JM FINANCIAL

Star Cement | HOLD

Strong quarter; capacity expansion to drive growth

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Star Cement (Star) reported a strong performance in 1QFY6, with consolidated EBITDA increasing 97% YoY/ declining ~13% QoQ to INR 2.3bn with EBITDA/tn of INR 1,761 (JMFe: INR 1,600). Volume also saw healthy growth of 12% YoY to 1.3mt. Notably, incentive income surged ~4.7x to INR 620mn (INR 478/tn) in 1Q, and the management guided for incentive income in the range of INR 2.2bn–2.5bn p.a. (~25-30% of EBITDA) over the next few years. The company is targeting to double its cement capacity to 15mt by FY30, with potential regional diversification into the North. We forecast >20% EBITDA CAGR over FY25–28E, driven by capacity expansion, increasing incentive income, and ongoing cost-efficiency measures. Accordingly, we have raised our target multiple by one notch to 12x. Factoring in 1Q performance, improving cement pricing trends and higher incentive income, we raise our FY26E–28E EBITDA estimates by ~13-14%, resulting in a revised TP of INR 300/sh, based on 12x Sep'27 EV/EBITDA post half yearly roll-over. At CMP, we believe the risk-reward is balanced and, therefore, we maintain our HOLD rating on the stock.

- **Result summary:** EBITDA increased 97% YoY/ declined ~13% QoQ to INR 2.3bn, 10-14% above our and consensus estimates. Blended EBITDA/tn increased 75% YoY/ 3% QoQ to INR 1,761 (JMFe: INR 1,600) mainly led by better-than-expected realisation and lower-than-expected cost. Volume rose ~12% YoY/ fell ~15% QoQ to 1.3mt, in line with estimates. Cement realisation increased 2.3% YoY/ 2.8% QoQ to INR 6,559. Incentive income increased ~4.7x YoY/ declined 17% QoQ to INR 620mn (INR 478/tn) in 1Q. Total cost/tn declined ~4% YoY/ increased 2.4% QoQ to INR 5,276.

- **What we liked:** Better-than-expected realisation and lower-than-expected opex.

- **Earnings Call KTAs:** 1) The company maintains volume guidance of 5.5mt (+16% YoY) in FY26; 2) It has guided for incentives accrual income of INR 2.2bn-2.5bn in FY26. Incentives receivables stand at INR 1.5bn as of Jun'25; 3) Spot cement prices are broadly similar to exit level of Jun'25. Price gap between trade and non-trade segment is largely at INR 60-70/bag in the North-East; 4) Fuel cost stands at INR 1.35/Mcal; lead distance stands at 220km in 1Q; 5) The management has guided for commissioning of 2mt Silchar GU by Jan'26 and 2mt GU in Jorhat by Jan'27. The company has received all approvals relating to the Silchar unit while environment clearance for the Jorhat unit is likely to be received over the next few months; 6) Capex guidance maintained at INR 8bn in FY26 with INR 620mn spent in 1Q; 7) Net debt stands at INR 3.2bn as of Jun'25; 8) The company is looking secure mines in Rajasthan and may go in for expansion soon. It may plan to set up 3mt clinker/ 4mt cement with a planned capex outlay of INR 25bn; 9) The market size of the North East region is 14mt with industry volumes likely to grow at 10% CAGR over the next few years. Star Cement has 27% market share in the region; 10) The company sells ~75% of its volumes in the North East; 11) Blended cement share was 85%, while OPC volumes was 15% in 1Q.

Recommendation and Price Target	
Current Reco.	HOLD
Previous Reco.	HOLD
Current Price Target (12M)	300
Upside/(Downside)	3.2%
Previous Price Target	230
Change	30.4%

Key Data – STRCEM IN	
Current Market Price	INR291
Market cap (bn)	INR117.5/US$1.3
Free Float	9%
Shares in issue (mn)	404.2
Diluted share (mn)	404.2
3-mon avg daily val (mn)	INR125.8/US$1.4
52-week range	295/172
Sensex/Nifty	80,236/24,487
INR/US$	87.7

Price Performance

%	1M	6M	12M
Absolute	37.5	41.2	35.7
Relative*	41.4	34.0	33.5

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	28,882	29,975	34,864	40,471	44,985
Sales Growth (%)	6.8	3.8	16.3	16.1	11.2
EBITDA	5,563	5,786	8,446	9,837	10,989
EBITDA Margin (%)	19.1	18.3	22.8	23.0	23.2
Adjusted Net Profit	2,951	1,690	3,519	4,359	5,117
Diluted EPS (INR)	7.3	4.2	8.7	10.8	12.7
Diluted EPS Growth (%)	19.2	-42.7	108.2	23.9	17.4
ROIC (%)	12.1	6.2	11.1	12.3	13.9
ROE (%)	11.5	6.0	11.6	13.0	13.6
P/E (x)	39.9	69.6	33.4	27.0	23.0
P/B (x)	4.3	4.1	3.7	3.3	3.0
EV/EBITDA (x)	21.2	20.9	14.3	12.2	10.4
Dividend Yield (%)	0.0	0.0	-0.4	-0.6	-0.7

Source: Company data, JM Financial. Note: Valuations as of 12/Aug/2025

Exhibit 1. Actual vs. estimates (1QFY26)

INR mn	Actual	Estimates		% Variation		Comment
		JMF	Consensus	JMF	Consensus	
Net sales	9,120	9,021	8,828	1.1	3.3	
EBITDA	**2,282**	**2,073**	**1,996**	**10.1**	**14.4**	Higher realisation and lower opex led to EBITDA beat
PAT	985	1,223	911	(19.5)	8.1	
Volumes (mt)	1.30	1.30		0.0		
Cement realisation (INR/tn)	7,037	6,961		1.1		
Blended EBITDA (INR/tn)	**1,761**	**1,600**		**10.1**		

Source: Company, JM Financial

Exhibit 2. Quarterly analysis – Consolidated

INR mn	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Revenue	**7,510**	**6,415**	**7,188**	**10,521**	**9,120**	21.4	(13.3)
Expenditure	**6,349**	**5,460**	**6,145**	**7,894**	**6,838**	**7.7**	**(13.4)**
Total RM	1,704	901	1,551	1,035	1,169	(31.4)	12.9
Power & Fuel	1,145	1,166	1,148	1,829	1,414	23.5	(22.7)
Freight	1,878	1,740	1,595	3,070	2,497	33.0	(18.7)
Staff cost	622	646	606	601	668	7.4	11.2
Other expenditure	4,022	3,913	3,989	6,258	5,001	24.3	(20.1)
EBITDA	**1,161**	**956**	**1,042**	**2,627**	**2,282**	**96.5**	**(13.1)**
Depreciation	725	825	893	875	852	17.4	(2.6)
EBIT	**436**	**130**	**149**	**1,752**	**1,430**	**228.2**	**(18.4)**
Other Income	14	16	25	50	18	29.6	(64.3)
Interest	59	71	98	88	102	72.3	15.3
PBT	**391**	**76**	**76**	**1,714**	**1,347**	**244.7**	**(21.5)**
Total Tax	81	19	(14)	483	365	351.8	(24.5)
Adjusted PAT	**310**	**57**	**90**	**1,231**	**982**	**216.8**	**(20.3)**
(Profit)/loss from JV's/Ass/MI	0	1	0	0	3	515.0	523.0
PAT after MI	**310**	**57**	**91**	**1,232**	**985**	**217.2**	**(20.1)**
Extra ordinary items	-	-	-	-	-	NA	NA
Reported PAT	**310**	**57**	**91**	**1,232**	**985**	**217.2**	**(20.1)**
Adjusted EPS (INR)	**0.8**	**0.1**	**0.2**	**3.0**	**2.4**	**217.2**	**(20.1)**
Margins (%)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (bps)	QoQ (bps)
EBIDTA	15.5	14.9	14.5	25.0	25.0	956	5
EBIT	5.8	2.0	2.1	16.7	15.7	988	(97)
EBT	5.2	1.2	1.1	16.3	14.8	956	(153)
PAT	4.1	0.9	1.3	11.7	10.8	664	(94)
Effective Tax rate	20.7	25.0	(18.9)	28.2	27.1		

Source: Company, JM Financial

Exhibit 3. Consolidated quarterly analysis on a per tonne basis

INR/tn	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Volumes (mt)	**1.15**	**0.98**	**1.07**	**1.53**	**1.30**	**12.3**	**(15.4)**
Blended Realization	**6,508**	**6,560**	**6,736**	**6,867**	**7,037**	**8.1**	**2.5**
Raw Material	1,477	921	1,453	676	902	(38.9)	33.5
Power & Fuel	992	1,192	1,076	1,194	1,091	10.0	(8.6)
Freight	1,628	1,779	1,495	2,004	1,927	18.4	(3.8)
Staff cost	539	660	568	392	515	(4.4)	31.4
Other expenditure	866	1,030	1,167	887	841	(2.9)	(5.2)
Operating cost	**5,502**	**5,583**	**5,759**	**5,153**	**5,276**	**(4.1)**	**2.4**
EBITDA/tn	**1,006**	**977**	**977**	**1,715**	**1,761**	**75.0**	**2.7**

Source: Company, JM Financial

Exhibit 4. Annual analysis – Consolidated

										CAGR (%)	
Key Assumptions	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY20-25	FY25-28E
Capacity (mt)	4.3	5.7	5.7	5.7	7.7	7.7	9.7	11.7	11.7	12.4	15.0
Volumes (mt)	2.9	2.6	3.4	4.0	4.4	4.7	5.3	6.1	6.8	10.4	12.6
Utilisation (%)	67	46	60	70	57	61	55	53	58		
Blended Realisation (INR/tn)	6,389	6,500	6,523	6,735	6,546	6,336	6,521	6,583	6,652	(0.2)	1.6
EBITDA/tn (INR/tn)	**1,369**	**1,258**	**1,014**	**1,167**	**1,261**	**1,223**	**1,580**	**1,600**	**1,625**	**(2.2)**	**9.9**
P&L (INR bn)											
Revenue	18	17	22	27	29	32	37	43	47	11.4	14.3
EBITDA	**4**	**3**	**3**	**5**	**6**	**6**	**8**	**10**	**11**	**8.0**	**23.8**
Adj. Net Profit	3	3	2	2	3	2	4	4	5	(10.0)	44.7
Balance Sheet (INR bn)											
Equity	19	21	22	24	27	29	32	35	40		
Net Debt	**(3)**	**(5)**	**(5)**	**(5)**	**0**	**3**	**4**	**2**	**(3)**		
Net Debt/EBITDA (x)	(0.7)	(1.4)	(1.6)	(1.0)	0.1	0.6	0.4	0.2	(0.3)		
Net Debt/Equity (x)	(0.1)	(0.2)	(0.2)	(0.2)	0.0	0.1	0.1	0.1	(0.1)		
Cash Flow (INR bn)											
OCF before NWC change	3.4	2.4	3.3	4.5	5.0	4.9	6.8	8.0	8.9		
Change in NWC	1.4	1.1	1.1	(0.4)	0.0	(2.2)	1.4	(0.4)	(0.2)		
Capex	(2.3)	(1.1)	(2.0)	(5.7)	(10.4)	(5.8)	(8.0)	(6.0)	(3.0)		
FCF	**2.5**	**2.4**	**2.4**	**(1.6)**	**(5.3)**	**(3.1)**	**0.2**	**1.6**	**5.8**		
Return ratios (%)											
RoE	15.9	12.8	11.6	10.8	11.5	6.0	11.6	13.0	13.6		
RoCE	15.4	12.8	12.2	11.0	11.5	6.3	11.2	12.3	12.9		
RoIC	**18.0**	**15.8**	**15.2**	**15.1**	**18.4**	**7.9**	**11.7**	**12.7**	**14.2**		
Valuations (x)											
PE							33.4	26.9	23.0		
EV/EBITDA							**14.3**	**12.3**	**10.9**		
EV/tn (USD)							146	121	120		

Source: Company, JM Financial

Exhibit 5. Consolidated annual analysis on a per tonne basis

										CAGR (%)	
INR/tn	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY20-25	FY25-28E
Blended realisation	**6,389**	**6,500**	**6,523**	**6,735**	**6,546**	**6,336**	**6,521**	**6,583**	**6,652**	**(0.2)**	**1.6**
% YoY	**(5.3)**	**1.7**	**0.3**	**3.2**	**(2.8)**	**(3.2)**	**2.9**	**0.9**	**1.1**		
Raw materials consumed	1,396	1,525	1,685	1,559	1,087	1,097	1,053	1,074	1,097		
Power & fuel costs	1,257	1,280	1,225	1,419	1,258	1,118	1,009	1,020	1,010		
Freight costs	1,226	1,202	1,255	1,262	1,680	1,751	1,912	1,902	1,912		
Staff cost	439	497	468	488	487	523	505	483	483		
Other expenses	713	743	880	843	824	975	875	871	866		
Total OpEx	**5,031**	**5,247**	**5,513**	**5,572**	**5,336**	**5,463**	**5,354**	**5,351**	**5,368**	**1.7**	**(0.6)**
Blended EBITDA	**1,369**	**1,258**	**1,014**	**1,167**	**1,261**	**1,223**	**1,580**	**1,600**	**1,625**	**(2.2)**	**9.9**
% YoY	**(17.5)**	**(8.1)**	**(19.4)**	**15.1**	**8.1**	**(3.0)**	**29.2**	**1.3**	**1.6**		

Source: Company, JM Financial

Exhibit 6. We increase our EBITDA estimates by ~13-14% for FY26E-28E

INR bn	FY26E			FY27E			FY28E		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	37	37	1.3	42	43	0.8	47	47	0.5
EBITDA	**7**	**8**	**14.3**	**9**	**10**	**13.3**	**10**	**11**	**13.0**
Adj. PAT	3	4	29.7	4	4	23.7	4	5	20.7

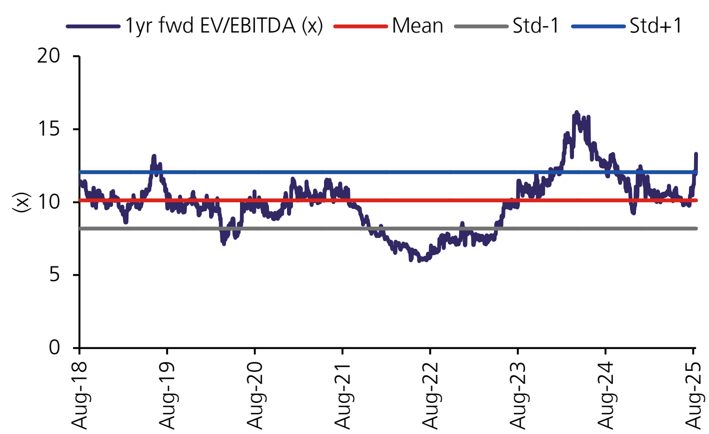
Source: JM Financial

Exhibit 7. Maintain HOLD with revised TP of INR 300 based on 12x Sep'27 EV/E

EV/E method	
Sep'27E EBITDA (INR bn)	10
EV/E multiple (x)	12
EV (INR bn)	**124**
Sep'26E Net debt (INR bn)	3
Equity value	**121**
No. of shares (mn)	404
Sep'26 Target Price (INR)	**300**

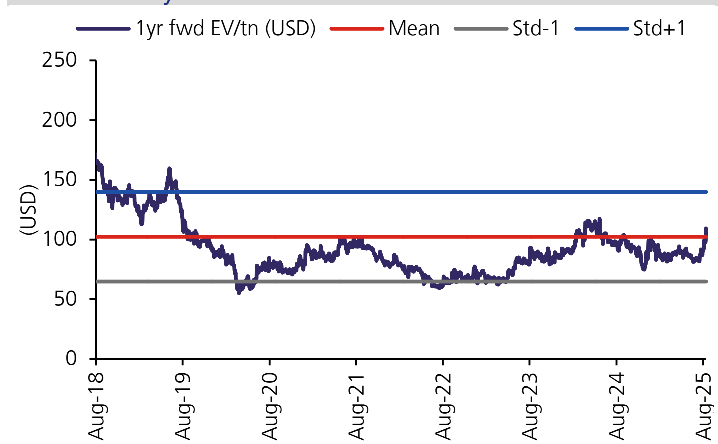
Source: JM Financial

Exhibit 8. One-year forward EV/EBITDA



Source: Bloomberg, JM Financial

Exhibit 9. One-year forward EV/tn



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	28,882	29,975	34,864	40,471	44,985
Sales Growth	6.8%	3.8%	16.3%	16.1%	11.2%
Other Operating Income	225	1,659	2,206	2,262	2,307
Total Revenue	**29,107**	**31,634**	**37,071**	**42,732**	**47,292**
Cost of Goods Sold/Op. Exp	4,795	5,191	5,632	6,606	7,419
Personnel Cost	2,148	2,475	2,697	2,967	3,264
Other Expenses	16,600	18,182	20,295	23,322	25,620
EBITDA	**5,563**	**5,786**	**8,446**	**9,837**	**10,989**
EBITDA Margin	19.1%	18.3%	22.8%	23.0%	23.2%
EBITDA Growth	18.8%	4.0%	46.0%	16.5%	11.7%
Depn. & Amort.	1,466	3,319	3,456	3,816	4,041
EBIT	4,097	2,467	4,991	6,022	6,948
Other Income	265	106	132	167	216
Finance Cost	126	316	414	355	316
PBT before Excep. & Forex	4,236	2,257	4,709	5,833	6,847
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	4,236	2,257	4,709	5,833	6,847
Taxes	1,285	569	1,191	1,476	1,732
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	-2	-2	-2	-2
Reported Net Profit	2,951	1,690	3,519	4,359	5,117
Adjusted Net Profit	**2,951**	**1,690**	**3,519**	**4,359**	**5,117**
Net Margin	10.1%	5.3%	9.5%	10.2%	10.8%
Diluted Share Cap. (mn)	404.2	404.2	404.2	404.2	404.2
Diluted EPS (INR)	**7.3**	**4.2**	**8.7**	**10.8**	**12.7**
Diluted EPS Growth	19.2%	-42.7%	108.2%	23.9%	17.4%
Total Dividend + Tax	0	0	-528	-654	-768
Dividend Per Share (INR)	0.0	0.0	-1.3	-1.6	-1.9

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	27,101	28,792	31,783	35,489	39,838
Share Capital	404	404	404	404	404
Reserves & Surplus	26,697	28,388	31,379	35,085	39,434
Preference Share Capital	0	0	0	0	0
Minority Interest	0	-3	-3	-3	-3
Total Loans	1,298	3,901	3,901	3,901	3,901
Def. Tax Liab. / Assets (-)	0	0	0	0	0
Total - Equity & Liab.	**28,399**	**32,690**	**35,682**	**39,387**	**43,736**
Net Fixed Assets	24,205	26,280	30,824	33,009	31,967
Gross Fixed Assets	23,597	36,983	45,983	52,483	55,283
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	9,583	12,902	16,357	20,173	24,214
Capital WIP	10,190	2,199	1,199	699	899
Investments	20	20	20	20	20
Current Assets	11,799	14,769	13,789	16,677	23,169
Inventories	3,350	4,464	4,578	4,984	5,192
Sundry Debtors	1,508	1,995	2,053	2,366	2,619
Cash & Bank Balances	973	524	361	1,510	6,721
Loans & Advances	5,798	7,661	6,673	7,692	8,513
Other Current Assets	170	125	125	125	125
Current Liab. & Prov.	7,624	8,378	8,952	10,319	11,420
Current Liabilities	2,197	2,325	2,650	3,055	3,380
Provisions & Others	5,427	6,053	6,302	7,264	8,040
Net Current Assets	4,175	6,390	4,837	6,358	11,749
Total – Assets	**28,399**	**32,690**	**35,682**	**39,387**	**43,736**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	4,236	2,257	4,709	5,833	6,847
Depn. & Amort.	1,466	3,319	3,456	3,816	4,041
Net Interest Exp. / Inc. (-)	126	316	414	355	316
Inc (-) / Dec in WCap.	2,135	-2,711	1,390	-372	-180
Others	-265	-106	-130	-165	-213
Taxes Paid	-1,285	-569	-1,191	-1,476	-1,732
Operating Cash Flow	**6,414**	**2,507**	**8,647**	**7,992**	**9,079**
Capex	-11,392	-5,394	-8,000	-6,000	-3,000
Free Cash Flow	-4,978	-2,887	647	1,992	6,079
Inc (-) / Dec in Investments	1,706	0	0	0	0
Others	265	106	132	167	216
Investing Cash Flow	**-9,422**	**-5,289**	**-7,868**	**-5,833**	**-2,784**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	0	0	-528	-654	-768
Inc / Dec (-) in Loans	1,037	2,603	0	0	0
Others	-173	-270	-414	-355	-316
Financing Cash Flow	**864**	**2,333**	**-942**	**-1,009**	**-1,084**
Inc / Dec (-) in Cash	**-2,144**	**-449**	**-163**	**1,149**	**5,210**
Opening Cash Balance	3,117	973	524	361	1,510
Closing Cash Balance	973	524	361	1,510	6,721

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	10.1%	5.3%	9.5%	10.2%	10.8%
Asset Turnover (x)	1.1	1.0	1.1	1.1	1.1
Leverage Factor (x)	1.0	1.1	1.1	1.1	1.1
RoE	11.5%	6.0%	11.6%	13.0%	13.6%

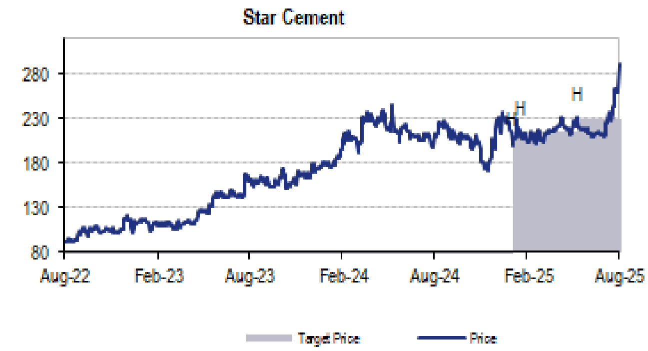
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	67.1	71.2	78.6	87.8	98.6
ROIC	12.1%	6.2%	11.1%	12.3%	13.9%
ROE	11.5%	6.0%	11.6%	13.0%	13.6%
Net Debt/Equity (x)	0.0	0.1	0.1	0.1	-0.1
P/E (x)	39.9	69.6	33.4	27.0	23.0
P/B (x)	4.3	4.1	3.7	3.3	3.0
EV/EBITDA (x)	21.2	20.9	14.3	12.2	10.4
EV/Sales (x)	4.0	3.8	3.3	2.8	2.4
Debtor days	19	23	20	20	20
Inventory days	42	52	45	43	40
Creditor days	34	33	34	34	34

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Jan-25	Hold	215	
30-Jan-25	Hold	215	0.0
22-May-25	Hold	230	6.9

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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