Star Cement (STACEM)

CMP: ₹175 | Target ₹ 215 (+23%) | Target Period: 12 months | BUY

November 13, 2026

Margins to remain better than industry...

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

Q2FY27 performance: Revenue increased by 2.5% YoY (-11.9% QoQ) to Rs 831 crores, led by volume growth of 2.3% YoY (-11.6% QoQ) to 1.20 mtpa. Net realization remained flattish on YoY and QoQ basis. EBITDA/ton declined by 21.2% YoY (-10.8% QoQ) to Rs 1281/ton. EBITDA came at Rs 153.4 crore (-19.3% YoY, -21.1% QoQ). Reported PAT of Rs 39.6 crore (-44.3% YoY, -46.5% QoQ)

Investment Rationale:

- **Volume growth expected to pick-up from H2FY27; ~9% CAGR over FY26-28E**: Company reported muted volume growth of 2.5% YoY in Q2FY27, mainly on account of floods in Assam (majority market for the company) and elections in north-east. Going ahead, we believe that company's volume growth to pick-up in H2FY27E led by improvement in demand scenario and higher utilization levels. We estimate volume growth of 7.5% YoY in FY27E and ~11% for FY28E. Management has also guided for 12-13% YoY growth in Q3-Q4FY27 which implies ~7-8% YoY growth for FY27E (in-line with industry growth). On capacity expansion front, company is in the process of commissioning ~6 mtpa in North (3 mtpa in Rajasthan + 3 mtpa in Haryana) which is expected by H1FY29. Moreover, company is evaluating either a Bihar GU or West Bengal expansion of 2 mtpa (clarity to be provided over coming period). These expansions will take total capacity to ~18 mtpa by FY29E from 9.7 mtpa at present which provides growth visibility.
- **Operational efficiencies to aid EBITDA/ton improvement**: Company's EBITDA/ton stood at Rs 1281/ton (-21.2% YoY), the decline was mainly due to higher fuel cost, packing cost and negative operating leverage. Going ahead, we believe that there might be some pressure on margins in near term however, operational performance should improve gradually from Q4FY27E. Management has also maintained its guidance of EBITDA/ton of ~₹1500–1600/ton for FY27E despite relatively muted H1FY27. We estimate company's EBITDA/ton of ₹ 1665/ton in FY28E (vs ₹ 1703/ton in FY26), mainly led by pick-up in demand scenario, improvement in realisation, continuous focus on operational efficiencies (led by increase in share of renewable power, WHRS and fuel mix, freight cost optimisation) and positive operating leverage.

Rating and Target Price:

- We have trimmed our EBITDA estimates for FY27E/28E factoring in relatively muted H1FY27 and elevated input costs. However, with healthy volume growth and improvement in EBITDA/ton over FY26- 28E, we expect revenue to grow ~11% CAGR while EBITDA & PAT are expected to grow at ~7% & ~4% CAGR respectively. We maintain our **BUY** rating on STACEM with a revised TP of Rs 215 (based on 9.5x EV/EBITDA on FY28E basis)

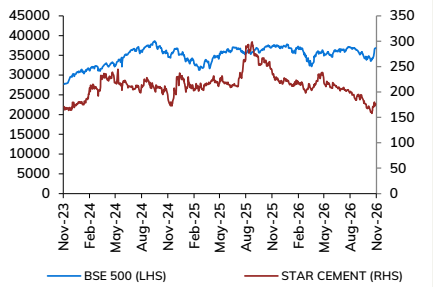
Particulars

Particular	Amount
Market Cap (₹ Crore)	7,073
FY26 Gross Debt (₹ Crore)	586
FY26 Cash (₹ Crore)	125
EV (₹ Crore)	7,535
52 Week H/L (₹)	243 / 156
Equity Capital	40.4
Face Value	2.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sept-26
Promoter	57.6	58.1	58.1	58.1
FII	2.5	2.3	2.3	1.7
DII	4.5	2.7	2.4	2.5
Others	35.4	37.0	37.2	37.7

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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Result Update

ICICI Securities – Retail Equity Research

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%	4,153	4,649	11.0%
EBITDA	468	556	579	936	26.0%	903	1,063	6.6%
EBITDA Margins (%)	17.3	19.1	18.3	24.8		21.7	22.9	
Net Profit	248	295	169	390	16.4%	368	419	3.6%
EPS (Rs)	6.1	7.3	4.2	9.7		9.1	10.4	
PE (x)	28.6	24.0	41.9	17.7		19.2	16.9	
EV/EBITDA (x)	19.4	14.5	12.8	12.8		8.3	8.0	
EV/ton ($)	124	125	97	101		81	93	
RoCE (%)	15.9	15.4	7.9	15.6		13.8	12.6	
RoE (%)	10.3	10.9	5.9	12.5		10.6	11.0	

Source: Company, ICICI Direct Research

Q2FY27 – Result highlights

- Revenue increased by 2.5% YoY (-11.9% QoQ) to Rs 831 crores, led by volume growth of 2.3% YoY (-11.6% QoQ) to 1.20 mtpa. Net realization remained flattish on YoY and QoQ basis.
- Total cost/ton increased by 6.7% YoY (+2.4% QoQ) mainly led by power & fuel cost and negative operating leverage.
- EBITDA/ton declined by 21.2% YoY (-10.8% QoQ) to Rs 1281/ton. Subsequently, EBITDA came at Rs 153.4 crore (-19.3% YoY, -21.1% QoQ).
- On PAT level, the company reported a profit of Rs 39.6 crore (-44.3% YoY, -46.5% QoQ).
- For H1FY27, revenue increased by 3% YoY led by 3.4% YoY volume growth and flattish realisation YoY. EBITDA/ton stood at Rs 1364/ton (vs Rs 1397/ton for H1FY26)

Recent earnings call highlights

- Management attributed the subdued H1FY27 performance to elections and floods in Assam, particularly affecting demand in its key Northeast market. Management expects 12–13% YoY volume growth in Q3 and Q4, supported by pent-up demand which implies full year volume growth of ~7-8% YoY for FY27E
- Management expects the Northeast cement industry to register 7–8% growth in H2FY27, while Star Cement expects double-digit growth on a company level, supported by available capacity and market-share gains. West Bengal markets are witnessing higher growth, with management expecting growth in the higher teens.
- Price in October increased by ~₹10/bag in Northeast and ~₹10–15/bag outside Northeast, including West Bengal. While management indicated that the price increase outside Northeast remains relatively weak, it expects the ~₹10/bag increase in Northeast to sustain.
- Management reiterated its EBITDA guidance and expected to achieve the previously communicated target of ₹1,500–1,600/ton by the end of FY27, despite the relatively weak performance in H1FY27.
- Fuel cost stood at ₹1.52/1,000 kcal during Q2FY27. Management expects fuel costs to gradually decline to ₹1.45 by March 2027. Company has around three months of coal inventory and expects to maintain fuel costs at around ₹1.50 in Q3 and Q4. Also, they expect coal supply situation to improve over the next three months.
- The Silchar railway siding is expected to become operational by January 2027, while the power connection is also expected to be fully resolved. Management expects these developments to reduce fly-ash costs and improve the plant's operating economics, with cost savings likely to become visible from Q4FY27.
- The company has accrued ~₹36 crore of incentives during Q2FY27 following approval of the revised Assam incentive policy, which extended the applicable period from 12 to 20 years. Management expects to accrue ~₹65–70 crore of subsidy in H2FY27, compared with ~₹60 crore in H1FY27.
- Star Cement has increased its North India expansion plan from 5 mtpa to 6 mtpa, comprising a 3.3 mtpa clinker plant at Nimbol, Rajasthan, and a 3 mtpa grinding unit at Jhajjar, Haryana. The clinker plant has a rated capacity of 3.3 mtpa but can produce around 3.6 mtpa at full capacity, while the larger grinding capacity has been planned to support future expansion.
- The total capex for the Nimbol and Jhajjar projects is expected to remain within ₹3,000 crore. The Nimbol project has received a successful EAC clearance, with formal environmental clearance expected within one to two weeks. Groundbreaking is scheduled to commence from 1 December 2026, and the projects are expected to be commissioned around July–August 2028.

- The company has indicated capex of around ₹560 crore for FY27, ₹1,910 crore for FY28 and ₹610 crore for FY29 in its earlier presentation. Management stated that these estimates remain broadly valid but may be revised downwards as the company optimises project costs
- Around 50 acres of land have been aggregated at Jhajjar, with the company still in the process of acquiring the remaining land. Management expects greater clarity on the project and environmental clearance application within a month.
- The company is evaluating a 2 mtpa grinding unit between Siliguri, West Bengal, and Bihar. Management has already applied for environmental clearance at Siliguri and expects to provide clarity on the location by the next concall. Estimated capex is ~₹350 crore for Siliguri compared with ~₹550 crore for Bihar, as Siliguri already has land and railway connectivity, while Bihar would require additional infrastructure.
- If Siliguri is selected, the Bihar project will be deferred rather than cancelled. Management is also identifying land in Bihar to keep the option open for future expansion.
- Management expects Star Cement's capacity to reach ~18 mtpa over the next two years, including the 6 mtpa North India expansion and the proposed 2 mtpa grinding unit in Bihar or Siliguri. With further expansion through a grinding unit in Jorhat and the Umrangso project, the company targets crossing ~20 mtpa by FY30–FY31.
- The company is also planning to expand its RMC presence. It has opened RMC units in Siliguri and Guwahati and is planning one in Gujarat. Management is exploring a contract-based RMC model in North India, with activities expected to begin over the next four to five months, ahead of the commissioning of its new plants.
- Premium cement contributed 17.3% of sales during Q2FY27, while the clinker factor stood at 68.6% and lead distance at 208 km. Green power contributed around ~28%
- The fuel mix comprised ~45% FSA coal, ~40% washery coal and coke fine coal, ~12% biomass and ~10% spot auction coal. Non-cement revenue stood at ₹22 crore in Q2FY27, and management expects full-year non-cement revenue of around ₹100 crore.

Exhibit 1: Q2FY27 consolidated result overview (₹ crore)

Particulars	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Operating Income	831.0	810.9	2.5	942.9	-11.9	Revenue increased YoY due to some improvement in volume and realization on YoY basis
Other income	10.8	3.5	210.8	8.2	31.6	
Total Revenue	841.8	814.4	3.4	951.1	-11.5	
Raw materials costs	94.6	87.8	7.7	142.1	-33.4	
Employees Expenses	83.6	71.5	16.9	77.4	7.9	
Other Expenses	99.9	83.4	19.9	112.0	-10.8	
Total Expenditure	677.7	620.8	9.2	748.4	-9.5	
EBITDA	153.4	190.2	-19.3	194.5	-21.1	
EBITDA margins (%)	18.5	23.4	-499 bps	20.6	-217 bps	Margins impacted due to higher costs
Interest	15.2	11.1		13.8		
Depreciation	93.9	90.2	4.0	91.4	2.7	
Tax	15.5	21.3	-27.0	23.6	-34.2	
PAT	39.6	71.1	-44.3	73.9	-46.5	

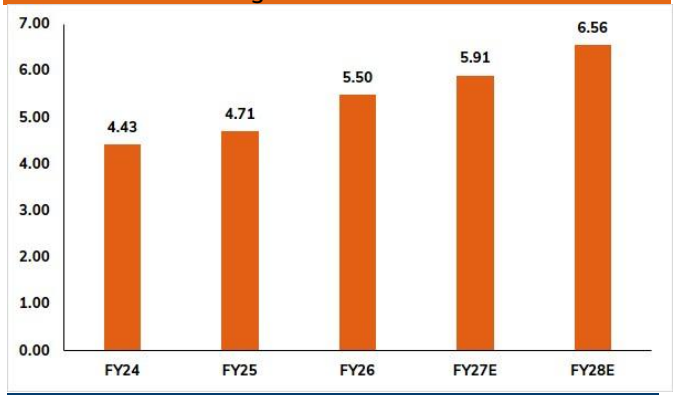
Source: Company, ICICI Direct Research

Exhibit 2: Consolidated Capacity expansion plan over FY25-FY29E



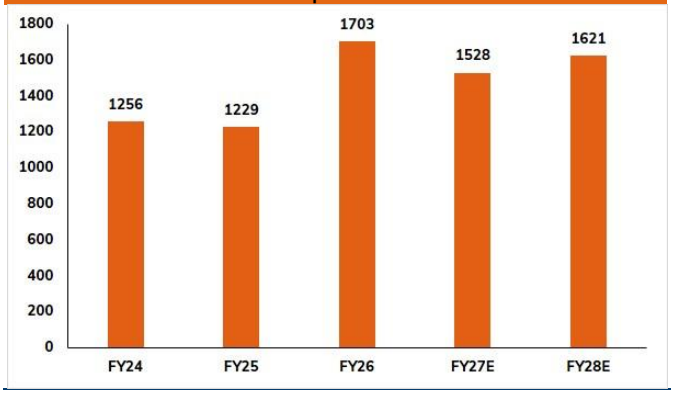
Source: Company, ICICI Direct Research

Exhibit 3: Volumes to grow at ~9% 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	4,153	4,649
% Growth	8.7	19.4	10.0	11.9
Other income	11	19	39	42
Total Revenue	3,163	3,776	4,153	4,649
% Growth	8.7	19.4	10.0	11.9
Total Raw Material Costs	519	496	579	643
Employee Expenses	247	277	324	363
Other expenses	1,818	2,067	2,347	2,580
Total Operating Expenditure	2,585	2,841	3,250	3,586
Operating Profit (EBITDA)	579	936	903	1,063
% Growth	4.0	61.8	(3.5)	17.8
Interest	32	46	62	114
PBDT	558	909	880	991
Depreciation	332	365	382	425
PBT before Exceptional Items	226	544	498	566
Total Tax	57	142	129	147
PAT before MI	169	390	368	419
PAT	169	390	368	419
% Growth	(42.8)	131.3	(5.7)	13.7
EPS	4.2	9.7	9.1	10.4

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	169	390	368	419
Depreciation	332	365	382	425
Interest	32	46	62	114
Cash Flow before WC chg	532	802	812	958
Changes in inventory	(111)	(19)	(46)	(48)
Changes in debtors	(49)	(42)	(20)	(31)
Changes in loans & Adv	3	0	-	-
Changes in other CA	6	(20)	(18)	(10)
Net Increase in CA	(314)	(95)	(103)	(114)
Changes in creditors	13	25	27	40
Changes in provisions	(2)	0	2	0
Net Inc in Current Liabilities	75	28	76	75
Net CF from Op activities	294	735	785	920
Changes in def tax assets	(3)	40	-	-
(Pur)/Sale of Fixed Assets	(535)	(431)	(560)	(1,800)
Net CF from Invest activities	(569)	(734)	(564)	(1,809)
Dividend and Dividend Tax	-	(81)	(81)	(81)
Net CF from Fin Activities	229	71	(142)	805
Net Cash flow	(46)	72	79	(84)
Opening Cash/Cash Equ	98	53	125	204
Closing Cash/ Cash Equ	53	125	204	120

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	3,438	3,776
Total Shareholders' funds	2,879	3,191	3,479	3,817
Total Debt	390	586	586	1,586
Total Liabilities	3,308	3,820	4,111	5,449
Gross Block	3,667	4,221	4,426	5,076
Acc: Depreciation	1,267	1,632	2,014	2,440
Net Block	2,401	2,589	2,412	2,637
Capital WIP	220	95	450	1,600
Total Fixed Assets	2,640	2,707	2,885	4,259
Non-Current Assets	432	739	745	754
Inventory	446	466	512	560
Debtors	200	242	262	293
Other Current Assets	161	181	199	209
Cash	53	125	204	120
Total Current Assets	1,035	1,201	1,384	1,414
Current Liabilities	233	257	284	325
Provisions	90	91	92	93
Total Current Liabilities	799	827	903	978
Net Current Assets	236	375	481	436
Total Assets	3,308	3,820	4,111	5,449

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	4.2	9.7	9.1	10.4
Cash per Share	1.3	3.1	5.0	3.0
DPS	14.0	15.0	16.0	17.0
BV	71.2	79.0	86.1	94.4
EBITDA Margin	18.3	24.8	21.7	22.9
PAT Margin	5.3	10.3	8.9	9.0
RoE	5.9	12.5	10.6	11.0
RoCE	7.9	15.6	13.8	12.6
RoIC	7.7	15.6	13.5	12.1
EV / EBITDA	12.8	8.1	8.3	8.0
P/E	41.9	17.7	19.2	16.9
EV/ton ($)	113	91	81	93
EV / Net Sales	2.3	2.0	1.8	1.8
Sales / Equity	1.1	1.2	1.2	1.2
Market Cap / Sales	2.2	1.9	1.7	1.5
Price to Book Value	2.5	2.2	2.0	1.9
Asset turnover	1.0	1.0	1.0	0.9
Debtors Turnover Ratio	18.1	17.1	16.5	16.8
Creditors Turnover Ratio	14.0	15.4	15.3	15.3
Debt / Equity	0.1	0.2	0.2	0.4
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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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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