Star Cement (STACEM)

CMP: ₹198 | Target ₹ 245 (+24%) | Target Period: 12 months | BUY

August 11, 2026

Volume growth expected to pick-up from H2FY27...

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). Company has cement capacity of 9.7 million tonnes (mtpa) and clinker capacity of 6.1 mtpa. It has market share of ~27% in North-East markets

Q1FY27 performance: Revenue increased by 3.4% YoY (+19.7% QoQ) to Rs 942.9 crores, led by volume growth of 4.5% YoY (-21.9% QoQ) to 1.35 mtpa. Net realization remained flattish on YoY basis (+2.8% QoQ). EBITDA/ton declined by 18.4% YoY (-21% QoQ) to Rs 1436/ton. EBITDA came at Rs 194.5 crore (-14.8% YoY, -38.3% QoQ). Reported PAT was Rs 73.9 crore (-24.7% YoY, -49.7% QoQ)

Investment Rationale:

- **Volume growth expected at ~10% CAGR over FY26-28E**: Company's volume growth was muted at 4.5% YoY in Q1FY27, mainly on account of elections in Assam (which consist of ~60% of market for the company) and the early onset of monsoon in north-east. Management has also revised its FY27E volume growth guidance to 8-9% (from earlier guidance of 11-12%), as flood-related disruption in Assam would impact demand during Q2FY27 also. Going ahead, we believe that company's volume growth to pick-up in H2FY27E and estimate volume CAGR of ~10% over FY26-28E (in-line with industry growth). Company is in the process of commissioning ~5 mtpa in North (~2.5 in Rajasthan + ~2.5 in Haryana) which is expected by Q4FY28/Q1FY29. Moreover, company is evaluating either a Bihar GU (2 mtpa) or West Bengal (WB) expansion, depending on the upcoming industrial policy in WB. 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.
- **EBITDA/ton expected to improve led by operational efficiencies**: Company's EBITDA/ton stood at ₹ 1436/ton (-18.4% YoY) in Q1FY27, the decline was mainly due to lower subsidy income, higher packing cost and shutdown expenses during the quarter. Management has also guided EBITDA/ton of ~₹1500–1600/ton for FY27E though Q2FY27 could see ~₹1400/ton due to maintenance cost and lower volumes expectation in Q2. Though company's operational performance might remain subdued in near term, we believe that it should improve from H2FY27E onwards, led by pick-up in demand scenario, continuous focus on operational efficiencies (led by increase in share of renewable power, WHRS and captive coal agreements, freight cost optimisation) and positive operating leverage. We estimate company's EBITDA/ton of ₹ 1665/ton in FY28E (vs ₹ 1703/ton in FY26)

Rating and Target Price:

- We expect revenue to grow ~11% CAGR over FY26-28E while EBITDA & PAT are expected to grow at ~9% & ~9% CAGR respectively
- We recommend **BUY** rating on Star Cement with a revised target price of Rs 245 (based on 10x EV/EBITDA on FY28E basis)

Result Update

ICICI Securities – Retail Equity Research

STAR CEMENT Solid Setting

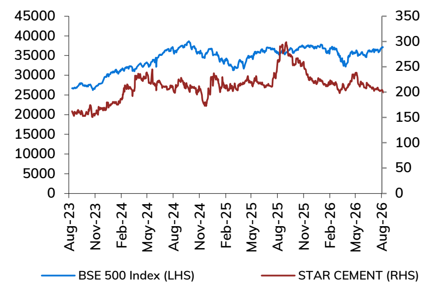
Particulars

Particular	Amount
Market Cap (₹ Crore)	8,003
FY26 Gross Debt (₹ Crore)	586
FY26 Cash (₹ Crore)	125
EV (₹ Crore)	8,464
52 Week H/L (₹)	309 / 196
Equity Capital	40.4
Face Value	2.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	57.6	57.6	58.1	58.1
FII	3.0	2.5	2.3	2.3
DII	4.4	4.5	2.7	2.4
Others	35.1	35.4	37.0	37.2

Price Chart



Key risks

(i) Slowdown in Demand

(ii) Delays in capacity expansion

(iii) Increase in commodity prices

(iv) High competition

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Key Financial Summary

Key Financials (₹ Crore)	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%	4,144	4,609	10.5%
EBITDA	468	556	579	936	26.0%	928	1,102	8.5%
EBITDA Margins (%)	17.3	19.1	18.3	24.8		22.4	23.9	
Net Profit	248	295	169	390	16.4%	382	460	8.5%
EPS (Rs)	6.1	7.3	4.2	9.7		9.4	11.4	
PE (x)	32.3	27.1	47.4	20.1		21.0	17.4	
EV/EBITDA (x)	22.1	16.5	14.4	14.4		9.0	8.2	
EV/ton ($)	141	143	110	114		90	98	
RoCE (%)	15.9	15.4	7.9	15.6		14.0	14.0	
RoE (%)	10.3	10.9	5.9	12.5		10.9	11.9	

Source: Company, ICICI Direct Research

Q1FY27 – Result highlights

- Revenue increased by 3.4% YoY (+19.7% QoQ) to Rs 942.9 crores, led by volume growth of 4.5% YoY (-21.9% QoQ) to 1.35 mtpa. Net realization remained flattish on YoY basis (+2.8% QoQ)
- Total cost/ton increased by 4.8% YoY (+11.6% QoQ) mainly led by power & fuel cost and negative operating leverage
- EBITDA/ton declined by 18.4% YoY (-21% QoQ) to Rs 1436/ton. Subsequently, EBITDA came at Rs 194.5 crore (-14.8% YoY, -38.3% QoQ).
- On PAT level, the company reported a profit of Rs 73.9 crore (-24.7% YoY, -49.7% QoQ)

Recent earnings call highlights

- Decline in Northeast sales volume during the quarter was on account of elections in Assam and the early onset of monsoon. Management highlighted that the company has not lost any market share in its key region
- Management said that volumes de-grew in July 2026 and saw marginal growth in August 2026 mainly due to floods in Assam (Assam consists of 60% of market for the company)
- Q2FY27 profitability is expected to remain impacted due to monsoon-related lower volumes, shutdown expenses and higher fixed-cost absorption pressure, especially in Northeast markets
- Management revised its FY27E volume growth expectation to ~8-9% from earlier guidance of 11-12%, mainly due to flood-related disruption in Assam during Q2FY27. It expects double-digit volume growth from Q3FY27 onwards as demand normalises
- Trade share stood at ~80% in Q1FY27, while premium product contribution was around 15.9%. Lead distance stood at ~210kms (vs 220kms in Q4FY26). Green power's share (including WHRS) stood at ~33% (vs. 33.8% in Q4FY26)
- The company's clinker factor stood at ~66.5%, while conversion factor was around 1.55 during Q1FY27. Management indicated that maintaining operational efficiency remains a key focus area.
- Cement prices remained broadly stable across Northeast as well as outside Northeast markets during Q2, despite weak seasonal demand. Prices saw a marginal increase of ~Rs 3/bag from Q1FY27 to current levels. Bihar prices increased by ~Rs 10/bag, while West Bengal & Northeast prices are up by only ~Rs 3/bag
- Management expects EBITDA/ton to remain around ~₹1,500-1,600/ton for FY27E, although Q2FY27 could see some moderation to around ₹1,400/ton due to higher shutdown expenses and lower fixed-cost absorption during the monsoon period
- Fuel cost increased to ₹1.55/kcal in Q1FY27 from ₹1.33/kcal in Q4FY26, mainly due to higher spot coal procurement. Management expects fuel cost to reduce to around ₹1.45/kcal in Q2FY27 and further improve in Q3-Q4
- Fuel mix during Q1FY27 comprised around ~45% FSA coal, ~30% spot contracts and remaining Biomass
- Capex for Q1FY27 capex stood at ~Rs 93 crores. Management reiterated their capex guidance of ~Rs 500 crores for FY27E and ~Rs 1500 crores for FY28E
- The Nimbol (Rajasthan) integrated project of 3.3 mtpa clinker + 2-2.5 mtpa grinding + 2–2.5 mtpa split grinding at Haryana is estimated at ~Rs 2600-2700 crores and remains the primary capex focus over the next two years with commissioning expected by Q4FY28E/Q1FY29E
- The company is evaluating either a Bihar grinding unit or West Bengal expansion, depending on the upcoming industrial policy in West Bengal. Management expects to take a final call after evaluating policy benefits and demand outlook

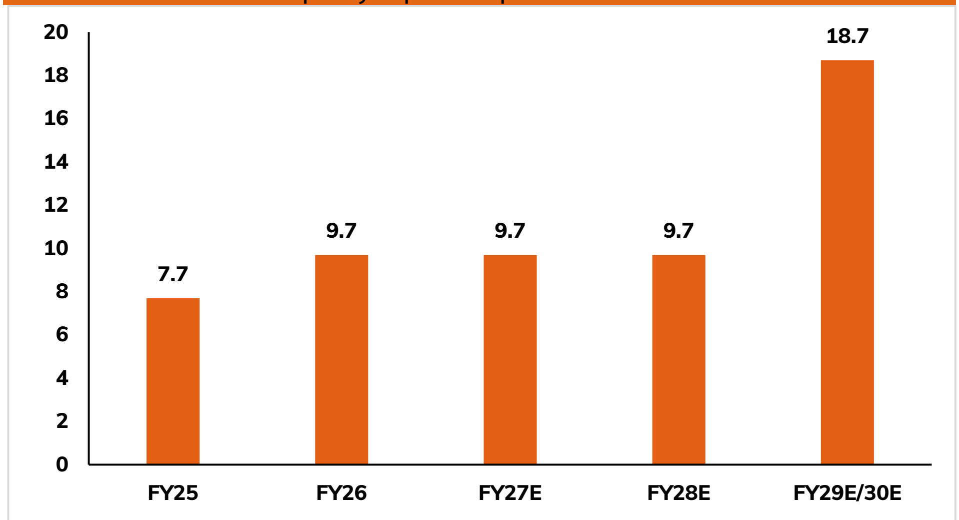
- Management expects annual subsidy income of ~₹115 crore for FY27E (₹145 crore earlier), although Assam government restrictions on subsidy disbursement could impact the timing of receipts
- Management reiterated its earlier guidance of around ₹150 crore revenue from building solutions business, including AAC blocks and RMC

Exhibit 1: Q1FY27 consolidated result overview (₹ crore)

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Operating Income	942.9	912.0	3.4	1,173.6	-19.7	Revenue increased due to increase in sales volume
Other income	8.2	1.8	357.5	9.1	-10.0	
Total Revenue	951.1	913.8	4.1	1,182.7	-19.6	
Raw materials costs	142.1	116.9	21.6	171.8	-17.3	
Employees Expenses	77.4	66.8	15.9	69.0	12.2	
Other Expenses	99.9	83.4	19.9	112.0	-10.8	
Total Expenditure	748.4	683.8	9.5	858.5	-12.8	
EBITDA	194.5	228.2	-14.8	315.1	-38.3	
EBITDA margins (%)	20.6	25.0	-440 bps	26.8	-622 bps	Margins impacted due to higher costs
Interest	13.8	10.2		12.9		
Depreciation	91.4	85.2	7.3	98.7	-7.4	
Tax	23.6	36.5	-35.3	59.7	-60.5	
PAT	73.9	98.2	-24.7	147.0	-49.7	

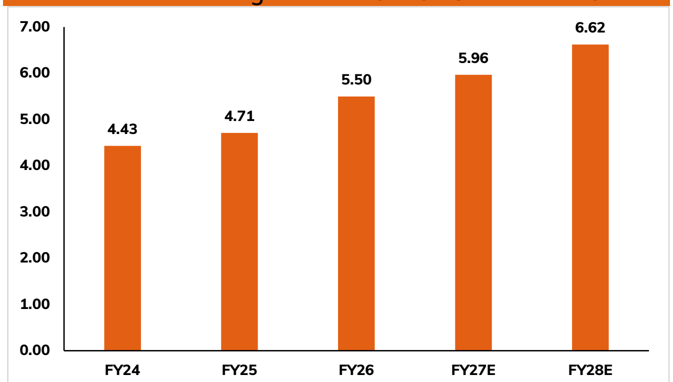
Source: Company, ICICI Direct Research

Exhibit 2: Consolidated Capacity expansion plan over FY25-FY29E



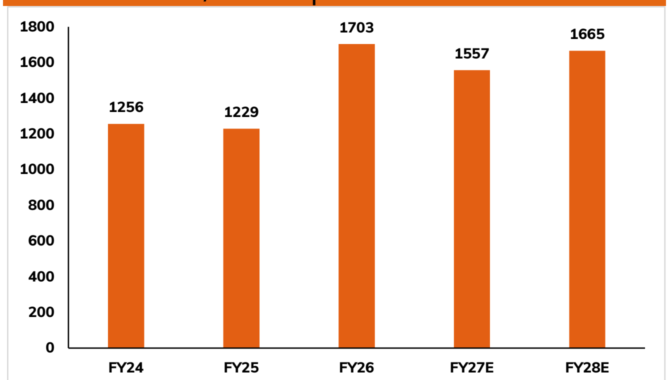
Source: Company, ICICI Direct Research

Exhibit 3: Volumes to grow at ~10% CAGR over FY26-28E



Source: Company, ICICI Direct Research

Exhibit 4: EBITDA/ton to improve over FY27E-FY28E



Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Revenue	3,163	3,776	4,144	4,609
% Growth	8.7	19.4	9.7	11.2
Other income	11	19	23	25
Total Revenue	3,163	3,776	4,144	4,609
% Growth	8.7	19.4	9.7	11.2
Total Raw Material Costs	519	496	626	662
Employee Expenses	247	277	310	348
Other expenses	1,818	2,067	2,279	2,498
Total Operating Expenditure	2,585	2,841	3,215	3,507
Operating Profit (EBITDA)	579	936	928	1,102
% Growth	4.0	61.8	(0.8)	18.7
Interest	32	46	55	78
PBDT	558	909	897	1,050
Depreciation	332	365	381	429
PBT before Exceptional Items	226	544	516	621
Total Tax	57	142	134	162
PAT before MI	169	390	382	460
PAT	169	390	382	460
% Growth	(42.8)	131.3	(2.3)	20.5
EPS	4.2	9.7	9.4	11.4

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	169	390	382	460
Depreciation	332	365	381	429
Interest	32	46	55	78
Cash Flow before WC chg	532	802	817	966
Changes in inventory	(111)	(19)	(45)	(45)
Changes in debtors	(49)	(42)	(19)	(29)
Changes in loans & Adv	3	0	-	-
Changes in other CA	6	(20)	(18)	(9)
Net Increase in CA	(314)	(95)	(101)	(106)
Changes in creditors	13	25	27	38
Changes in provisions	(2)	0	2	0
Net Inc in Current Liabilities	75	28	75	71
Net CF from Op activities	294	735	792	931
Changes in def tax assets	(3)	40	-	-
(Pur)/Sale of Fixed Assets	(535)	(431)	(500)	(1,500)
Net CF from Invest activities	(569)	(734)	(503)	(1,507)
Dividend and Dividend Tax	-	(81)	(81)	(81)
Net CF from Fin Activities	229	71	(135)	392
Net Cash flow	(46)	72	153	(184)
Opening Cash/Cash Equ	98	53	125	278
Closing Cash/ Cash Equ	53	125	278	94

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	40	40	40	40
Reserve and Surplus	2,839	3,151	3,451	3,830
Total Shareholders' funds	2,879	3,191	3,492	3,871
Total Debt	390	586	586	1,136
Total Liabilities	3,308	3,820	4,124	5,053
Gross Block	3,667	4,221	4,516	5,116
Acc: Depreciation	1,267	1,632	2,013	2,442
Net Block	2,401	2,589	2,503	2,674
Capital WIP	220	95	300	1,200
Total Fixed Assets	2,640	2,707	2,825	3,897
Non-Current Assets	432	739	745	752
Inventory	446	466	511	556
Debtors	200	242	261	290
Other Current Assets	161	181	199	207
Cash	53	125	278	94
Total Current Assets	1,035	1,201	1,455	1,377
Current Liabilities	233	257	284	322
Provisions	90	91	92	93
Total Current Liabilities	799	827	901	973
Net Current Assets	236	375	554	405
Total Assets	3,308	3,820	4,124	5,053

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	4.2	9.7	9.4	11.4
Cash per Share	1.3	3.1	6.9	2.3
DPS	14.0	15.0	16.0	17.0
BV	71.2	79.0	86.4	95.8
EBITDA Margin	18.3	24.8	22.4	23.9
PAT Margin	5.3	10.3	9.2	10.0
RoE	5.9	12.5	10.9	11.9
RoCE	7.9	15.6	14.0	14.0
RoIC	7.7	15.6	14.4	13.7
EV / EBITDA	14.4	9.0	9.0	8.2
P/E	47.4	20.1	21.0	17.4
EV/ton ($)	127	103	90	98
EV / Net Sales	2.6	2.2	2.0	2.0
Sales / Equity	1.1	1.2	1.2	1.2
Market Cap / Sales	2.5	2.1	1.9	1.7
Price to Book Value	2.8	2.5	2.3	2.1
Asset turnover	1.0	1.0	1.0	0.9
Debtors Turnover Ratio	18.1	17.1	16.5	16.7
Creditors Turnover Ratio	14.0	15.4	15.3	15.2
Debt / Equity	0.1	0.2	0.2	0.3
Current Ratio	1.5	1.5	1.6	1.6
Quick Ratio	0.7	0.7	0.8	0.8

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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