	14.0	15.0	16.0	17.0
BV	71.2	80.1	91.3	105.2
EBITDA Margin	18.3	23.5	24.8	26.3
PAT Margin	5.3	9.6	10.8	11.8
RoE	5.9	11.1	12.3	13.2
RoCE	7.9	13.5	15.2	15.7
RoIC	7.7	13.5	15.7	16.0
EV / EBITDA	17.8	11.9	9.9	8.5
P/E	58.9	27.7	21.9	17.7
EV/ton ($)	157	127	126	-
EV / Net Sales	3.2	2.8	2.5	2.2
Sales / Equity	1.1	1.2	1.1	1.1
Market Cap / Sales	3.1	2.7	2.4	2.1
Price to Book Value	3.5	3.1	2.7	2.3
Asset turnover	1.0	1.0	1.0	0.9
Debtors Turnover Ratio	18.1	18.5	19.4	19.3
Creditors Turnover Ratio	14.0	15.3	15.5	15.5
Debt / Equity	0.1	0.2	0.2	0.2
Current Ratio	1.3	1.3	1.4	1.5
Quick Ratio	0.6	0.6	0.6	0.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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