Star Cement (STACEM)

ICICI Direct

CMP: ₹ 217 | Target: ₹ 300 (38%) | Target Period: 12 months | BUY

February 10, 2026

Strong expansion plan provides long-term visibility...

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

Q3FY26 performance: Revenue increased by 22.4% YoY (+8.5% QoQ) to Rs 880.0 crores, led by strong volume growth of 22.3% YoY (+8.5% QoQ) to 1.3 mtpa. Net realization remained flat on YoY basis (-2% QoQ). EBITDA/ton increased by 58.9% YoY (-3.9% QoQ) to Rs 1562/ton. Subsequently, EBITDA came at Rs 202.5 crore (+94.3% YoY, +6.5% QoQ). On PAT level, the company reported a profit of Rs 74 crore (+720% YoY, +4.4% QoQ)

Investment Rationale

- **Volume growth expected at ~13% CAGR over FY25-28E; Doubling capacity by FY29E:** Volume growth remained strong at 18.5% for 9MFY26, driven by healthy demand across its north-east & east markets and improvement in capacity utilisation (post commissioning of clinker unit at Meghalaya in FY25). Going ahead, we believe that company's volume growth to remain better-than-industry in the coming period, led by steady demand growth and expansion plan. Company is in the process of commission 2 mtpa GU at Silchar (Assam) this month (Feb-2026), which will take total capacity to 9.7 mtpa by FY26E (from 7.7 mtpa). It also plans to enter into Bihar market with a 2 mtpa capacity (expected in FY28E). Further, expansion plans in north India (include 3 mtpa clinker with 3 mtpa grinding at Rajasthan and 2 mtpa split GU at Haryana) targeted for completion by FY29E. Moreover, Jorhat (Assam) GU of 2 mtpa has been deferred and 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. We estimate volume CAGR of 13% over FY25-28E
- **EBITDA/ton expected to improve to Rs 1850+/ton by FY28E, led by focus on cost structure**: During 9MFY26, company's profitability improved sharply on YoY basis (EBITDA/ton stood at Rs 1650/ton, +66% YoY), led by improvement in realisations, lower RM cost and positive operating leverage. We believe that company's 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, freight cost optimisation through addition of grinding units in NE, North & West regions) and incentives from state government. We estimate company's EBITDA/ton to improve to ₹ 1865/ton in FY28E from ₹ 1229/ton in FY25 (~₹ 635/ton improvement over the period)

Rating and Target Price

- With healthy volume growth and healthy improvement in EBITDA/ton over FY25-28E, we expect revenue to grow 14.5% CAGR over FY25-28E while EBITDA & PAT are expected to grow at ~29% & ~49% CAGR respectively. We maintain **BUY** on Star Cement with a target price of Rs 300 (based on 11x EV/EBITDA on FY27E and FY28E average)

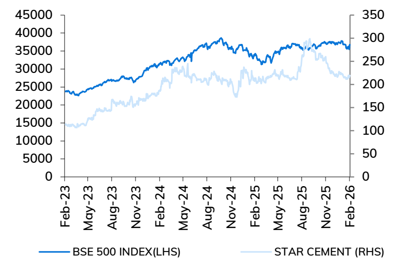
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	8,771
FY25 Gross Debt (Rs Crore)	390
FY25 Cash (Rs Crore)	53
EV (Rs Crore)	9,108
52 Week H/L (Rs)	309 / 197
Equity Capital	40.4
Face Value	2.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	57.7	57.7	57.6	57.6
FII	2.0	2.2	3.0	2.5
DII	5.2	4.9	4.4	4.5
Others	35.2	35.2	35.1	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

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Company Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(Year-end March)	FY23	FY24	FY25	2 Year CAGR (FY23-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	2,705	2,911	3,163	8.1%	3,746	4,227	4,749	14.5%
EBITDA	468	556	579	11.1%	938	1,080	1,251	29.3%
EBITDA margin (%)	17.3	19.1	18.3		25.0	25.5	26.3	
Net Profit	248	295	169	-17.4%	405	490	563	49.4%
EPS (Rs)	6.1	7.3	4.2		10.0	12.1	13.9	
P/E (x)	35.4	29.7	52.0		21.4	17.9	15.6	
EV/EBITDA (x)	24.3	18.1	15.8		9.8	8.4	7.6	
EV/ton ($)	173	175	134		112	110	96	
RoCE (%)	15.9	15.4	7.9		15.0	16.0	15.5	
RoE (%)	10.3	10.9	5.9		12.5	13.0	13.0	

Source: Company, ICICI Direct Research

Q3FY26 Result Highlights:

- Revenue increased by 22.4% YoY (+8.5% QoQ) to Rs 880.0 crores, led by strong volume growth of 22.3% YoY (+8.5% QoQ) to 1.3 mtpa. Net realization remained flat on YoY basis (-2% QoQ).
- EBITDA/ton increased by 58.9% YoY (-3.9% QoQ) to Rs 1562/ton, mainly on account of lower costs (raw material, power & fuel) and positive operating leverage. Subsequently, EBITDA came at Rs 202.5 crore (+94.3% YoY, +6.5% QoQ).
- On PAT level, the company reported a profit of Rs 74 crore (+720% YoY, +4.4% QoQ).
- For 9MFY26, revenue increased by 23.3% YoY led by 18.5% YoY volume growth and 4.1% YoY improvement in realisation. EBITDA/ton stood at Rs 1650/ton (vs Rs 995/ton in 9MFY25)

Recent earnings call highlights:

- Management reiterated ~5.3 million tons for FY26 (broadly unchanged). For Q4FY26, expected 8–10% YoY cement volume growth. Management expects FY27 volume growth to be similar to FY26. No major new capacity additions in FY27
- Prices improved by about ₹20/bag in Northeast versus last year. In Bihar prices rose slightly, while West Bengal prices declined, leading to broadly neutral pricing in East.
- Management said prices in Northeast have remained stable since December. Management stated that per-bag price in Northeast is about ~₹453
- Clinker production was 0.894 mtpa in Q3FY26 vs 0.642 mtpa in Q3FY25. Cement production was 1.257 mtpa in Q3FY26 vs 1.082 mtpa in Q3FY25. Cement sales stood at 1.231 mtpa in Q3FY26 vs 1.061 mtpa in Q3FY25
- Sales in Northeast were 0.936 mtpa in Q3FY26 vs 0.837 mtpa in Q3FY25. Sales outside Northeast were 0.295 mtpa in Q3FY26 vs 0.224 mtpa in Q3FY25
- Non-trade share increased to 22% vs 19% last year. Premium cement share in trade sales increased from 12% to 17.1% YoY
- Plant utilization was around 60% in Q3FY26. Management expects utilization to rise to 70–75% in Q4FY26.
- Average lead distance reduced to 212 km vs ~220 km earlier. Lower lead distance aided logistics efficiency
- Freight cost rose by about ₹60–70/ton sequentially, which management termed normal and cyclical. Additional spike occurred due to an October strike in Meghalaya, forcing clinker movement via rakes. Management does not expect similar abnormal freight increase in Q4FY26
- Fuel mix: 78% coal sourced under FSA from Coal India. 15% biomass and ~5% spot coal. Company has about 2.8 lakh tons of coal inventory, sufficient for ~4 months
- Incentive income was ₹33 crore in Q3FY26 vs ₹43 crore in Q3FY25 and ₹56 crore in Q2FY26. Decline was attributed to GST reduction from 28% to 18%.
- Capex incurred till 9M FY26: ₹431 crore. Expected capex in Q4FY26: ~₹150 crore. FY27 capex to be finalized based on Rajasthan/Bihar plans
- Rajasthan (Nimbol) clinker & grinding project: Planned 3 mtpa clinker + 3 mtpa grinding unit at Nimbol (Rajasthan). Additional 2 mtpa grinding unit at Haryana, fed by Nimbol clinker. Timeline: EC expected by Sep–Oct 2026; groundwork to start thereafter. Likely commissioning in ~18–22 months from groundbreaking (around FY28–FY29). Estimated capex: ₹2,400–2,500 crore

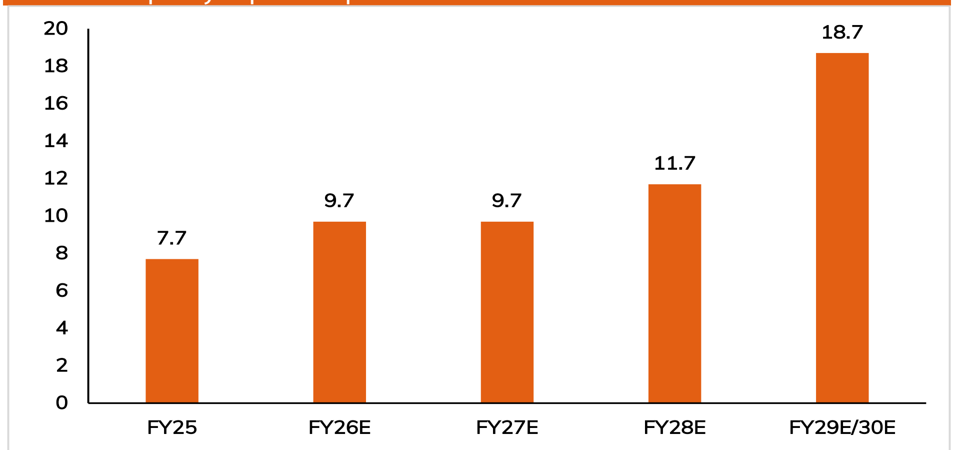
- Planned ~2 mtpa grinding unit in Bihar. Land acquisition in progress; likely to be commissioned before Umrangshu unit
- Umrangshu (Assam) clinker plant: Applied for EC; expected approval expected by September 2026. Grinding unit (likely at Jorhat) to come along with this clinker plant (timeline ~FY29)
- Overall planned capex: ~₹4,800 crore over the next 3–4 years. Likely commissioning window will be FY29E to early FY30E in phases.
- AAC block sales volume: 61,500 CBM. Revenue from AAC blocks: ₹25 crore in Q3FY26; EBITDA ~₹13 crore (ramp-up phase). Full-run rate revenue potential: ₹90–100 crore per year with ~20% EBITDA margin from FY27
- Management clarified that company does not source coal from Meghalaya illegal mines. Hence, there was no impact on coal availability or costs

Exhibit 1: Quarterly Analysis – Q3FY26

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Operating Income	880.0	718.8	22.4	810.9	8.5	Revenue increased due to robust growth in sales volume
Other income	4.9	2.5	93.3	3.5	40.3	
Total Revenue	884.9	721.3	22.7	814.4	8.7	
Raw materials costs	119.6	155.1	-22.9	87.8	36.2	
Employees Expenses	69.9	60.6	15.4	71.5	-2.2	
Other Expenses	99.9	83.4	19.9	112.0	-10.8	
Total Expenditure	677.5	614.5	10.2	620.8	9.1	
EBITDA	202.5	104.2	94.3	190.2	6.5	Margins improved YoY led by volumes growth
EBITDA margins (%)	23.0	14.5	851 bps	23.4	-44 bps	
Interest	12.1	9.8		11.1		
Depreciation	91.2	89.3	2.1	90.2	1.1	
Tax	24.3	-1.4	-1,800.7	21.3	14.2	
PAT	74.2	9.0	720.6	71.1	4.4	

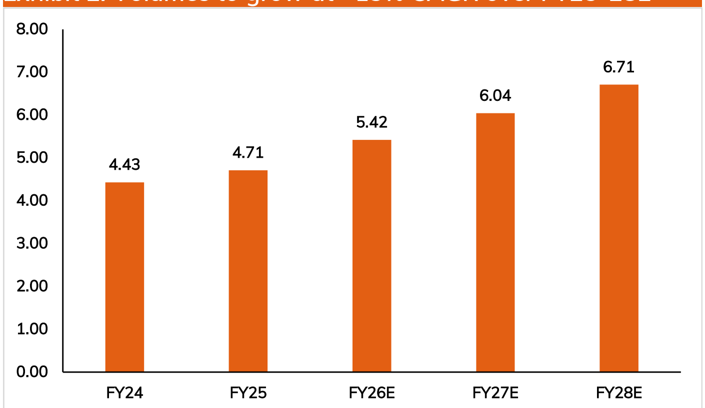
Source: Company, ICICI Direct Research

Exhibit 1: Capacity expansion plan over FY25-FY29E



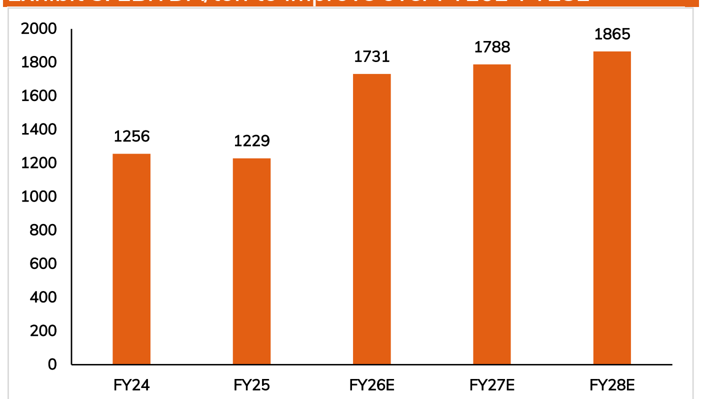
Source: Company, ICICI Direct Research

Exhibit 2: Volumes to grow at ~13% CAGR over FY25-28E



Source: Company, ICICI Direct Research

Exhibit 3: EBITDA/ton to improve over FY26E-FY28E



Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Revenue	3,163	3,746	4,227	4,749
% Growth	*8.7*	*18.4*	*12.8*	*12.4*
Other income	11	13	15	16
Total Revenue	3,163	3,746	4,227	4,749
% Growth	*8.7*	*18.4*	*12.8*	*12.4*
Total Raw Material Costs	519	477	531	587
Employee Expenses	247	280	322	371
Other expenses	1,818	2,051	2,294	2,541
Total Operating Expenditure	2,585	2,809	3,147	3,499
Operating Profit (EBITDA)	579	938	1,080	1,251
% Growth	*4.0*	*62.1*	*15.2*	*15.8*
Interest	32	44	52	64
PBDT	558	907	1,042	1,202
Depreciation	332	362	389	451
PBT before Exceptional Items	226	546	653	751
Total Tax	57	135	163	188
PAT before MI	169	405	490	563
PAT	169	405	490	563
% Growth	*(42.8)*	*140.1*	*20.9*	*14.9*
EPS	4.2	10.0	12.1	13.9

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	169	405	490	563
Depreciation	332	362	389	451
Interest	32	44	52	64
Cash Flow before WC changes	532	810	931	1,079
Changes in inventory	(111)	(77)	(56)	(72)
Changes in debtors	(49)	(37)	(30)	(33)
Changes in loans & Advances	3	-	-	-
Changes in other current assets	6	(26)	(24)	(26)
Net Increase in Current Assets	(314)	(246)	(146)	(170)
Changes in creditors	13	24	33	36
Changes in provisions	(2)	2	0	0
Net Inc in Current Liabilities	75	57	57	62
Net CF from Operating activities	294	621	842	971
Changes in deferred tax assets	(3)	-	-	-
(Purchase)/Sale of Fixed Assets	(535)	(600)	(650)	(1,350)
Net CF from Investing activities	(568)	(681)	(678)	(1,380)
Dividend and Dividend Tax	-	-	-	-
Net CF from Financing Activities	229	201	(52)	236
Net Cash flow	(45)	141	112	(173)
Opening Cash/Cash Equivalent	98	53	194	306
Closing Cash/ Cash Equivalent	53	194	306	133

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	40	40	40	40
Reserve and Surplus	2,839	3,243	3,733	4,296
Total Shareholders funds	2,879	3,283	3,773	4,336
Total Debt	390	636	636	936
Total Liabilities	3,309	3,958	4,448	5,311
Gross Block	3,667	4,387	4,737	5,487
Acc: Depreciation	1,267	1,628	2,017	2,468
Net Block	2,401	2,759	2,720	3,019
Capital WIP	220	100	400	1,000
Total Fixed Assets	2,640	2,879	3,140	4,039
Non Current Assets	432	503	531	561
Inventory	446	523	579	651
Debtors	200	236	266	299
Other Current Assets	161	187	211	237
Cash	53	194	306	133
Total Current Assets	1,035	1,422	1,680	1,677
Current Liabilities	233	257	290	325
Provisions	90	91	92	93
Total Current Liabilities	799	856	913	975
Net Current Assets	236	566	767	701
Total Assets	3,309	3,958	4,448	5,311

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
EPS	4.2	10.0	12.1	13.9
Cash per Share	1.3	5.0	7.8	3.5
DPS	14.0	15.0	16.0	17.0
BV	71.2	81.2	93.4	107.3
EBITDA Margin	18.3	25.0	25.5	26.3
PAT Margin	5.3	10.8	11.6	11.9
RoE	5.9	12.5	13.0	13.0
RoCE	7.9	15.0	16.0	15.5
RoIC	7.7	15.5	16.8	15.6
EV / EBITDA	15.7	9.8	8.4	7.6
P/E	52.0	21.4	17.9	15.6
EV/ton ($)	139	112	110	-
EV / Net Sales	2.9	2.5	2.2	2.0
Sales / Equity	1.1	1.1	1.1	1.1
Market Cap / Sales	2.8	2.3	2.1	1.8
Price to Book Value	3.0	2.7	2.3	2.0
Asset turnover	1.0	1.0	1.0	0.9
Debtors Turnover Ratio	18.1	17.2	16.8	16.8
Creditors Turnover Ratio	14.0	15.3	15.5	15.4
Debt / Equity	0.1	0.2	0.2	0.2
Current Ratio	1.3	1.4	1.5	1.6
Quick Ratio	0.6	0.6	0.7	0.7

Source: Company, ICICI Direct Research

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