11 August 2026

Star Cement

Soft quarter, expansion on track; maintain BUY

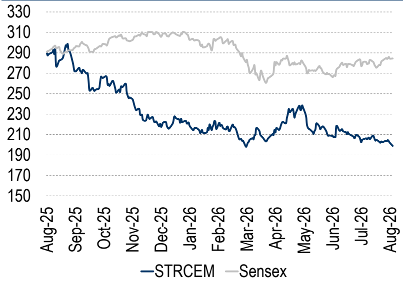
Rating: **BUY**
Target Price (12-mth): Rs.265
Share Price: Rs.198

Key Data	STRCEM IN / STAT.BO
52-week high / low	Rs309 / 196
Sensex / Nifty	78107 / 24441
Market cap	Rs82bn
Shares outstanding	404m

Shareholding Pattern (%)	Jun-26	Mar-26	Dec-25
Promoters	58.1	58.1	57.6
- of which, Pledged	*1.0*	*1.0*	*1.0*
Free float	41.9	41.9	42.4
- Foreign institutions	2.3	2.3	2.5
- Domestic institutions	2.4	2.4	4.5
- Public	37.2	37.2	35.4

Estimates Revision (%)	FY27e	FY28e
Sales	(3.2)	(4.8)
EBITDA	(5.8)	(4.9)
PAT	(13.4)	(14.8)

Relative Price Performance



Source: Bloomberg

Star Cement's quarterly performance was impacted owing to assembly elections in key operating region along with elevated cost and reduced incentive on change in scheme by Assam Govt. The company's near-term performance is likely to remain under pressure due to floods in Assam and continued cost pressure, while improving FSA coal availability should reduce fuel cost from Q2FY27e. The management expects volume to grow by 8-9% in FY27e, with EBITDA/tonne recovering to Rs1,500-1,600, supported by pent-up demand in H2FY27 and cost-saving initiatives. Capacity expansion remains a key long-term growth driver, targeting ~18-20 MTPA by FY30 with peak net debt/EBITDA capped at 1.5-1.6x. Thus, we maintain BUY rating on the stock with a revised TP of Rs265 (from Rs290 earlier), valuing it at 11x FY28e EV/EBITDA.

Soft Quarter: The company's cement sales volume (including clinker) grew by 4.5% y/y to 1.35m tonne, while clinker sales stood at 52k tonne (down 30% y/y) leading to 3.4% y/y growth in revenue to Rs9bn. While NSR/tonne fell 1% y/y, it rose 2.8% q/q. Higher cost due to West Asia conflicts, unavailability of FSA coal (due to higher coal diversion to power plant) and political donations led to 14.8% y/y fall in EBITDA to Rs1.9bn and 18.4% y/y decline in EBITDA/tonne to Rs1,436. Notably, APAT declined by 24.1% y/y to Rs747m.

Expansion Update: Aiming at ~18-20m tonne cement capacity by FY30 (9.7m tonne now), the announced expansion will expand cement capacity to 16.7m tonne by FY29. The company is planning to expand capacity at Bihar of 2m tonne, where may redirect the planned Bihar investment towards West Bengal if the benefits are attractive under new WB Industrial policy. Land acquisition has been completed for Nimbol IU (3m tonne cement and 3.3 m tonne clinker) and Haryana GU (2m tonne) where environmental clearance/public hearing are underway. NE expansion (Jorhat (2m tonne) along with clinker line at Umrangso) is to be evaluated in line with the evolving market demand and business condition. Expansion to be funded through debt/internal accruals where the peak net Debt/EBITDA was guided at 1.5-1.6x.

Business Outlook: After a soft volume in H1FY27, led by elections (Q1FY27) and floods in Assam (Q2FY27), FY27 cement sales volume estimate is revised to 8-9% (from 10-12% earlier) vs. 7% industry growth. Notably, the cement prices have remained stable post Jun exit. Due to change in State Industrial Incentive Scheme in Assam, the incentives in FY27 revised to Rs1.15bn vs. earlier guidance of Rs1.45-1.5bn. Fuel consumption cost is guided to reduce in Q2FY27 to Rs1.45/GCV (from Rs1.55 in Q1FY27), as FSA coal availability improves and more railway rakes become available. While near term profitability is expected to remain under pressure, EBITDA/tonne of Rs1,500-1,600 guided aided by pent-up demand in H2FY27, various cost saving initiatives i.e., setting up railway siding/wagon tippler, improving RE share, introduce EVs etc.

Outlook and Valuation: Expecting the company's revenue/volume/EBITDA to clock 7/10/6% CAGR over FY26-28e, we maintain BUY rating on the stock with a revised TP of Rs265, valuing it at 11x FY28e EV/EBITDA. **Key Risks:** (a) Rising operational cost; and (b) demand slowdown.

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Quick Glance – Financials and Valuations

Fig 1 – Income Statement (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Sales (m tonne)	4.4	4.7	5.5	5.9	6.4
Net revenues	29,107	31,634	37,765	39,532	43,255
Growth (%)	7.6	8.7	19.4	4.7	9.4
Direct costs	17,760.5	18,898.7	20,893.6	22,136.4	23,946.8
SG&A	5,783	6,949	7,512	8,168	8,883
EBITDA	**5,563**	**5,786**	**9,360**	**9,228**	**10,425**
EBITDA margins (%)	19.1	18.3	24.8	23.3	24.1
- Depreciation	1,466	3,319	3,653	3,973	4,345
Other income	265	106	193	178	151
Interest expenses	126	316	463	557	842
PBT	4,236	2,257	5,436	4,876	5,390
Effective tax rates (%)	30.33	25.18	26.65	25.20	25.20
+ Associates / (Minorities)	-	-2	-30	-30	-30
Net income	2,951	1,690	3,934	3,677	4,062
Adj. income	2,951	1,690	4,047	3,677	4,062
WANS	404	404	404	404	404
FDEPS (Rs)	7.3	4.2	10.0	9.1	10.0
FDEPS growth (%)	19.2	-42.7	139.4	-9.2	10.5

Fig 2 – Balance Sheet (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Share capital	404	404	404	404	404
Net worth	27,101	28,792	31,912	35,589	39,650
Debt	1,298	3,901	5,862	5,862	11,862
Minority interest	-	-3	-31	-61	-91
DTL / (Assets)	-2,401	-2,431	-2,035	-2,035	-2,035
Capital employed	**25,999**	**30,259**	**35,708**	**39,355**	**49,387**
Net tangible assets	13,964	24,006	24,994	26,269	27,424
Net intangible assets	195	200	1,124	1,124	1,124
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	10,216	2,199	948	2,500	12,000
Investments (strategic)	20	20	2,584	2,584	2,584
Investments (financial)	-	-	-	-	-
Current assets (excl. cash)	8,254	11,689	13,538	14,188	15,287
Cash	973	524	1,247	2,655	1,871
Current liabilities	7,624	8,378	8,726	9,964	10,903
Working capital	630	3,311	4,812	4,224	4,385
Capital deployed	**25,999**	**30,259**	**35,708**	**39,355**	**49,387**
Contingent liabilities	-	-	-	-	-

Fig 3 – Cash-flow Statement (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
PBT (Adj. OI and interest)	4,097	2,467	5,707	5,255	6,081
+ Non-cash items	1,466	3,319	3,653	3,973	4,345
Oper. prof. before WC	5,563	5,786	9,360	9,228	10,425
- Incr./ (decr.) in WC	-1,646	2,681	1,501	-588	161
Others incl. taxes	1,285	568	1,418	1,229	1,358
Operating cash-flow	5,924	2,538	6,440	8,587	8,906
- Capex (tang. + intang.)	11,426	5,348	4,314	6,800	15,000
Free cash-flow	-5,501	-2,811	2,125	1,787	-6,094
Acquisitions					
- Div. (incl. buyback & taxes)	-	-	808	-	-
+ Equity raised	-	-	-	-	-
+ Debt raised	1,037	2,603	1,961	-	6,000
- Fin investments	-1,706	0	2,563	-	-
- Misc. (CFI + CFF)	-615	241	-8	379	690
Net cash-flow	-2,144	-449	722	1,408	-784

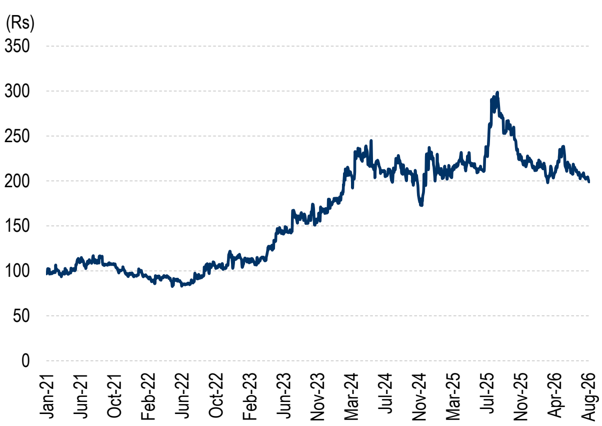
Source: Company

Fig 4 – Ratio Analysis

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
P/E (x)	31.0	51.4	20.3	21.8	19.7
EV / EBITDA (x)	16.5	15.6	9.0	8.8	8.4
EV / Sales (x)	3.2	2.9	2.2	2.0	2.0
P/B (x)	3.4	3.0	2.6	2.3	2.0
RoE (%)	11.5	6.0	12.9	10.8	10.7
RoCE (%) - after tax	12.0	6.6	12.7	10.5	10.2
DPS (Rs)	-	-	2.0	-	-
Dividend payout (%) - incl. DDT	-	-	20.0	-	-
Net debt / equity (x)	0.01	0.12	0.06	0.02	0.19
WC days	18	23	39	42	36
EV / tonne ($)	125.5	123.4	94.3	90.5	97.9
NSR / tonne(Rs) (blended)	6,554	6,688	6,868	6,908	6,968
EBITDA / tonne (Rs)	1,253	1,223	1,702	1,558	1,627
Volumes (m tonne)	4.4	4.7	5.1	5.7	6.2
CFO: PAT (%)	200.7	150.1	159.1	233.5	219.3

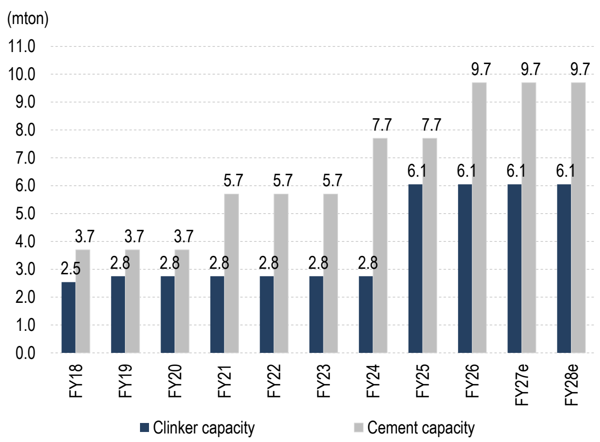
Source: Company

Fig 5 – Price Movement



Source: Bloomberg

Fig 6 – Cement and Clinker Capacities



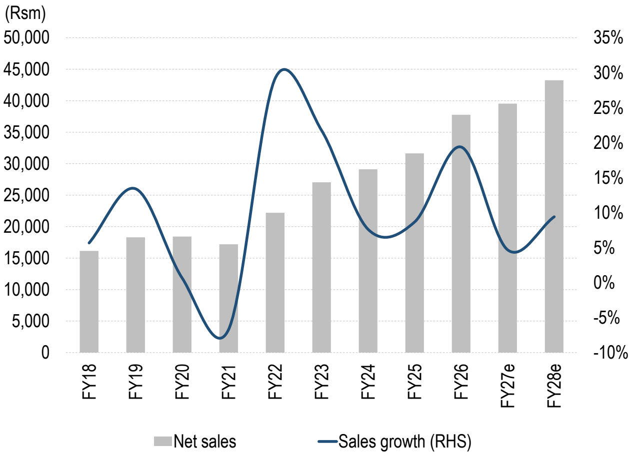
Source: Company, Anand Rathi Research

Key Highlights

Revenue Growth

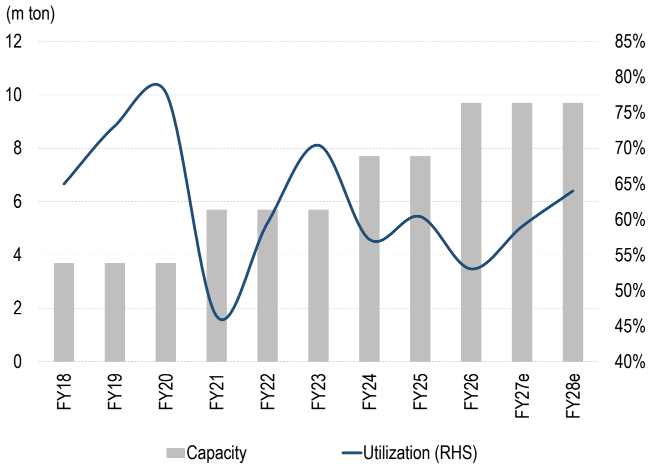
- Revenue grew 3.4% y/y to Rs9.4bn in Q1FY27, while cement sales volume grew 4.5% y/y to 1.35m tonne (to NE market: up 0.5% y/y to 871k tonne/ to other regions outside NE: up 21.4% y/y to 431k tonne).
- While clinker sales stood at 52k tonne, blended cement realisation declined 1% y/y in Q1FY27.

Fig 7 – Revenue and Revenue Growth



Source: Company, Anand Rathi Research

Fig 8 – Capacity and Utilisation

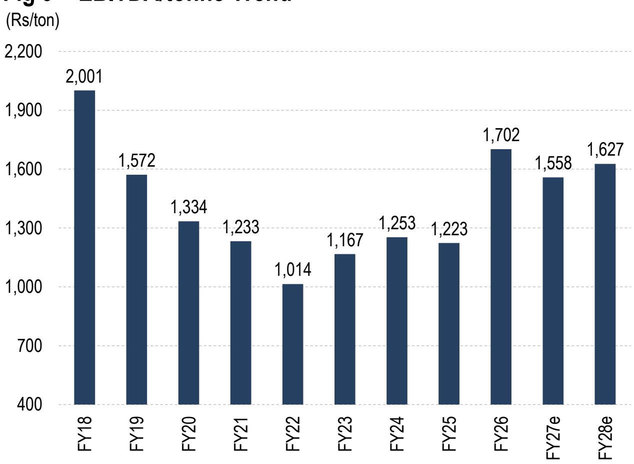


Source: Company, Anand Rathi Research

Operating Performance

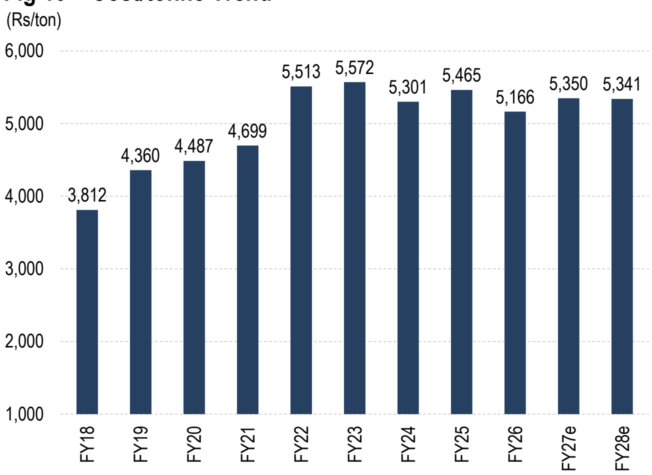
- EBITDA declined 14.8% y/y to Rs1.9bn with 20.6% margin. Per-tonne P&F and RM cost grew 2.9% and 1.2% y/y, respectively.
- Freight cost/tonne grew 3.7% y/y.
- Employee cost rose 16% y/y, while other expenditure grew 15% y/y on absolute basis.
- EBITDA/tonne declined 18.4% y/y to Rs1,436 (down 21% q/q), while APAT declined 24.1% y/y to Rs747m.

Fig 9 – EBITDA/tonne Trend



Source: Company, Anand Rathi Research

Fig 10 – Cost/tonne Trend



Source: Company, Anand Rathi Research

Result Highlights

Fig 11 – Quarterly Performance

(Rs m)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27	y/y (%)	q/q (%)
Sales	6,514	9,135	7,510	6,415	7,188	10,521	9,120	8,109	8,800	11,736	9,429	3.4	(19.7)
EBITDA	1,488	1,797	1,161	956	1,042	2,627	2,282	1,902	2,025	3,151	1,945	(14.8)	(38.3)
EBITDA margin (%)	22.8	19.7	15.5	14.9	14.5	25.0	25.0	23.4	23.0	26.8	20.6	-440bps	-622bps
EBITDA / tonne (Rs)	1,529	1,274	1,006	978	977	1,715	1,761	1,620	1,562	1,818	1,436	(18.4)	(21.0)
Interest	30	42	59	71	98	88	102	111	121	129	138	35.4	6.4
Depreciation	365	423	725	825	893	875	852	902	912	987	914	7.3	(7.4)
Other income	41	78	14	16	25	50	18	35	49	91	82	357.5	(10.0)
Exceptional items	-	-	-	-	-	-	-	-	55	58	-	NA	NA
PBT	1,134	1,411	391	76	76	1,714	1,347	924	985	2,068	975	(27.6)	(52.8)
Tax	399	535	81	19	(14)	483	365	213	243	597	236	(35.3)	(60.5)
PAT before Asso./MI	735	877	310	57	90	1,231	982	711	742	1,470	739	(24.7)	(49.7)
Associates / (Minorities)	-	-	-	(0.7)	(0.1)	(0.5)	(2.9)	(8.9)	(7.2)	(10.7)	(8.1)	178.2	(24.8)
Reported PAT after Asso./ MI	735	877	310	57	91	1,232	985	719	749	1,481	747	(24.1)	(49.5)
Adj. PAT after Asso./ MI	735	877	310	57	91	1,232	985	719	804	1,539	747	(24.1)	(51.5)

Source: Company, Anand Rathi Research

Fig 12 – Per-tonne Analysis

(Rs per tonne)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27	y/y (%)	q/q (%)
Gross realisations (blended)	6,695	6,474	6,508	6,566	6,736	6,867	7,037	6,907	6,790	6,772	6,964	(1.0)	2.8
EBITDA	1,529	1,274	1,006	978	977	1,715	1,761	1,620	1,562	1,818	1,436	(18.4)	(21.0)
Sales volumes (m tonne) (cement + clinker)	0.97	1.41	1.15	0.98	1.07	1.53	1.30	1.17	1.30	1.73	1.35	4.5	(21.9)
Costs													
Raw material	1,601	1,677	2,126	1,652	1,902	1,499	1,533	1,504	1,696	1,429	1,552	1.2	8.6
Power & Fuel	1,373	831	992	1,193	1,076	1,213	1,091	1,133	971	910	1,122	2.9	23.3
Freight	1,131	1,158	1,129	1,092	1,144	1,280	1,234	1,225	1,293	1,255	1,280	3.7	2.0
Staff cost	560	388	539	661	568	392	515	609	540	398	572	10.9	43.6
Other expenses	816	794	866	1,031	1,167	868	841	968	861	806	928	10.4	15.2

Source: Company, Anand Rathi Research

Earning Concall – Key Highlights

Demand and Pricing

- Overall NE cement and clinker capacity is expected at ~23 and 15.5-16m tonne with star and Dalmia being the dominant players. The management does not expect any major new clinker capacity in the Northeast in FY27. Over the next three years, only limited capacity addition of ~1 MTPA each by two major players are expected.
- It sold 1.302m tonne of cement in Q1 (up 7% y/y). Sales to NE grew ~0.4% y/y (vs. 1-1.5% region growth) to 0.871m tonne impacted by state elections and grew 21.4% y/y to 431k to regions outside NE. Clinker sales stood at 52k tonne (down 30% y/y).
- As demand is impacted due to floods in Assam (down ~12% in Jul-26 and marginal growth in Aug-26), it is expected to recover in Sept-26.
- The management has revised cement sales guidance growth of 10-12% in FY27 to 8-9% (vs. 7% industry growth). H2 sales volume is guided to grow by double-digit aided by pent-up demand. Clinker sales are expected to remain flat or decline by ~5-10% in FY27, as more clinker become available from outside the NE.
- Cement prices have rose by Rs3/bag in NE/WB and Rs10/bag in Bihar post Jun-26 exit.
- EBITDA/tonne Rs1,500-1,700 guided at the company level in coming years. While EBITDA/tonne will fall on Rajasthan IU commission due to high fixed cost absorption, Rs1300-1400 EBITDA/tonne guided in the long-term.

Expansion, Capex and Debt

- The company is aiming at 18-20mtpa cement by FY30.
- It is planning to set up a 2m-tonne cement GU at Begusarai (Bihar) with Rs5bn capex. However, it might set up capacity at Siliguri, if to be announced industrial policy/incentives (on 15th Aug-26) in West Bengal is more favourable. Also, as it is already having land and railway siding, it will reduce brownfield cost
- The company is setting up a 4-5mtpa cement GU (clinker ~3.3m tonne) in Rajasthan by Q1FY29. The land acquisition has been completed, and EC acquisition (by Oct-26) are underway to set up Nimbol IU (Clinker + cement~3.3m tonne each) along with 2-2.5m tonne GU at Haryana with Rs25bn capex.
- Various clearance are under process (environment/forest) for Umrangso clinker line, for which it acquired 180m-tonne limestone mines at 150% premium. The 2m-tonne capacity expansion at Jorhat (Assam) GU is expected to commence with Umrangso clinker line.
- A railway siding at Silchar is expected to become operational by Oct-Nov'26, which should improve logistics efficiency and allow the company to serve South Assam and other NE markets more effectively.
- Further, it is installing wagon tippler at Siligudi unit reducing Flyash/ clinker transportation cost (Rs150/tonne cost saving).

- An AAC block (240kcbm/annum) and a CC unit (120kcbm/annum) began on 2nd of Jun-25. It guided non-cement revenue of Rs1.5bn with EBITDA margin of 7-8% in FY27e.
- FY27/28 capex is seen at Rs5-6/15bn, where it spent Rs930m in Q1FY27. Expansion would be funded through debt, internal accruals and/or QIP. Net Debt/EBITDA earlier guided to peak at 1.5-1.6x.
- The Assam Government has changed the subsidy payout mechanism by spreading the remaining subsidy over the remaining years of the scheme. Due to change in Industrial Incentive Scheme in Assam, the incentives in FY27 revised to be Rs1.15bn vs. earlier guidance of Rs1.45-1.5bn. Outstanding incentives as on 30th Jun-26 stood at Rs1.3bn. Lower subsidy is a near-term earnings headwind, but the management expects the impact to become less significant from Q3FY27 onwards, as the previous year's high GST-related base effect normalises.

Operational Highlights

- FSA coal share declined to 45%, as the company must buy more spot coal (~30%) due to coal diversion by Coal India to power plants on higher demand followed by Spot coal. Fuel consumption cost stood at Rs1.55/GCV, which is guided to decline to 1.45 in Q2FY27, as FSA coal availability improves and more railway rakes become available.
- The company is also planning to introduce EVs on selected routes, which should help lower transportation cost over time.
- The Q1 trade:non-trade mix stood at 80:20 with OPC share of 15%. Share of premium cement rose to 15.9% from 15.1% in Q4FY26. The lead distance stood at 210km (vs. 220km in Q4FY26). CC ratio stood at 66.5%
- Green energy share stood at 33%. The company is also planning to have group captive power schemes in Q3/Q4.
- It paid Rs100m as political donation in Q4FY26 and Rs50m in Q3FY26. Further, some donation was paid in Q1FY27 where no donation is guided for Q2FY27.

Outlook and Valuation

With a healthy ~26% market share, Star Cement is one of the leading players in the NE region. Having 9.7mtpa cement now, it targets 18-20mtpa capacity by FY30e. Announced expansion would diversify its presence and improve capacity utilisation and strengthen its presence in existing markets. Peak Net debt/EBITDA is guided at 1.5-1.6x despite expansion.

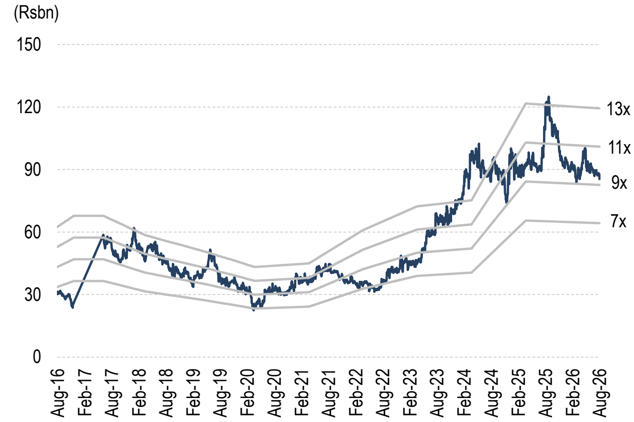
Expecting the company's revenue/volume/EBITDA to clock 7/10/6% CAGR over FY26-28e, we maintain BUY rating on the stock with a revised TP of Rs265, valuing it at 11x FY28e EV/EBITDA.

Fig 13 – Change in Estimates

(Rs m)	Old Estimates		New Estimates		Change (%)	
	FY27e	FY28e	FY27e	FY28e	FY27	FY28
Sales	40,850	45,413	39,532	43,255	(3.2)	(4.8)
EBITDA	9,795	10,961	9,228	10,425	(5.8)	(4.9)
PAT	4,244	4,765	3,677	4,062	(13.4)	(14.8)

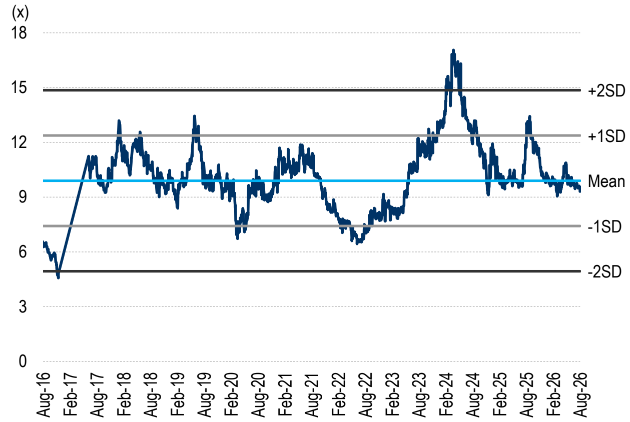
Source: Anand Rathi Research

Fig 14 – 1-Year Fwd. EV/EBITDA Band



Source: Bloomberg, Anand Rathi Research

Fig 15 – 1-Year Fwd. EV/EBITDA: Standard Deviation



Source: Bloomberg, Anand Rathi Research

Fig 16 – Comparative Valuation

Company	(CMP) (Rs)	P/E (x)		EV / EBITDA (x)		EV / tonne ($)	
		FY27e	FY28e	FY27e	FY28e	FY27e	FY28e
Star Cement	**198**	**22.0**	**19.9**	**9.0**	**8.7**	**91**	**98**
Ramco Cement	934	60.7	34.9	16.5	12.9	86	84
JK Lakshmi	550	15.6	12.4	8.6	7.6	53	47
Shree	25,500	50.7	36.5	19.5	15.5	129	124
Dalmia Bharat	1,827	29.6	25.6	11.9	10.2	68	60
JK Cement	5,372	38.1	28.1	18.7	14.6	153	125
Birla Corp.	900	11.3	9.2	6.5	5.6	44	39
Heidelberg Cement	154	21.0	16.6	9.8	8.0	50	49
Sagar Cement	175	NA	226.1	11.8	8.5	36	34

Source: Company, Anand Rathi Research

Key Risks

- Rising operational cost.
- Demand slowdown.

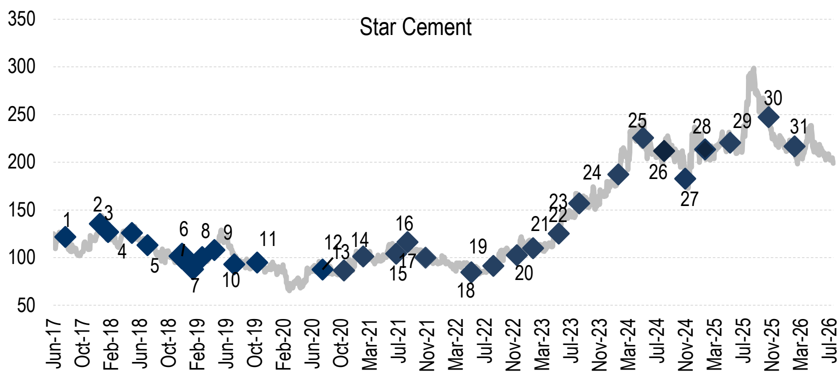
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 11 August 2026)



	Date	Rating	TP (Rs)	Share Price (Rs)
16	19-Aug-21	**Hold**	130	116
17	03-Nov-21	**Hold**	119	101
18	20-May-22	**Hold**	100	90
19	04-Aug-22	**Hold**	108	97
20	17-Nov-22	**Hold**	116	102
21	07-Feb-23	**Hold**	127	113
22	23-May-23	**Hold**	149	125
23	13-Aug-23	**Hold**	167	160
24	09-Feb-24	**Hold**	224	196
25	26-May-24	**Buy**	275	217
26	18-Aug-24	**Buy**	279	212
27	14-Nov-24	**Buy**	251	182
28	09-Feb-25	**Buy**	270	213
29	26-May-25	**Buy**	275	220
30	08-Nov-25	**Buy**	310	247
31	10-Feb-26	**Buy**	290	218

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Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)	**Buy**	**Hold**	**Sell**
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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