

May 27, 2026

Better-than-industry volume growth 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 9.7 million tonnes (mtpa) and clinker capacity of 6.1 mtpa
- Company has market share of ~27% in North-East markets

Q4FY26 performance: Revenue increased by 11.5% YoY (+33.4% QoQ) to Rs 1173.6 crores, led by robust volume growth of 13.1% YoY (+33.7% QoQ) to 1.73 mtpa. Net realization declined by 1.4% on YoY basis (flattish QoQ). EBITDA/ton increased by 6% YoY (+16.4% QoQ) to Rs 1818/ton. Subsequently, EBITDA came at Rs 315.1 crore (+19.9% YoY, +55.6% QoQ). On PAT level, the company reported a profit of Rs 147 crore (+19.4% YoY, +98.1% QoQ)

Investment Rationale

- **Improvement in capacity utilisation to drive volume growth:** Company reported robust volume growth of 13.1% YoY for Q4FY26 and 16.7% YoY for FY26, driven by healthy demand across its north-east & east markets and improvement in capacity utilisation of recently commissioned capacity. Going ahead, we believe that company's volume growth to remain better-than-industry in the coming period, led by steady demand growth, focus on improving utilisation levels and addition of new capacities. Management has also guided for 10-12% YoY volume growth in FY27E. On capacity expansion front, company is in the process of commissioning 2 mtpa at Bihar (expected by Q1/Q2FY29E), ~2.5 mtpa at Rajasthan (expected by H1FY29) and ~2.5 mtpa at Haryana (expected by H1FY29). Moreover, Jorhat (Assam) GU of 2 mtpa is likely to be commissioned along with new clinker line planned at Umrangso (Assam). These expansions will take total capacity to 18.7 mtpa by FY29E from 9.7 mtpa at present. We estimate volume CAGR of ~11% over FY26-28E
- **Focus on cost reduction initiatives to improve EBITDA/ton going ahead:** Company's EBITDA/ton stood at ₹ 1703/ton in FY26, up ~38.6% YoY led by improvement in realisations, favourable cost structure and positive operating leverage. Management has guided overall cost impact of ~₹250-300/ton in H1FY27 mainly due to packaging costs amid West Asia crisis and has also guided EBITDA/ton of ~₹1500-1700/ton for FY27E-28E. We believe that though company's cost structure is affected due to higher input cost in near term, 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 agreements, freight cost optimisation through addition of grinding units in NE, North & West regions). We estimate company's EBITDA/ton of ₹ 1671/ton in FY28E (vs ₹ 1703/ton in FY26)

Rating and Target Price

- We cut our EBITDA estimates by ~12%/10% for FY27E/28E to factor in increase in input costs amid West Asia crisis. We expect revenue growth of ~11% CAGR, while EBITDA & PAT CAGR at ~9% each over FY26-28E. We maintain **BUY** on Star Cement with a TP of Rs 250 (based on 10x EV/EBITDA on FY28E basis)

Key Financial Summary

(Year-end March)	FY23	FY24	FY25	FY26	3 Year CAGR (FY23-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Revenues	2,705	2,911	3,163	3,776	11.8%	4,167	4,627	10.7%
EBITDA	468	556	579	936	26.0%	950	1,121	9.4%
EBITDA margin (%)	17.3	19.1	18.3	24.8		22.8	24.2	
Net Profit	248	295	169	390	16.4%	397	466	9.3%
EPS (Rs)	6.1	7.3	4.2	9.7		9.8	11.5	
P/E (x)	35.2	29.6	51.7	21.9		22.0	18.7	
EV/EBITDA (x)	24.2	18.0	15.7	15.7		9.6	8.7	
EV/ton (\$)	154	156	120	124		99	106	
RoCE (%)	15.9	15.4	7.9	15.6		14.0	13.3	
RoE (%)	10.3	10.9	5.9	12.5		11.1	11.5	

Source: Company, ICICI Direct Research



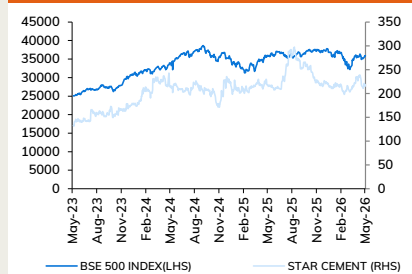
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	8,730
FY26 Gross Debt (Rs Crore)	586
FY26 Cash (Rs Crore)	125
EV (Rs Crore)	9,192
52 Week H/L (Rs)	309 / 197
Equity Capital	40.4
Face Value	2.0

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	57.7	57.6	57.6	57.6
FII	2.2	3.0	2.5	2.5
DII	4.9	4.4	4.5	4.5
Others	35.2	35.1	35.4	35.4

Price Chart



Recent Event & Key risks

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

Research Analyst

Vijay Goel
vijay.goel@icicisecurities.com

Deep Lapsia
deep.lapsia@icicisecurities.com

Q4FY26 Result Highlights:

- Revenue increased by 11.5% YoY (+33.4% QoQ) to Rs 1173.6 crores, led by robust volume growth of 13.1% YoY (+33.7% QoQ) to 1.73 mtpa. Net realization declined by 1.4% on YoY basis (flattish QoQ)
- Total cost/ton declined by 3.9% YoY (-5.2% QoQ) mainly led by power & fuel cost, freight cost and positive operating leverage
- EBITDA/ton increased by 6% YoY (+16.4% QoQ) to Rs 1818/ton. Subsequently, EBITDA came at Rs 315.1 crore (+19.9% YoY, +55.6% QoQ)
- On PAT level, the company reported a profit of Rs 147 crore (+19.4% YoY, +98.1% QoQ)
- For FY26, revenue increased by 19.4% YoY led by 16.7% YoY volume growth and 2.3% YoY improvement in realisation. EBITDA/ton stood at Rs 1703/ton (vs Rs 1229/ton in FY25)

Recent earnings call highlights:

- April demand was sluggish due to elections in Assam and West Bengal; a pickup was visible in May as per management
- Management guided 10–12% cement volume growth in FY27E (pure cement, excluding clinker); clinker sales expected to remain broadly flat at ~0.35 mtpa with focus on maximizing realization rather than volume
- Prices were raised ~₹7/bag in Northeast and ~₹10/bag in outside Northeast (West Bengal, Bihar) in April-May to partially offset cost increases
- Management guided full year FY27 EBITDA/ton of ₹1,500–1,700 at the Northeast business level over the next three years (until Rajasthan project commissions); post Rajasthan commissioning, blended EBITDA/ton is expected at ~₹1,300–1,400 in the steady state.
- Management maintained its guidance of ₹1,500+ EBITDA/ton for Northeast operations on a full-year average basis for FY27, while flagging Q1FY27 will be under pressure
- Overall cost impact from the West Asia geopolitical crisis estimated at ~₹250–300/ton in H1FY27 for Star Cement, mainly from: (a) higher packing bag costs, and (b) domestic coal supply tightness (railway rakes diverted)
- Company is relatively insulated from imported fuel (petcoke/imported coal) cost inflation given its near-exclusive dependence on domestic FSA coal and biomass; however, rake shortage is leading to ₹0.10–0.20/GCV increase in coal procurement cost in Q1–Q2FY27, expected to normalize by Q3–Q4FY27
- Blend mix in Q4FY26: 18% OPC, balance PPC. Premium cement share in Q4FY26 was 15.1%. CC ratio for Q4FY26 was 66.2%; CC ratio for Q3FY26 was 67.5%; full year FY26 CC ratio is estimated between 66.6%–67.5%. Lead distance reduced from 229 km in Q4FY25 to 220 km in Q4FY26
- Fuel mix for Q4FY26: FSA (Coal India) - 28.5%, biomass - 21.5%, no spot purchases in the quarter
- Green/renewable energy share in Q4FY26 was ~33.8%; WHRS (24.3 MW) and TPP (51 MW) are operational; no new solar/wind investments made; a group captive power agreement is being explored and may be signed in Q1FY27E
- Trade share in Q4FY26 was ~78% vs ~81% in Q4FY25; decline reflects relatively higher growth in non-trade volumes
- Full year FY26 incentive income was ₹184 crore; FY27 incentive income expected to reduce by ₹40–50 crore to ~₹140–150 crore, largely due to: GST rate cut reducing eligible incentive for certain units and one Meghalaya unit having completed its full 10-year incentive cycle

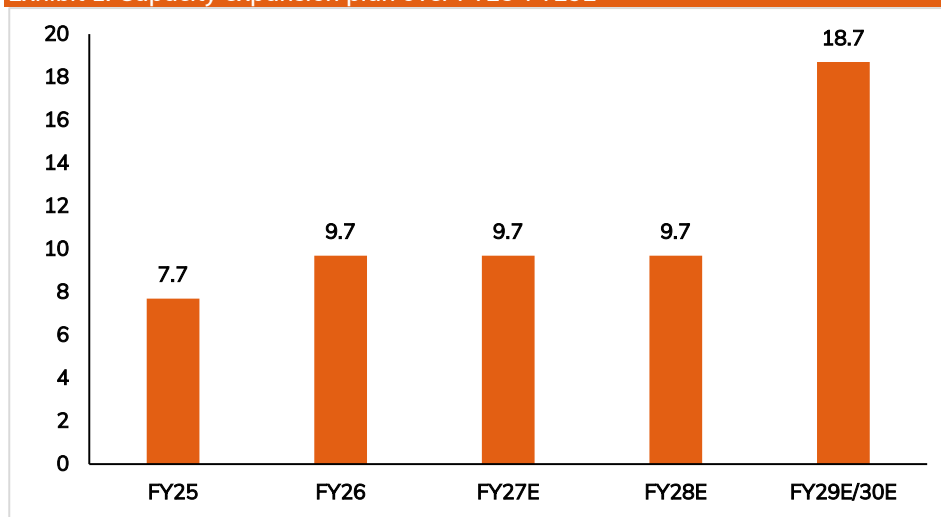
- Rajasthan (Nimbol) expansion - 3.3 mtpa clinker + 2–2.5 mtpa grinding at Nimbol + 2–2.5 mtpa split grinding at Haryana = ~5 mtpa total North India setup; Capex ~₹2,100–2,500 crore; land acquisition and EC approvals being pursued; commissioning targeted for H1FY29
- Bihar grinding unit - ~2 mtpa; land acquisition ongoing; commissioning expected in Q1–Q2FY29; clinker to be sourced from Meghalaya plant and dispatched via Silchar railway siding (~57 km from clinker plant); Bihar government subsidy applied for (SC/ST benefit, up to 150–200% of investment)
- Assam expansion (clinker plant) - Approvals applied; Capex to start slightly later than Nimbol/Bihar; Jorhat grinding (~2 mtpa) to commission around the same time
- FY27 Capex guidance of ₹600–700 crore - Includes land acquisition and initial construction across Nimbol, Haryana, and Bihar units; approvals expected by October 2026. FY28 Capex guidance is ~₹1,500 crore
- Target for Rajasthan plant: 80–85% capacity utilization within 3.5–4 years of commissioning; EBITDA normalization expected within the same horizon
- AAC Block revenue for Q4FY26 was ~₹17 crore; full year FY26 AAC Block revenue was ~₹43 crore. Combined non-cement revenue (AAC, RMC, allied products) target for FY27 is ~₹100 crore. Target EBITDA margin on non-cement products is 7–8% initially, with gradual expansion as market is built
- Management estimated it will take ~3–4 years for new players to become operational and acknowledged that once new players enter, there will be price and margin pressure for 1–2 years, but expects normalization thereafter as all players are profit-driven and the market is too small for irrational pricing to sustain

Exhibit 1: Quarterly Analysis – Q4FY26

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
Operating Income	1,173.6	1,052.1	11.5	880.0	33.4	Revenue increased due to robust growth in sales volume
Other income	9.1	5.0	81.4	4.9	87.0	
Total Revenue	1,182.7	1,057.1	11.9	884.9	33.7	
Raw materials costs	171.8	103.5	65.9	119.6	43.6	
Employees Expenses	69.0	60.1	14.8	69.9	-1.3	
Other Expenses	99.9	83.4	19.9	112.0	-10.8	
Total Expenditure	858.5	789.4	8.8	677.5	26.7	
EBITDA	315.1	262.7	19.9	202.5	55.6	Margins improved YoY led by volumes growth and lower costs
EBITDA margins (%)	26.8	25.0	188 bps	23.0	384 bps	
Interest	12.9	8.8		12.1		
Depreciation	98.7	87.5	12.8	91.2	8.2	
Tax	59.7	48.3	23.6	24.3	145.7	
PAT	147.0	123.1	19.4	74.2	98.1	

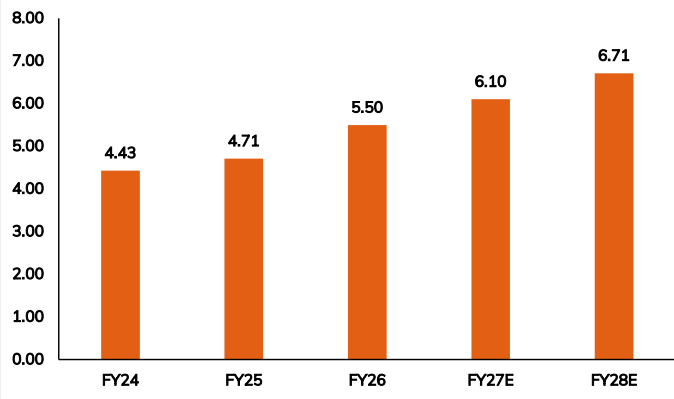
Source: Company, ICICI Direct Research

Exhibit 1: Capacity expansion plan over FY25-FY29E



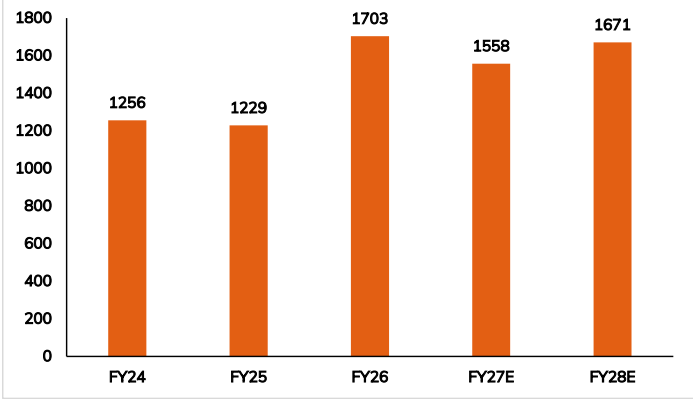
Source: Company, ICICI Direct Research

Exhibit 2: Volumes to grow at ~11% CAGR over FY26-28E



Source: Company, ICICI Direct Research

Exhibit 3: EBITDA/ton to improve over FY27E-FY28E



Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	3,163	3,776	4,167	4,627
% Growth	8.7	19.4	10.3	11.0
Other income	11	19	21	24
Total Revenue	3,163	3,776	4,167	4,627
% Growth	8.7	19.4	10.3	11.0
Total Raw Material Costs	519	496	579	634
Employee Expenses	247	277	310	348
Other expenses	1,818	2,067	2,327	2,525
Total Operating Expenditure	2,585	2,841	3,217	3,507
Operating Profit (EBITDA)	579	936	950	1,121
% Growth	4.0	61.8	1.5	18.0
Interest	32	46	50	66
PBDT	558	909	921	1,079
Depreciation	332	365	385	449
PBT before Exceptional Items	226	544	536	630
Total Tax	57	142	139	164
PAT before MI	169	390	397	466
PAT	169	390	397	466
% Growth	(42.8)	131.3	1.6	17.5
EPS	4.2	9.7	9.8	11.5

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	169	390	379	432
Depreciation	332	365	385	449
Interest	32	46	50	66
Cash Flow before WC changes	532	802	814	947
Changes in inventory	(111)	(19)	(48)	(38)
Changes in debtors	(49)	(42)	(27)	(23)
Changes in loans & Advances	3	0	-	-
Changes in other current assets	6	(20)	(19)	(8)
Net Increase in Current Assets	(314)	(95)	(113)	(92)
Changes in creditors	13	25	28	57
Changes in provisions	(2)	0	2	1
Net Inc in Current Liabilities	75	28	78	90
Net CF from Operating activities	294	735	779	944
Changes in deferred tax assets	(3)	40	-	-
(Purchase)/Sale of Fixed Assets	(535)	(431)	(670)	(1,500)
Net CF from Investing activities	(569)	(734)	(674)	(1,530)
Dividend and Dividend Tax	-	(81)	-	-
Net CF from Financing Activities	229	71	(50)	534
Net Cash flow	(46)	72	55	(52)
Opening Cash/Cash Equivalent	98	53	125	179
Closing Cash/ Cash Equivalent	53	125	179	128

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	40	40	40	40
Reserve and Surplus	2,839	3,151	3,547	4,014
Total Shareholders funds	2,879	3,191	3,588	4,054
Total Debt	390	586	586	1,186
Total Liabilities	3,308	3,820	4,220	5,286
Gross Block	3,667	4,221	4,486	5,286
Acc: Depreciation	1,267	1,632	2,018	2,466
Net Block	2,401	2,589	2,469	2,820
Capital WIP	220	95	500	1,200
Total Fixed Assets	2,640	2,707	2,991	4,042
Non Current Assets	432	739	746	776
Inventory	446	466	514	551
Debtors	200	242	268	292
Other Current Assets	161	181	200	208
Cash	53	125	197	180
Total Current Assets	1,035	1,201	1,387	1,462
Current Liabilities	233	257	285	342
Provisions	90	91	92	93
Total Current Liabilities	799	827	905	994
Net Current Assets	236	375	483	468
Total Assets	3,308	3,820	4,220	5,286

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	169	390	397	466
Depreciation	332	365	385	449
Interest	32	46	50	66
Cash Flow before WC changes	532	802	832	981
Changes in inventory	(111)	(19)	(48)	(38)
Changes in debtors	(49)	(42)	(27)	(23)
Changes in loans & Advances	3	0	-	-
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Net CF from Investing activities	(569)	(734)	(674)	(1,530)
Dividend and Dividend Tax	-	(81)	-	-
Net CF from Financing Activities	229	71	(50)	534
Net Cash flow	(46)	72	73	(17)
Opening Cash/Cash Equivalent	98	53	125	197
Closing Cash/ Cash Equivalent	53	125	197	180

Source: Company, ICICI Direct Research

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Sell: <-15%

Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jarwani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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