BUY Star Cement

Pole position in FY26; expect resilience amid cost headwinds

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Cement ▸ Result Update ▸ **May 27, 2026**

CMP (Rs): 215 | TP (Rs): 300

Star Cement (Star) posted consol EBITDA of Rs3.15bn (up 20%/56% YoY/QoQ), 7% above our estimate due to tight control on costs. In Q4FY26, Star logged 13% YoY volume growth, implying market-share gains in the Northeast (NE). We bake-in 10% volume CAGR over FY26-28E, as the company enjoys regional market leadership and due to ramp-up of Silchar GU. While revenue was in-line, effective cost management led to a margin beat. Benefits of operating leverage were visible as fixed cost/t fell 6%/14% YoY/QoQ while total operating cost/t fell 4%/5% YoY/QoQ, respectively. Overall, EBITDA/t was Rs1,820; ex-incentives, it was Rs1,620 (Emkay: Rs1,475), implying a pole position at end-FY26, with margin at Rs1,370/t (ex-incentives). Star aims for ~17mtpa installed capacity by FY29. Our view: We like Star's regional dominance and ability to deliver best-in-class margin, quarter after quarter. Notably, larger peers have announced their entry into the NE market (~3Y away for new entrant) and the street's concerns about likely pricing/margin disruption. We, though, see limited impact on Star's margin trajectory, given that 1) it plans to diversify with ~5mtpa (~50% of existing base) capacity in North India in coming ~3Y, and 2) fresh entrants will need to operate in the current realization scenario, to log at least 9-10% pre-tax RoCE; hence, there is a low chance of price disruption. We mostly retain our estimates and continue to value Star at 12x EV/EBITDA on FY28E; we maintain our TP at Rs300; BUY.

Tight cost leash drives margin superiority; to provide cushion vs cost headwinds

Star's consolidated EBITDA came in at Rs3.15bn, beating our estimate by ~7%. Revenue grew 12%/33% YoY/QoQ on the back of ~13%/34% volume growth (Q4FY26: 1.7mt), while cement realization (ex-incentive accruals) stood flat sequentially. Incentive accruals for the quarter stood at Rs340mn (~Rs200/t). A drop in blended fuel cost to Rs1.24/mn cal (vs Rs1.4/mn cal YoY) caused unit (RM + P&F) costs to fall ~4% YoY, while operating leverage drove unit fixed costs down by 6%/14% YoY/QoQ. Consequently, EBITDA/t stood at Rs1,818 (vs Rs1,715/Rs1,562 YoY/QoQ), and ex-incentives EBITDA/t was Rs1,622 (vs Rs1,225/Rs1,310 YoY/QoQ), thus we place Star at the top of the profitability chart among cement peers for a 5^{th} straight quarter. Also, the robust margins should provide cushion amid cost headwinds in H1FY27. Adjusted PAT was up ~25% YoY.

Healthy balance sheet to support capacity expansion to ~17mtpa in ~3 years

Star, with current capacity base of 9.7mtpa, aims to achieve installed capacity of ~17mtpa by FY29. Star is likely to pick up a project in Rajasthan (4/5mtpa IU expansion at ~Rs25bn capex), followed by a 2mtpa GU in Begusarai, Bihar, at capex of ~Rs5bn. We estimate Star's cumulative operating cash flows at ~Rs17bn over FY27E-28E against a capex cash out-flow of ~Rs22bn over the same period. Accordingly, we expect net debt-to-EBITDA to remain comfortable at 0.8x in FY28E vs 0.2x in FY26.

Star Cement: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	29,107	31,634	37,765	42,359	45,433
EBITDA	5,563	5,786	9,360	9,608	10,724
Adj. PAT	2,951	1,688	3,988	4,125	4,792
Adj. EPS (Rs)	7.3	4.2	9.9	10.2	11.9
EBITDA margin (%)	19.1	18.3	24.8	22.7	23.6
EBITDA growth (%)	18.8	4.0	61.7	2.7	11.6
Adj. EPS growth (%)	19.2	(42.8)	136.2	3.4	16.2
RoE (%)	11.5	6.0	13.1	12.1	12.5
RoIC (%)	23.6	9.4	15.5	15.1	17.6
P/E (x)	29.5	51.5	22.5	21.1	18.2
EV/EBITDA (x)	15.7	15.6	9.8	9.5	9.1
P/B (x)	3.2	3.0	2.7	2.4	2.1
FCFF yield (%)	(6.3)	(3.1)	3.0	1.3	(5.9)

Source: Company, Emkay Research

Target Price – 12M	Mar-28
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	39.5

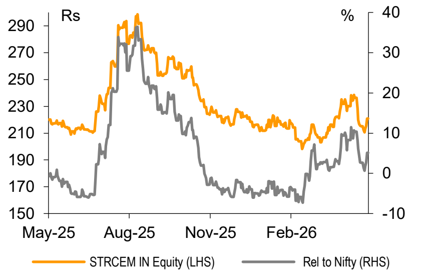
Stock Data	STRCEM IN
52-week High (Rs)	309
52-week Low (Rs)	197
Shares outstanding (mn)	404.2
Market-cap (Rs bn)	87
Market-cap (USD mn)	909
Net-debt, FY27E (Rs mn)	3,982.1
ADTV-3M (mn shares)	0.3
ADTV-3M (Rs mn)	57.6
ADTV-3M (USD mn)	0.6
Free float (%)	42.3
Nifty-50	23,913.7
INR/USD	95.7

Shareholding, Mar-26	
Promoters (%)	58.1
FPIs/MFs (%)	2.3/2.7

Price Performance

(%)	1M	3M	12M
Absolute	(7.1)	(0.5)	(2.1)
Rel. to Nifty	(7.2)	6.1	2.3

1-Year share price trend (Rs)



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Conference call KTAs

Demand / Volume

Exhibit 1: Production snapshot

Particulars (mt)	Q4FY26	Q4FY25
Clinker	1.159	1.138
Cement	1.645	1.479

Source: Company, Emkay Research

Exhibit 2: Volume snapshot

Particulars (mt)	Q4FY26	Q4FY25
Clinker	0.115	0.057
Cement	1.618	1.475

Source: Company, Emkay Research

Exhibit 3: Geographical mix

Particulars (%)	Q4FY26	Q4FY25
North-East India	70%	75%
East India	30%	25%

Source: Company, Emkay Research

- The management guides for 10-12% cement volume growth in FY27.
- Demand in April was sluggish due to the elections in Assam and West Bengal, and showed signs of pick up in May.

Pricing

- In April and May, NE prices improved by Rs6-7/bag, while ex NE (West Bengal and Bihar) prices improved by ~Rs10/bag.
- For new markets like North India, the company plans to position itself below the highest priced seller by Rs5-10/bag, and build a brand pull.

Cost

- Fuel cost is expected to rise by ~Rs0.15-0.20/Kcal in Q1FY27 (Q4FY26: Rs1.24/Kcal) amid rake shortage and higher auction prices; it should normalize by H2FY27.
- Star is insulated from imported fuel (no imported coal/petcoke), but FSA shortages compel sourcing at higher rates.
- The management expects a ~Rs250-300/t cost impact due to the West Asia war that has led to pricier packing bags and higher fuel costs.
- Over FY27-29, the company expects NE EBITDA/t to range at Rs1,500-1,700 till Rajasthan operations commercialize. It expects to generate EBITDA/t of Rs1,300-1,400 from Rajasthan operations on a steady-state basis.

Capex

- The management revised its capex outflow to Rs6-7bn in FY27 (earlier, Rs5-6bn) and ~Rs15bn in FY28 (vs Rs10bn earlier).

Exhibit 4: Pecking order of capacity expansion

Sr no	Plant	Type	Capacity	Timeline
1	Nimbol, Rajasthan	IU	3.3mtpa clinker ~2.5mtpa GU	H1FY29
2	Haryana	GU	~2mtpa	H1FY29
3	Begusarai, Bihar	GU	~2mtpa	H1FY29
4	Umrangso, Assam	Clinker Unit	~3mtpa	Beyond FY29
5	Jorhat, Assam	GU	~2mtpa	Beyond FY29
Capex guidance* for above projects				**Rs48bn**

*Source: Company, Emkay Research; *Note: Given in the Q3FY26 earnings call*

Others

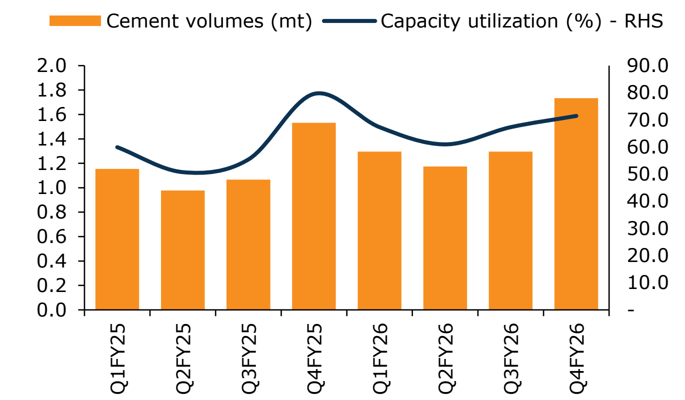
- Net debt stood at Rs2bn in FY26 (gross debt: Rs5.83bn; cash and CE: Rs3.83bn)
- Incentive accrued in FY26 was Rs1.84bn; the company expects incentives to reduce to ~Rs1.4-1.5bn (due to the GST rate cut).
- AAC block revenue stood at Rs170mn in Q4FY26 and at Rs430mn for FY26.
- The company expects non-cement revenue of ~Rs1.5bn in FY27, with 7-8% EBITDA margin.

Exhibit 5: Consolidated result snapshot

Particulars (Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Var (%)
Volume, incl clinker (mt)	1.7	1.5	13.1	1.3	33.7	1.7	(0.8)
Cement realization (Rs/t)	6,478	6,378	1.6	6,438	0.6	6,604	(1.9)
Net sales	**11,736**	**10,521**	**11.5**	**8,800**	**33.4**	**11,918**	**(1.5)**
Raw material cost	2,746	2,144	28.1	2,026	35.5	2,730	0.6
Power and fuel cost	690	601	14.8	699	(1.3)	699	(1.3)
Freight cost	1,577	1,829	(13.8)	1,258	25.4	1,765	(10.6)
Employee cost	2,175	1,961	10.9	1,676	29.7	2,259	(3.7)
Other expenses	1,397	1,358	2.9	1,116	25.2	1,508	(7.3)
Total expenses	**8,585**	**7,894**	**8.8**	**6,775**	**26.7**	**8,961**	**(4.2)**
EBITDA	**3,151**	**2,627**	**19.9**	**2,025**	**55.6**	**2,957**	**6.5**
EBITDA/t (Rs)	**1,818**	**1,715**	**6.0**	**1,562**	**16.4**	**1,693**	**7.4**
Interest	129	88	46.8	121	6.4	121	6.4
Depreciation	987	875	12.8	912	8.2	912	8.2
Other income	91	50	81.4	49	87.0	49	87.0
Recurring pre-tax income	**2,126**	**1,714**	**24.0**	**1,040**	**104.3**	**1,973**	**7.7**
Extraordinary income/(expense)	(58)	-	NA	(55)	NA	-	NA
Taxation	597	483	NA	243	NA	493	NA
Reported Net Income	**1,470**	**1,231**	**19.4**	**742**	**98.1**	**1,480**	**(0.6)**
Recurring Net Income	**1,528**	**1,231**	**24.1**	**797**	**91.7**	**1,480**	**3.3**

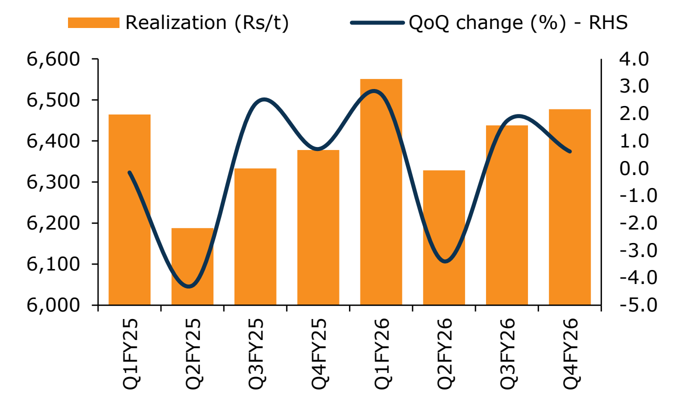
Source: Company, Emkay Research

Exhibit 6: Quarterly cement volume trend



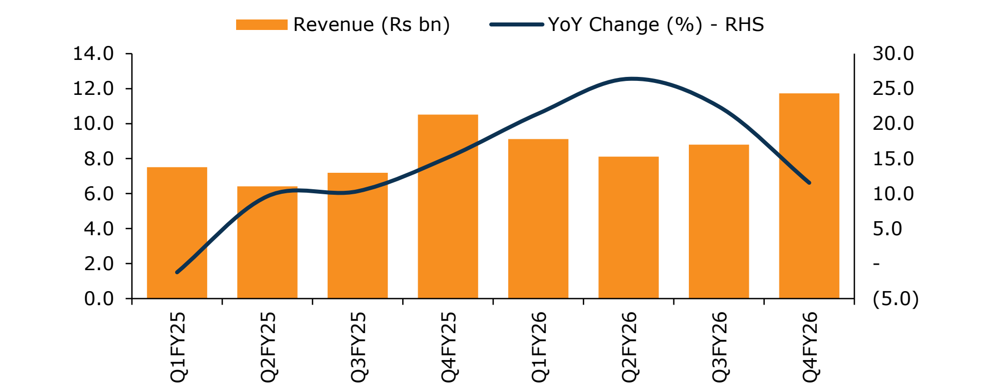
Source: Company, Emkay Research

Exhibit 7: Quarterly cement realization trend



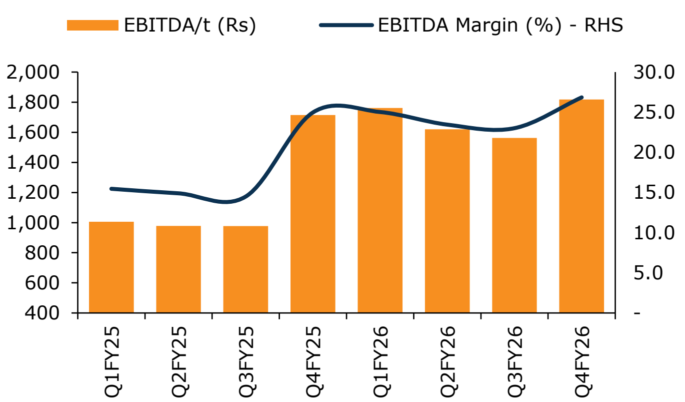
Source: Company, Emkay Research

Exhibit 8: Quarterly revenue trend



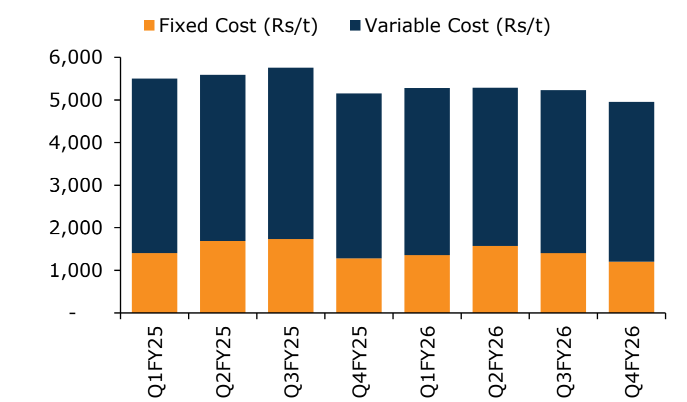
Source: Company, Emkay Research

Exhibit 9: Quarterly EBITDA/t and margin trends



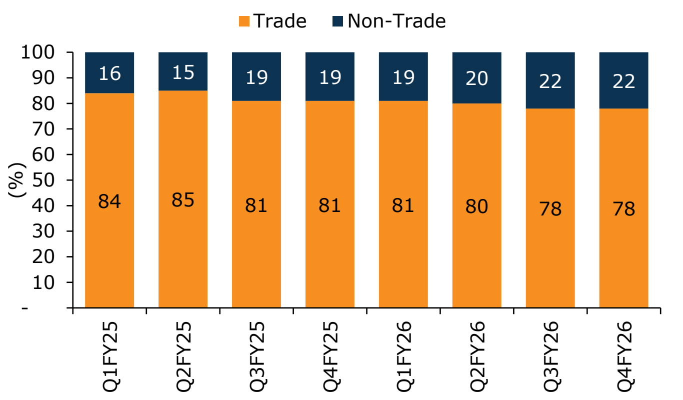
Source: Company, Emkay Research

Exhibit 10: Quarterly cost break-up per ton



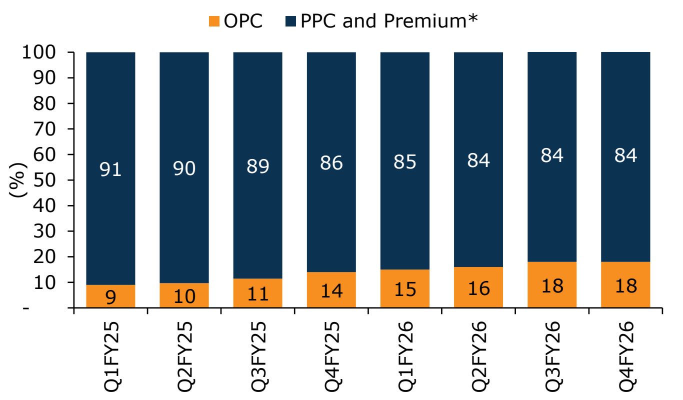
Source: Company, Emkay Research

Exhibit 11: Channel mix trend



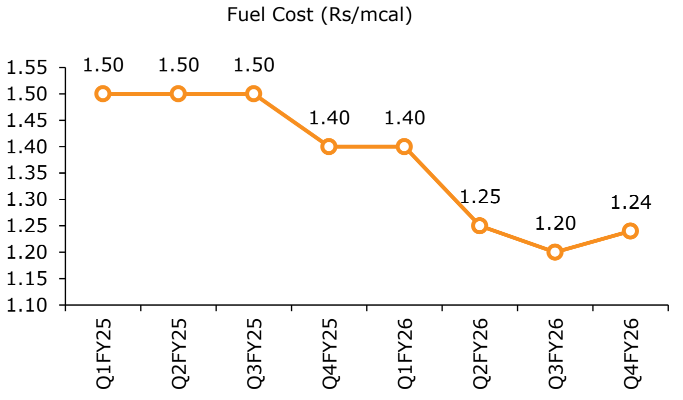
Source: Company, Emkay Research

Exhibit 12: Product mix trend



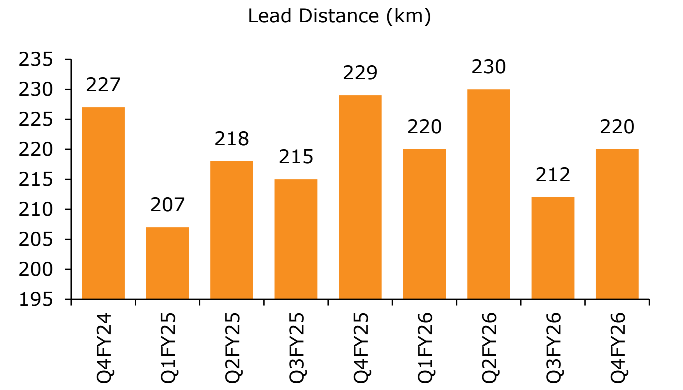
*Source: Company, Emkay Research; Note: *Premium, incl WSC and DM*

Exhibit 13: Fuel cost trend



Source: Company, Emkay Research

Exhibit 14: Lead distance trend



Source: Company, Emkay Research

Exhibit 15: Historical quarterly analysis

(Rs/t)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Sales volume (mt)	**1.5**	**1.3**	**1.2**	**1.3**	**1.7**
Blended realization	**6,867**	**7,037**	**6,907**	**6,790**	**6,772**
Growth QoQ (%)	*1.9*	*2.5*	*(1.8)*	*(1.7)*	*(0.3)*
Raw material cost	1,399	1,595	1,353	1,563	1,584
Power and fuel cost	1,194	1,091	1,133	971	910
Freight cost	1,280	1,234	1,225	1,293	1,255
Employee cost	392	515	609	540	398
Other Expenses	887	841	968	861	806
EBITDA	**1,715**	**1,761**	**1,620**	**1,562**	**1,818**

Source: Company, Emkay Research

Exhibit 16: Performance trends and assumptions

Particulars	FY24	FY25	FY26	FY27E	FY28E
Capacity (mtpa)	7.7	7.7	9.7	9.7	9.7
Volume (mt)	**4.4**	**4.7**	**5.5**	**6.1**	**6.6**
Capacity utilization (%)	**57.9**	**61.7**	**56.9**	**63.1**	**68.6**
Growth (%)	10.7	6.5	16.3	10.9	8.8
Blended realization (Rs/t)	**6,554**	**6,688**	**6,868**	**6,946**	**6,848**
Growth (%)	(2.8)	2.0	2.7	1.1	(1.4)

Source: Company, Emkay Research

Exhibit 17: Per-ton estimate – Consolidated

(Rs/t)	FY24	FY25	FY26	FY27E	FY28E
Net sales	**6,554**	**6,688**	**6,868**	**6,946**	**6,848**
Raw material cost	1,647	1,675	1,532	1,584	1,584
Employee cost	484	523	504	492	507
Power and fuel cost	1,250	1,118	1,015	1,196	1,058
Freight cost	1,103	1,174	1,253	1,253	1,253
Other expenses	819	975	862	845	830
Total expenses	**5,301**	**5,465**	**5,166**	**5,370**	**5,232**
EBITDA	**1,253**	**1,223**	**1,702**	**1,575**	**1,616**
Core EBITDA/t (ex- incentives)	**1,178**	**885**	**1,367**	**1,336**	**1,390**

Source: Company, Emkay Research

Exhibit 18: Valuation Snapshot

Particulars	FY28E
Target EV/EBITDA (x) (A)	12
Total EBITDA (Rs mn) (B)	9,224
EV (Rs mn) (C) = (A x B)	**110,683**
Net debt – FY27E (Rs mn) (D)	2,482
Net Present Value (NPV) of incentives (Rs mn) (E)	11,177
Market Cap (Rs mn) (F) = (C – D – E)	**119,377**
Shares o/s (mn) (G)	404
Value per share (Rs) (H) = (F)/(G)	**300**

Source: Company, Emkay Research

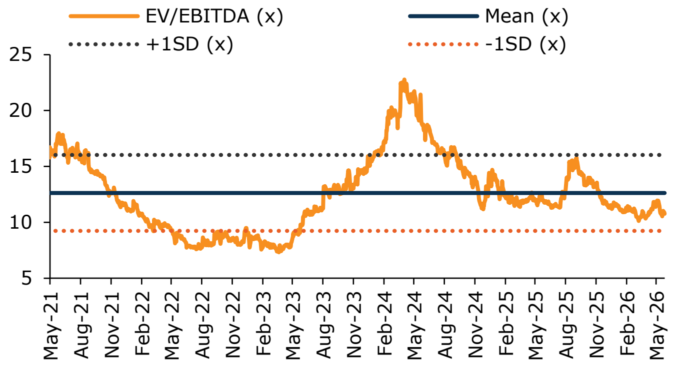
- **Key risks:** Sharp fall in cement prices and rise in input costs.

Exhibit 19: Change in estimates

(Rs mn)	FY27E				FY28E			
	Revised	Earlier	Var (%)	YoY (%)	Revised	Earlier	Var (%)	YoY (%)
Revenue	42,359	44,341	(4.5)	12.2	45,433	46,916	(3.2)	7.3
EBITDA	9,608	9,904	(3.0)	2.7	10,724	10,850	(1.2)	11.6
PAT	4,125	4,355	(5.3)	4.9	4,792	4,855	(1.3)	16.2

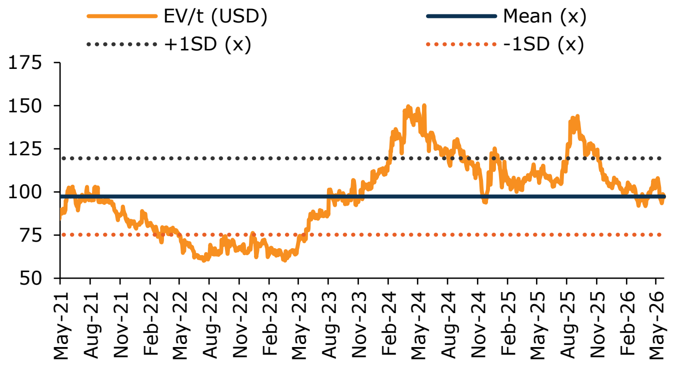
Source: Emkay Research

Exhibit 20: STRCEM trades below its 5Y mean 1YF EV/EBITDA…



Source: Company, Bloomberg, Emkay Research

Exhibit 21: …and similarly on EV/t basis



Source: Company, Bloomberg, Emkay Research

Star Cement: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	**29,107**	**31,634**	**37,765**	**42,359**	**45,433**
Revenue growth (%)	7.6	8.7	19.4	12.2	7.3
EBITDA	**5,563**	**5,786**	**9,360**	**9,608**	**10,724**
EBITDA growth (%)	18.8	4.0	61.7	2.7	11.6
Depreciation & Amortization	1,466	3,319	3,653	3,691	3,680
EBIT	**4,097**	**2,467**	**5,707**	**5,917**	**7,044**
EBIT growth (%)	21.5	(39.8)	131.3	3.7	19.1
Other operating income	-	-	-	-	-
Other income	265	106	193	193	193
Financial expense	126	316	463	528	753
PBT	**4,236**	**2,257**	**5,436**	**5,582**	**6,484**
Extraordinary items	0	0	(113)	0	0
Taxes	1,285	569	1,418	1,456	1,692
Minority interest	0	0	(30)	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	**2,951**	**1,688**	**3,875**	**4,125**	**4,792**
PAT growth (%)	19.2	(42.8)	129.5	6.5	16.2
Adjusted PAT	**2,951**	**1,688**	**3,988**	**4,125**	**4,792**
Diluted EPS (Rs)	**7.3**	**4.2**	**9.9**	**10.2**	**11.9**
Diluted EPS growth (%)	19.2	(42.8)	136.2	3.4	16.2
DPS (Rs)	**0**	**0**	**0**	**0**	**0**
Dividend payout (%)	**0**	**0**	**0**	**0**	**0**
EBITDA margin (%)	19.1	18.3	24.8	22.7	23.6
EBIT margin (%)	14.1	7.8	15.1	14.0	15.5
Effective tax rate (%)	30.3	25.2	26.1	26.1	26.1
NOPLAT (pre-IndAS)	**2,855**	**1,846**	**4,218**	**4,373**	**5,206**
Shares outstanding (mn)	404	404	404	404	404

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Share capital	404	404	404	404	404
Reserves & Surplus	26,697	28,388	31,508	35,633	40,426
Net worth	**27,101**	**28,792**	**31,912**	**36,037**	**40,830**
Minority interests	0	(3)	(31)	(31)	(31)
Non-current liab. & prov.	0	0	0	0	0
Total debt	**1,298**	**3,901**	**5,862**	**5,862**	**10,862**
Total liabilities & equity	**28,658**	**32,948**	**38,079**	**42,204**	**51,996**
Net tangible fixed assets	14,135	24,130	26,069	26,378	26,698
Net intangible assets	50	75	49	49	49
Net ROU assets	-	-	-	-	-
Capital WIP	10,190	2,199	948	3,448	14,448
Goodwill	-	-	-	-	-
Investments [JV/Associates]	20	20	2,584	2,584	2,584
Cash & equivalents	**973**	**524**	**1,247**	**1,880**	**333**
Current assets (ex-cash)	6,684	9,822	10,768	11,801	11,869
Current Liab. & Prov.	7,366	8,121	8,390	8,739	8,789
NWC (ex-cash)	**(682)**	**1,702**	**2,378**	**3,062**	**3,081**
Total assets	**28,658**	**32,948**	**38,079**	**42,204**	**51,996**
Net debt	325	3,377	4,615	3,982	10,529
Capital employed	28,658	32,948	38,079	42,204	51,996
Invested capital	**13,502**	**25,907**	**28,496**	**29,488**	**29,828**
BVPS (Rs)	67.1	71.2	79.0	89.2	101.0
Net Debt/Equity (x)	-	0.1	0.1	0.1	0.3
Net Debt/EBITDA (x)	0.1	0.6	0.5	0.4	1.0
Interest coverage (x)	34.6	8.1	12.7	11.6	9.6
RoCE (%)	**16.5**	**8.4**	**16.8**	**15.3**	**15.5**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
PBT (ex-other income)	4,236	2,257	5,436	5,582	6,484
Others (non-cash items)	(161)	37	8	0	0
Taxes paid	(762)	(689)	(1,090)	(1,456)	(1,692)
Change in NWC	41	(2,226)	(752)	(683)	(19)
Operating cash flow	**4,897**	**2,965**	**7,649**	**7,661**	**9,205**
Capital expenditure	(10,361)	(5,757)	(4,867)	(6,500)	(15,000)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(6,501)**	**(5,285)**	**(8,433)**	**(6,500)**	**(15,000)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	1,037	2,588	1,885	0	5,000
Payment of lease liabilities	0	0	0	0	0
Interest paid	-	-	-	-	-
Dividend paid (incl tax)	0	0	(808)	0	0
Others	(172)	(347)	(559)	(528)	(753)
Financing cash flow	**865**	**2,241**	**518**	**(528)**	**4,247**
Net chg in Cash	(738)	(79)	(267)	633	(1,547)
OCF	4,897	2,965	7,649	7,661	9,205
Adj. OCF (w/o NWC chg.)	4,857	5,190	8,401	8,344	9,225
FCFF	(5,463)	(2,792)	2,781	1,161	(5,795)
FCFE	(5,463)	(2,792)	2,781	1,161	(5,795)
OCF/EBITDA (%)	88.0	51.2	81.7	79.7	85.8
FCFE/PAT (%)	(185.1)	(165.4)	71.8	28.1	(120.9)
FCFF/NOPLAT (%)	**(191.4)**	**(151.3)**	**65.9**	**26.5**	**(111.3)**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY24	FY25	FY26	FY27E	FY28E
P/E (x)	29.5	51.5	22.5	21.1	18.2
EV/CE(x)	3.1	2.8	2.4	2.2	1.9
P/B (x)	3.2	3.0	2.7	2.4	2.1
EV/Sales (x)	3.0	2.9	2.4	2.1	2.1
EV/EBITDA (x)	15.7	15.6	9.8	9.5	9.1
EV/EBIT(x)	21.3	36.6	16.1	15.4	13.8
EV/IC (x)	6.5	3.5	3.2	3.1	3.3
FCFF yield (%)	(6.3)	(3.1)	3.0	1.3	(5.9)
FCFE yield (%)	(6.3)	(3.2)	3.2	1.3	(6.7)
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	10.1	5.3	10.6	9.7	10.5
Total asset turnover (x)	1.1	1.0	1.1	1.1	1.0
Assets/Equity (x)	1.1	1.1	1.2	1.2	1.2
RoE (%)	**11.5**	**6.0**	**13.1**	**12.1**	**12.5**
DuPont-RoIC					
NOPLAT margin (%)	9.8	5.8	11.2	10.3	11.5
IC turnover (x)	2.4	1.6	1.4	1.5	1.5
RoIC (%)	**23.6**	**9.4**	**15.5**	**15.1**	**17.6**
Operating metrics					
Core NWC days	(8.6)	19.6	23.0	26.4	24.8
Total NWC days	**(8.6)**	**19.6**	**23.0**	**26.4**	**24.8**
Fixed asset turnover	1.4	1.0	1.0	1.0	0.9
Opex-to-revenue (%)	55.8	56.7	52.9	54.5	53.3

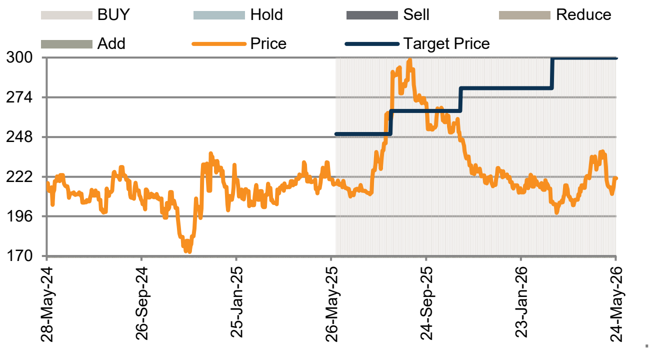
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
20-Apr-26	221	300	Buy	Harsh Mittal
08-Apr-26	215	300	Buy	Harsh Mittal
16-Mar-26	206	300	Buy	Harsh Mittal
04-Mar-26	206	300	Buy	Harsh Mittal
11-Feb-26	219	280	Buy	Harsh Mittal
03-Feb-26	219	280	Buy	Harsh Mittal
14-Jan-26	216	280	Buy	Harsh Mittal
06-Jan-26	221	280	Buy	Harsh Mittal
01-Jan-26	222	280	Buy	Harsh Mittal
02-Dec-25	225	280	Buy	Harsh Mittal
24-Nov-25	224	280	Buy	Harsh Mittal
07-Nov-25	246	280	Buy	Harsh Mittal
01-Nov-25	257	265	Buy	Harsh Mittal
08-Oct-25	267	265	Buy	Harsh Mittal
02-Oct-25	253	265	Buy	Harsh Mittal
12-Sep-25	272	265	Buy	Harsh Mittal
10-Aug-25	260	265	Buy	Harsh Mittal
10-Aug-25	260	265	Buy	Harsh Mittal
01-Jun-25	217	250	Buy	Harsh Mittal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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