Reco	:	BUY
CMP	:	INR 173
Target Price	:	INR 225
Potential Return	:	30%

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Market data

Sensex	:	77,156
Sector	:	Cement
Market Cap (INR bn)	:	69.9
Market Cap (USD bn)	:	0.827
O/S Shares (mn)	:	404.2
52-wk HI/LO (INR)	:	256/162
Avg. Daily Vol ('000)	:	319
Bloomberg	:	STRCEM IN

Source: Bloomberg

Valuation

	FY25e	FY26e	FY27e
EPS (INR)	4.3	8.7	11.3
P/E (x)	40.4	20.0	15.3
P/BV (x)	2.4	2.2	1.9
EV/EBITDA (x)	13.4	9.7	7.7
Dividend Yield (%)	0.5	0.6	0.6

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(17)	(23)	(29)	2
Relative	(13)	(19)	(32)	(13)

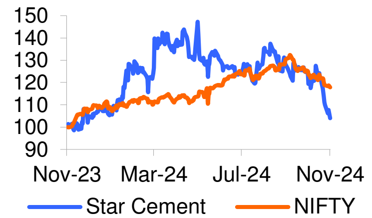
Source: Bloomberg

Shareholding pattern

Promoters	:	66%
Public	:	34%
Others	:	0%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg Indexed to 100

INITIATING COVERAGE

Star Cement

Northeast dominance to drive industry leading performance

We initiate coverage on Star Cement (STARCEM) with a BUY rating and TP of INR 225/share based on 10x FY27E EV/EBITDA. STARCEM is one of the fastest growing company in the most profitable Northeast markets which enjoys 1.5-2x EBITDA/ton vs pan-India average. Its EBITDA is likely to almost double to ~INR 10 bn over the next 4 years given 120% rise in its clinker capacity. The company may report industry leading EBITDA/ton of ~INR 1,400 by FY27E (from ~INR 1,134/ton in FY25E) led by a greater share of the profitable Northeast market, various cost saving initiatives, and higher incentives to the tune of INR 10 bn (~INR 200/ton) to be recognized over seven years. The balance sheet remains strong with peak debt of INR 2–3 bn in FY25E despite a large capex outlay of INR 18 bn over FY24–25E. Future Greenfield expansion in the North post FY27 is likely to be funded via internal accruals as the company is likely to generate an average OCF of INR 7–8 bn p.a.

Aspires to double the capacity to 15 MT by 2030

STARCEM recently increased its clinker capacity from 2.8 MT in FY24 to 6.1 MT in May'24, as it added a new 3.3 MT clinker capacity and 12 MW waste heat recovery systems (WHRS). Apart from these, the company plans to set-up a new 2 MT cement unit in Silchar, Assam in FY26, followed by another 2 MT unit in Jorhat, Assam in FY27 taking total cement capacity to 11.7 MT. STARCEM aspires to almost double its capacity to 15 MT over the next five years with its planned greenfield expansion in the North by 2030. The company has been recently declared as a preferred bidder for limestone block at Nimbol, Rajasthan having reserves of ~64 MT.

Leadership position in the high growth Northeast market

The Northeast market witnessed significant investments (INR 5 trn over 2014–24) and an additional INR 11 trn is expected to be invested over the next 5–6 years. Cement demand has grown at a CAGR of 8-9% over FY19-24 vs pan-India's 5-6% CAGR. STARCEM is amongst the leaders in the high growth profitable Northeast market with ~24% market share in FY24. Its market share increased to ~26% in 1HFY25 post commissioning of new capacity in May'24 and the management is targeting 30% market over next two year. The Northeast's share in its overall sales mix is expected to improve from the current 75% over FY24-27E.

Northeast markets are highly profitable as well

Owing to logistical constraints/ hilly terrain, the Northeast market has been enjoying better pricing (higher by INR1,000-1,200/t) and in turn profitability as compared to other regions. Many companies in the Northeast have been registering EBITDA/ton of INR 1,500–1,800 on an average over past few years. The proposed capacity addition by new entrants like UTCEM, JKLC, etc. are likely to take 3–4 years before their commissioning and hence the Northeast's profitability is likely to remain relatively strong in the near term.

Cost saving initiatives, incentives to drive industry leading profitability of INR 1,400/ton by FY27

STARCEM is eligible for incentives amounting to INR1.4bn p.a. (INR 200–250/ton) on newer expansions. The company plans to increase the share of green energy to 55% by 2026 from 34% in 2QFY25 which will lead to savings of INR 50–100/ton as it plans to double its WHRS capacity from 12 MW to 24 MW. It has also finalized and signed a group captive PPA of 18 MW with JSW Green Energy in Aug'24. Besides, it also plans to reduce lead distance by 20 kms over the next few years. While FY25 profitability would be impacted by start-up / stabilization costs of new plant and higher clinker purchase, the same may improve to INR1,400 from 4QFY24.

Investment Summary

We factor in 12% volume/ 16% EBITDA CAGR over FY24–27E and expect EBITDA/ton to improve from INR1, 134 in FY25E to ~INR1,410 in FY27E. STARCEM is trading at ~7.7x FY27 EV/EBITDA (broadly in line with other small and mid-cap players). However, it has superior growth prospects, better market mix / profitability, and return ratios vs. peers. We initiate coverage on STARCEM with BUY rating and a TP of INR 225/share based on 10x FY27E EV/EBITDA. Key risks include lower demand/ price and higher cost escalations.

Initiate with a BUY rating and target price of INR225

We initiate coverage on Star Cement (STARCEM) with a BUY rating and TP of INR 225/share based on 10x FY27E EV/EBITDA. STARCEM is one of the fastest growing company in the most profitable Northeast markets which enjoys 1.5-2x EBITDA/ton vs pan-India average. Its EBITDA is likely to almost double to ~INR 10 bn over the next 4 years given 120% rise in its clinker capacity. The company may report industry leading EBITDA/ton of ~INR 1,400 by FY27E (from ~INR 1,134/ton in FY25E) led by a greater share of the profitable Northeast market, various cost saving initiatives, and higher incentives to the tune of INR 10 bn (~INR 200/ton) to be recognized over seven years. The balance sheet remains strong with peak debt of INR 2–3 bn in FY25E despite a large capex outlay of INR 18 bn over FY24–25E. Future Greenfield expansion in the North post FY27 is likely to be funded via internal accruals as the company is likely to generate an average OCF of INR 7–8 bn p.a.

Table 1: Initiate with a BUY rating and a target price of INR 225

EV/E method	**Mar-27E**
FY27E EBITDA (INR bn)	8.8
EV/E multiple (x)	**10**
EV (INR bn)	88
Net cash (FY27E)	2.4
Equity value	**90**
No. of shares (mn)	404
Mar'27 Target Price (INR)	**225**

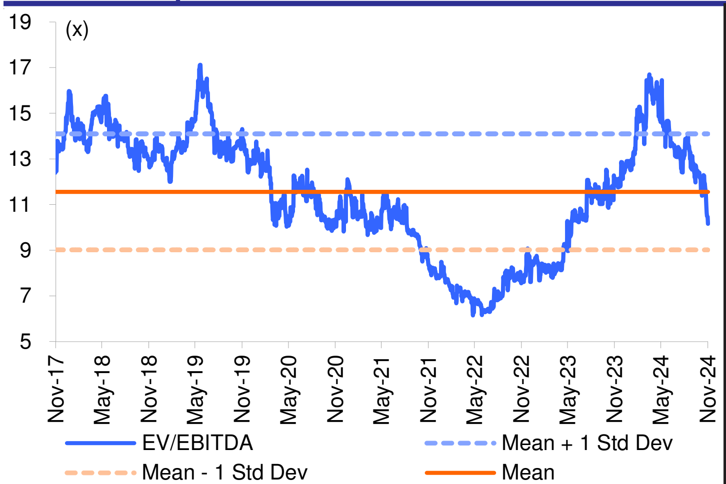
Source: Company, Antique

Table 2: Our FY25-FY26 EBITDA is 10-13% below consensus whereas FY27 EBITDA is broadly in-line

	Antique			Consensus			% chg		
INR mn	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**
Revenue	30,903	35,965	41,857	32,061	37,833	42,553	(3.6)	(4.9)	(1.6)
EBITDA	**5,333**	**7,214**	**8,776**	**6,100**	**8,001**	**8,839**	**(12.6)**	**(9.8)**	**(0.7)**
PAT	1,732	3,501	4,564	2,540	3,727	4,177	(31.8)	(6.1)	9.2

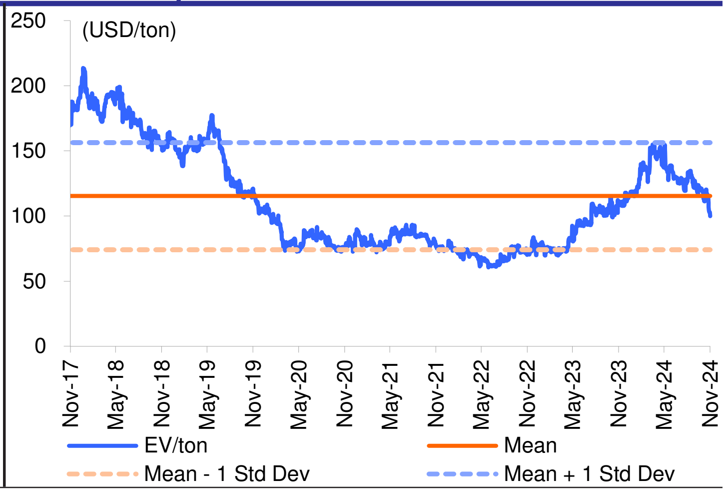
Source: Company, Antique

Exhibit 1: One-yr. forward EV/EBITDA



Source: Company, Antique

Exhibit 2: One-yr. forward EV/ton



Source: Company, Antique

Aspires to double the capacity to 15 MT by 2030

STARCEM has doubled its capacity over the last five years while its volumes have grown at 10% CAGR. It has operated at an average capacity utilization of ~85% over the same period and ~100% clinker utilization in FY24. It recently increased its clinker capacity from 2.8 MT in FY24 to 6.1 MT in May'24, as it added a new 3.3 MT clinker capacity and 12 MW waste heat recovery systems (WHRS). Apart from these, the company plans to set-up a new 2 MT cement unit in Silchar, Assam in FY26, followed by another 2 MT unit in Jorhat, Assam in FY27 taking total cement capacity to 11.7 MT. STARCEM aspires to almost double its capacity to 15 MT over the next five years with its planned greenfield expansion in the North by 2030. The Company, has been declared as the 'Preferred Bidder' for the NB 04, NB 05, NB 06, NB 07, NB 08 and NB 11 N/V Nimbol, Tehsil – Jaitaram, Dist. Beawer, Limestone Blocks in e-auctions conducted by the Government of Rajasthan. The aforesaid blocks are situated in Beawer District, Rajasthan over an area of ~ 95.6823 hectares with estimated limestone resource of ~ 63.90 million tonnes.

Table 3: STARCEM's clinker/ cement capacity over the years

Financial year	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Clinkercapacity	2.8	2.8	2.8	2.8	2.8	2.8	6.1	6.1	6.1
Cement capacity	3.7	5.7	5.7	5.7	5.7	7.7	7.7	9.7	11.7

Source: Company, Antique

Table 4: STRCEM's volumes have grown at 10% CAGR over FY19–24 (one of the highest) vs. 6% for our coverage universe

Volumes (MT)	FY19	FY20	FY21	FY22	FY23	FY24	FY19-24
UTCEM	85.9	82.3	86.2	94.0	105.7	119.2	6.8
ACC	28.8	29.8	26.2	29.4	30.9	36.9	5.1
ACEM - s'lone	24.3	24.1	22.7	21.9	30.2	34.3	7.2
ACEM - consol.	53.1	53.8	46.9	48.8	54.7	59.2	2.2
SRCM	25.9	24.9	26.8	27.7	31.8	35.5	6.6
DALBHARA	18.7	19.3	20.7	22.2	25.8	28.8	9.0
STRCEM	**2.7**	**2.9**	**2.6**	**3.4**	**4.0**	**4.4**	**10.3**
JKCE	10.2	10.2	11.9	14.0	16.2	19.1	13.3
TRCL	11.1	11.2	10.0	11.1	15.0	18.4	10.6
JKLC	11.1	10.0	10.5	11.0	11.4	12.0	1.5
ORCMNT	6.4	5.8	5.1	5.5	5.8	6.1	(0.9)
SGC	3.3	3.1	3.2	3.6	4.8	5.5	10.6
HEIM	4.9	4.7	4.5	4.8	4.4	4.8	(0.4)
BCORP	13.8	13.6	13.4	14.2	15.7	17.6	5.0
NUVOCO	12.6	12.2	16.0	17.8	18.8	18.8	8.4
Total	**253.7**	**248.2**	**253.9**	**273.5**	**305.3**	**339.5**	**6.0**

Source: Company, Antique

We factor 7% volume growth for FY25 and 15% volume CAGR over FY25-27E factoring 75% clinker utilization on expanded clinker capacity of 6.1 MT. We expect STARCEM to post volumes of 4.7 MT / 5.4 MT / 6.2 MT in FY25 / FY26 / FY27 resepctively.

Table 5: STARCEM's volume to grow at 12% CAGR over FY24–27 (vs. 7% for industry)

	Total volumes (mnte)						Growth YoY (%)				
Volumes (mt)	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**	**FY24**	**FY25E**	**FY26E**	**FY27E**	**CAGR 24-27E**
UTCEM	94.0	105.7	119.2	138.2	159.5	176.2	12.7	15.9	15.5	10.5	13.9%
ACC	29.4	30.9	36.9	42.0	44.9	48.1	19.5	13.8	7.0	7.0	9.2%
ACEM - consol.	48.8	55.4	59.2	66.8	81.4	93.0	6.8	12.9	21.9	14.2	16.3%
SRCM	27.7	31.8	35.5	37.0	40.7	45.1	11.7	4.0	10.0	11.0	8.3%
DALBHARA	22.2	25.8	28.8	31.1	33.6	36.3	11.7	8.0	8.0	8.0	8.0%
STRCEM	**3.4**	**4.0**	**4.4**	**4.7**	**5.4**	**6.2**	**9.5**	**7.0**	**15.0**	**15.0**	**12.3%**
JKCE	14.0	16.2	19.1	20.1	22.0	25.0	17.7	5.4	9.2	13.7	9.4%
TRCL	11.1	15.0	18.4	19.9	21.7	23.8	22.5	8.0	9.0	10.0	9.0%
JKLC	11.0	11.4	12.0	12.0	13.1	14.1	5.1	0.4	8.9	7.2	5.4%
ORCMNT	5.5	5.8	6.1	5.4	6.0	6.6	6.7	(12.0)	12.0	10.0	2.7%
SGC	3.6	4.8	5.5	5.7	6.3	7.3	14.1	3.0	12.0	15.0	9.9%
HEIM	4.8	4.4	4.8	4.6	4.7	4.9	9.4	(5.0)	4.0	4.0	0.9%
BCORP	14.2	15.7	17.6	18.0	18.8	19.6	12.1	1.9	4.9	3.8	3.5%
NUVOCO	17.8	18.8	18.8	19.0	20.0	21.0	(0.2)	1.3	5.3	5.0	3.8%
Total	**273.5**	**306.0**	**339.5**	**372.0**	**421.6**	**465.6**	**10.9**	**9.6**	**13.3**	**10.4**	**11.1%**

Source: Company, Antique

Leadership position in the high growth Northeast market

The Northeast market witnessed significant investments (INR 5 trn over 2014–24) and an additional INR 11 trn is expected to be invested over the next 5–6 years. Cement demand has grown at a CAGR of 8-9% over FY19-24 vs pan-India's 5-6% CAGR. STARCEM is amongst the leaders in the high growth profitable Northeast market with ~24% market share in FY24. Its market share increased to ~26% in 1HFY25 post commissioning of new capacity in May'24 and the management is targeting 30% market share by next year.

Table 6: Budget allocation for Northeast India

Year	Budget allocation (₹ Crore)	Year	Budget allocation (₹ Crore)
2015-16	29,087.93	2020-21	60,112.11
2016-17	29,124.79	2021-22	68,020.24
2017-18	43,244.64	2022-23	72,540.28
2018-19	47,994.88	2023-24	94,679.53
2019-20	59,369.90	2024-25	1,00,893.23

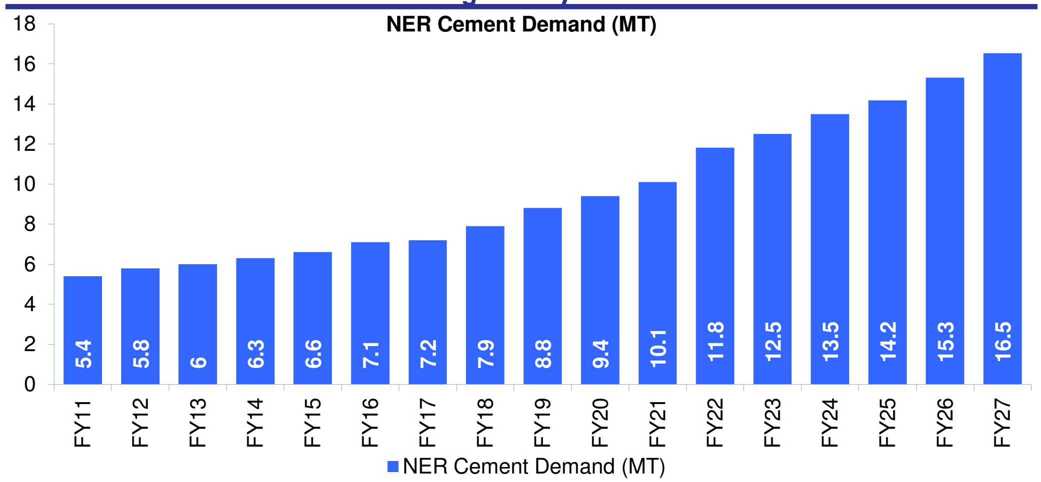
Source: Company, Antique

Table 7: Demand in the Northeast has grown by 9% over FY19–24 vs. 5% pan-India

Demand	FY19	FY20	FY21	FY22	FY23	FY24	FY19-24
Northeast	8.8	9.4	10.1	11.8	12.5	13.5	8.9
Pan-India	348	337	337	362	400	444	5.0

Source: Company, Antique

Exhibit 3: Demand in the Northeast has grown by 9% over FY19–24



Source: Company, Antique

Owing to logistical constraints/ hilly terrain, the Northeast market has been enjoying better pricing (higher by INR1,000-1,200/t) and in turn profitability as compared to other regions. Many companies in the Northeast have been registering EBITDA/ton of INR 1,500–1800 on an average over past few years. The proposed capacity addition by new entrants like UTCEM, JKLC, etc. are likely to take 3–4 years before their commissioning and hence the Northeast's profitability is likely to remain relatively strong in the near term.

Demand is NorthEast likely to remain strong

The Central government invested INR5 Lakh Crore in the North-East region from 2014 to 2024. An additional INR11 Lakh Crore will be invested in the region's infrastructure. Starting with a modest budgetary allocation of INR29,087.93 Crore in FY 15-16, the North-East frontier of the nation witnessed a nominal budget increase the following year. This was followed by a substantial leap in FY 17-18 with an allocation of INR43,244.64 Crore, indicating a strategic shift towards enhanced funding. This trend of increased allocations continued, with a notable jump in FY 23-24, where the budget allocation for the region grew to INR94,679.53 Crore, a growth of 30.52%. For the fiscal year 2024-25, the central government allocated a peak INR1,00,893.23 Crore to the NorthEast region, triple of the budget allocated ten years ago (FY 15-16). This consistent rise reflects a strong commitment to funded initiatives, aiming to achieve significant infrastructure and development goals in the region.

Railways: The region achieved a rail construction milestone connecting Akhaura (Bangladesh) to Agartala (Tripura). In the Union Budget FY 24-25, INR14,183.69 Crore was allocated to the North-East Frontier Railway. The Budget prioritised safety with INR1.08 Lakh Crore dedicated on this account to upgrades for track replacements and signalling improvements.

Roads: Over the last ten years, INR1,00,000 Crore was invested in North East India's road projects; the number of projects in this region increased from 9 to 17. Some 78 km of National Highways were constructed across North East Indian States. An expenditure of INR2,859 Crore was made on NER's national highways in the first quarter of FY 24-25.

Waterways: There was increased development of waterways in the region. The Indian Government emphasised the waterways of the North-East frontier. Under the Sagarmala Project, projects worth over INR1,000 Crore were developed for States in the region. A total of 20 waterways are operating, 19 added over the last 10 years.

Renewable energy: There has been a growth in hydropower energy investments in North-East India. The region's total hydropower generation potential was 55,930 MW in February 2024, making it the hydropower hub of India. India plans to spend USD 1 billion to construct 12 hydro dams in Arunachal Pradesh. Star Cement was used in the construction of various hydel projects of NHPC in North-East. The construction of hydropower projects requires substantial quantities of cement for building dams, reservoirs, and other infrastructural components.

Subansiri Lower Hydroelectric Project, Arunachal Pradesh: The largest hydroelectric project in India. The estimated annual energy generation from this project could be 7,421.59 million units. Considered as one of the more environmentally compatible models of utilising hydropower.

Dibang Project, Arunachal Pradesh: Expected to emerge as the biggest hydropower project in India and the tallest dam in India (288 metre).

The Union Minister of Ports, Shipping & Waterways Sonowal confirmed an investment of ₹1126 Crore to improve the waterways connectivity in North East India

India's Sagarmala programme identified 400 projects at a cost of ₹2.55 Lakh Crore for the development of the eastern coast of India.

Table 8: STARCEM enjoys better realization vs peers

	Realisation/te						Growth YoY (%)				
Realisation	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**	**FY24**	**FY25E**	**FY26E**	**FY27E**	**CAGR 24-27E**
UTCEM- blended	5,501	5,898	5,859	5,547	5,607	5,687	(0.7)	(5.3)	1.1	1.4	-1.0%
ACC - blended	5,378	5,634	5,300	4,923	4,969	5,016	(5.9)	(7.1)	0.9	0.9	-1.8%
ACC - grey cement	5,024	5,232	4,994	4,660	4,716	4,772	(4.6)	(6.7)	1.2	1.2	-1.5%
ACEM - consol.	5,029	5,524	5,506	5,149	5,263	5,317	(0.3)	(6.5)	2.2	1.0	-1.2%
SRCM	4,769	4,825	4,876	4,444	4,538	4,605	1.0	(8.9)	2.1	1.5	-1.9%
DBEL - blended	5,048	5,254	5,100	4,717	4,760	4,812	(2.9)	(7.5)	0.9	1.1	-1.9%
STRCEM	**6,523**	**6,416**	**6,569**	**6,569**	**6,647**	**6,727**	**2.4**	**-**	**1.2**	**1.2**	0.8%
JKCE- blended	5,614	5,837	5,800	5,521	5,528	5,524	(0.6)	(4.8)	0.1	(0.1)	-1.6%
TRCL	5,294	5,359	5,096	4,714	4,775	4,837	(4.9)	(7.5)	1.3	1.3	-1.7%
JKLC	4,933	5,649	5,657	5,092	5,171	5,257	0.1	(10.0)	1.5	1.7	-2.4%
ORCMNT	4,975	5,109	5,193	5,089	5,140	5,192	1.7	(2.0)	1.0	1.0	0.0%
SGC	4,431	4,624	4,554	4,007	4,128	4,251	(1.5)	(12.0)	3.0	3.0	-2.3%
HEIM	4,695	5,022	4,922	4,749	4,821	4,893	(2.0)	(3.5)	1.5	1.5	-0.2%
BCORP	5,118	5,400	5,372	4,904	4,964	5,025	(0.5)	(8.7)	1.2	1.2	-2.2%
NUVOCO	4,688	5,064	5,155	4,909	4,967	5,016	1.8	(4.8)	1.2	1.0	-0.9%
Weighted average	**5,133**	**5,522**	**5,489**	**5,156**	**5,235**	**5,301**	**(0.6)**	**(6.1)**	**1.5**	**1.3**	**-1.2%**

Source: Company, Antique

Table 9: STARCEM's market share in the Northeast is expected to increase from 24% in FY24 to 29% by FY27

	FY24	FY25	FY26	FY27
STARCEM's Market share in NE	24.3%	25.6%	27.5%	28.8%

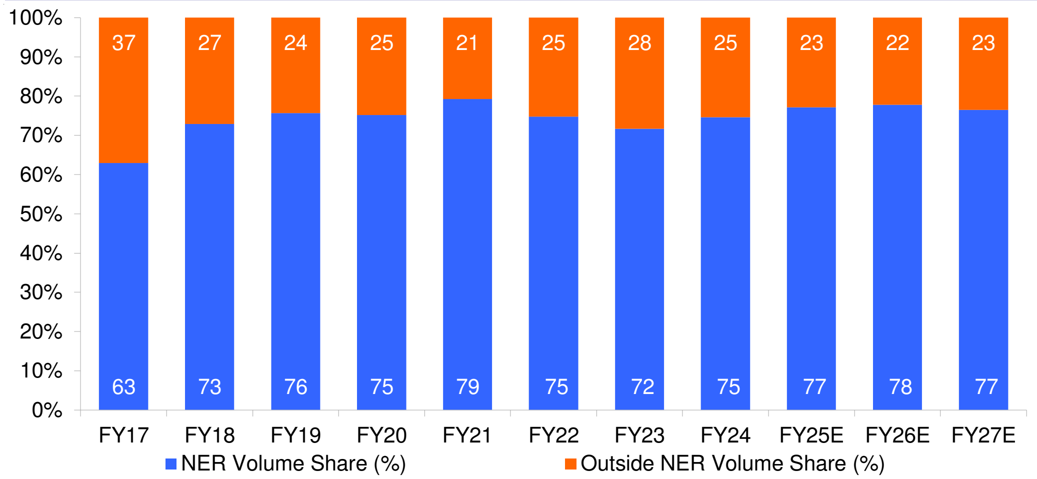
Source: Company, Antique

Table 10: Share of Northeast volume likely to increase to 77% by FY27E

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
NER Volume Share (%)	76	75	79	75	72	75	77	78	77
Outside NER Volume Share (%)	24	25	21	25	28	25	23	22	23

Source: Company, Antique

Exhibit 4: A&P spend on a declining trend



Source: Company, Antique

Cost savings initiatives, incentives to drive industry leading profitability of INR 1,400/ton by FY27

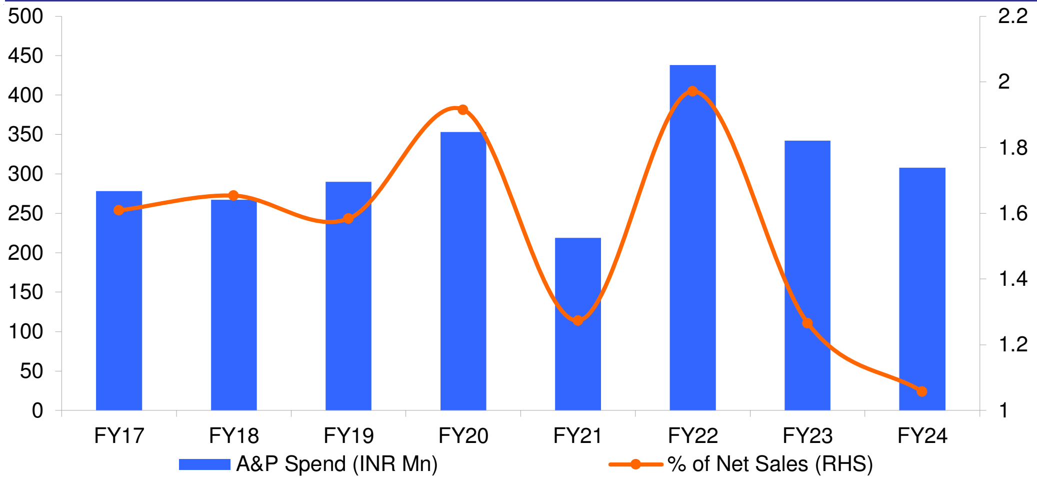
STARCEM is eligible for incentives amounting to INR1.4bn p.a. (~INR 200/ton) on newer expansions. The company plans to increase the share of green energy to 55% by 2026 from 34% in 2QFY25 which will lead to savings of INR 50–100/ton as it plans to double its WHRS capacity from 12 MW to 24 MW. It has also finalized and signed a group captive PPA of 18 MW with JSW Green Energy in Aug'24. Besides, it also plans to reduce lead distance by 20 kms over the next few years. While FY25 profitability would be impacted by start-up / stabilization costs of new plant and higher clinker purchase, the same may improve to INR1,400 from 4QFY24.

Table 11: Share of blended cement remains ~90%

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
PPC %	71	80	83	90	92	93	90
OPC %	26	18	15	9	8	8	10
PSC %	3	2	2	1	0	0	1

Source: Company, Antique

Exhibit 5: A&P spend on a declining trend



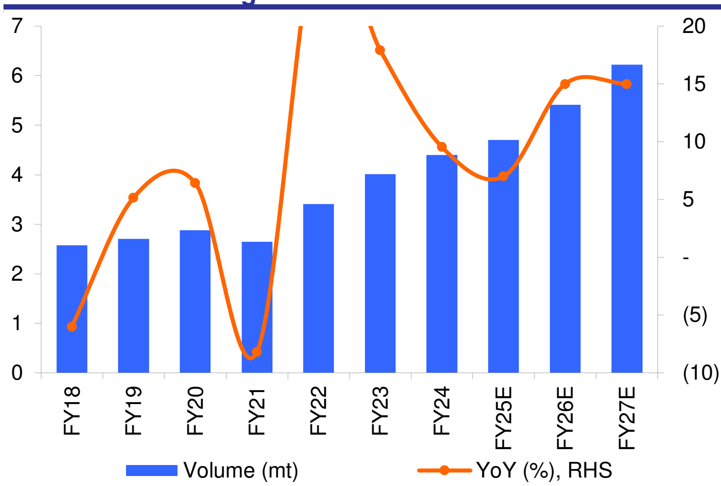
Source: Company, Antique

Exhibit 6: STARCEM has aggressive ESG goals and targets

Modules	Target	Present Status
Green energy (Q2 FY25 ~ 34.3%)	Green energy share of 55% by FY26.	Group captive PPA of 18MW finalized & signed with JSW Green Energy on 8th Aug 2024; to fully come on stream by FY26. Existing WHRS- 12.3MW; Upcoming - 12MW (Q3 FY25)
Thermal Substitution Rate (TSR) (Q2 FY25 ~ 9.8%)	15% by FY25 20% by FY26	AFR System for new clinker unit, Design and Engineering completed. Order placed; site execution in progress. (Timeline - by FY 25)
Net Zero Carbon footprint	By 2050	We aim to follow sectoral roadmap to achieve Net Zero concrete by 2050 and we regularly review & monitor our progress to achieve set targets.
Water positivity	2x water positive by 2025	1. Construction of new water reservoir at Lumshnong. 2. Collaboration with communities for rainwater harvesting via pond and to assist in agriculture using drip irrigation.
Mine's 5 Star Rating	All mines to achieve 4-star rating	Khub Mines got 4-star rating for FY23 and inspection for FY24 completed in Oct'24
Diversity and Inclusion	10% women of total workforce in 2025 and 12% by 2027	Head count raised from 168 in July'23 to 221 in Sept'24 (rising from 8% to 10% of the total permanent workforce)

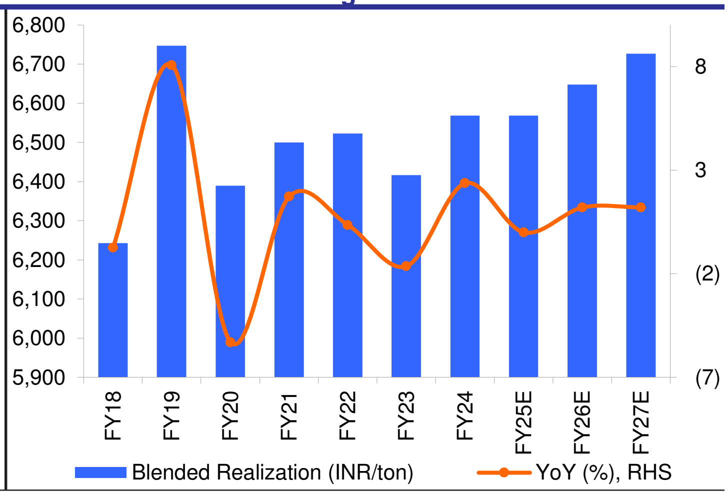
Source: Company, Antique

Exhibit 7: Volume to grow at 12% CAGR over FY24–FY27E



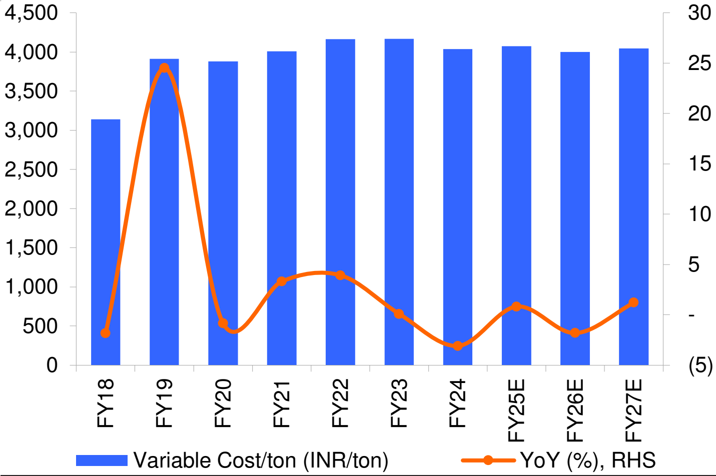
Source: Company, Antique

Exhibit 8: Blended realization to grow at 1% CAGR over FY25–FY27E



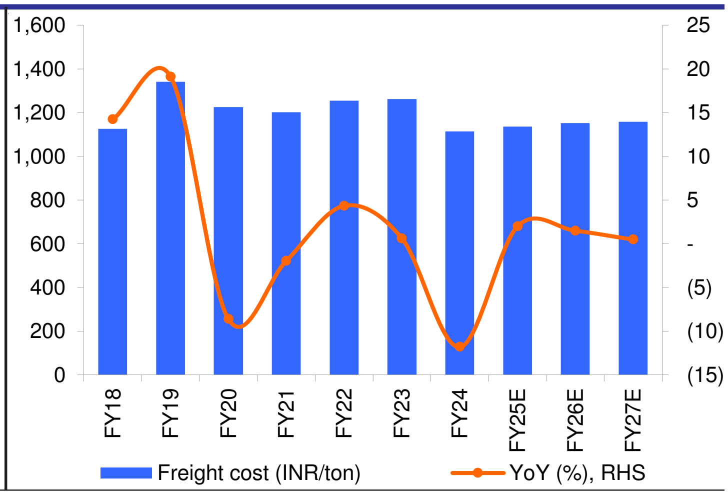
Source: Company, Antique

Exhibit 9: Variable cost/t to remain flat over FY25–FY27E



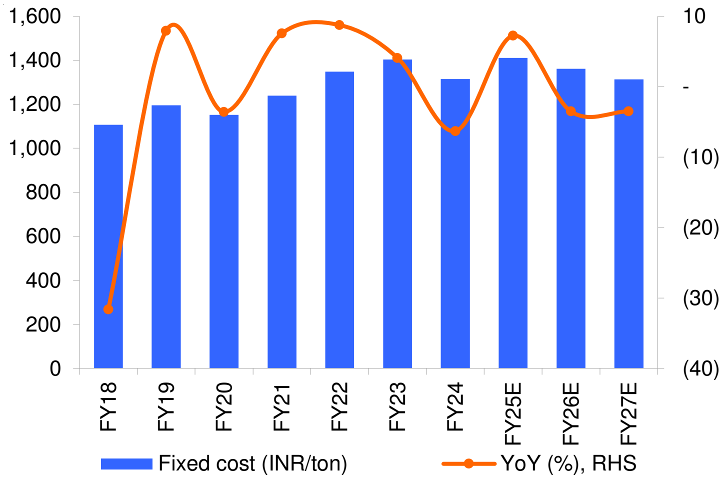
Source: Company, Antique

Exhibit 10: Variable cost of production to remain flat over FY25–FY27E



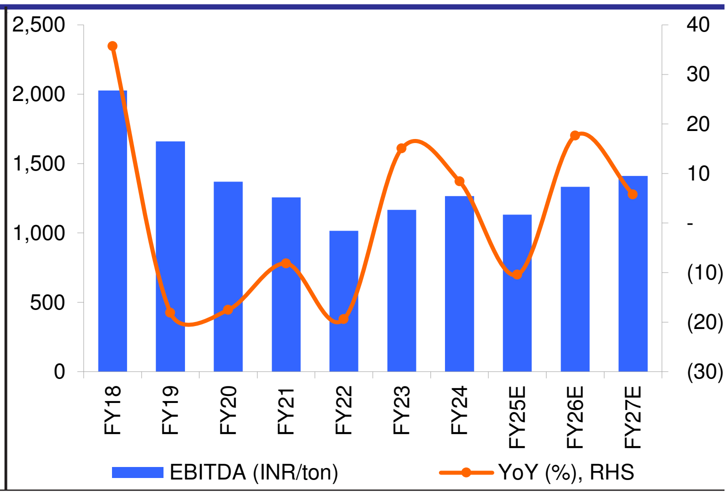
Source: Company, Antique

Exhibit 11: Freight cost/t to grow at 1% CAGR over FY25–FY27E



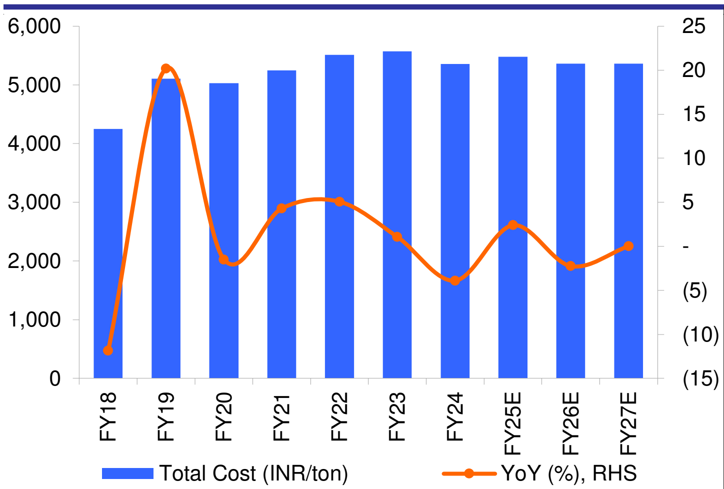
Source: Company, Antique

Exhibit 12: Fixed cost/t to decline by INR 100 over FY25–FY27E



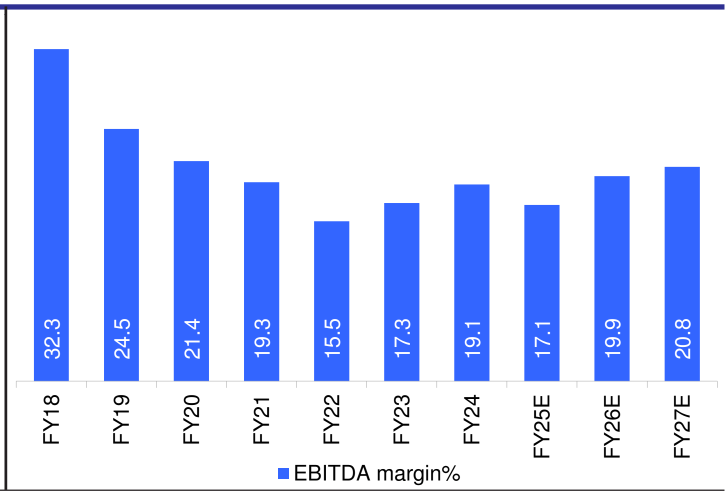
Source: Company, Antique

Exhibit 13: EBITDA/t to increase by ~INR 300 over FY25–FY27E



Source: Company, Antique

Exhibit 14: Total cost/t to decline by INR 100 over FY25–FY27E



Source: Company, Antique

Table 12: STARCEM's EBITDA could almost double by FY28

	EBITDA (INR mn)						Growth YoY (%)				
	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	CAGR 24-27E
UTCEM	1,15,185	1,06,199	1,29,686	1,30,998	1,72,141	2,12,596	22.1	1.0	31.4	23.5	17.9%
ACC	29,981	19,253	30,617	28,671	36,240	43,237	59.0	(6.4)	26.4	19.3	12.2%
ACEM Console		51,223	63,996	59,988	83,355	1,06,979	24.9	(6.3)	39.0	28.3	18.7%
SRCM	37,079	29,596	45,167	40,776	51,306	60,104	52.6	(9.7)	25.8	17.1	10.0%
DALBHARA	23,570	23,160	26,280	25,417	31,682	35,988	13.5	(3.3)	24.6	13.6	11.0%
STRCEM	**3,453**	**4,684**	**5,563**	**5,333**	**7,214**	**8,776**	**18.8**	**(4.1)**	**35.3**	**21.6**	16.4%
JKCE	14,824	13,143	20,598	20,095	24,083	28,373	56.7	(2.4)	19.8	17.8	11.3%
TRCL	12,901	11,692	15,646	14,679	18,693	21,989	33.8	(6.2)	27.3	17.6	12.0%
JKLC	9,507	8,389	10,522	8,324	11,177	13,347	25.4	(20.9)	34.3	19.4	8.3%
ORCMNT	5,911	3,645	4,492	3,465	5,589	7,334	23.2	(22.9)	61.3	31.2	17.7%
HEIM	4,140	2,488	3,167	3,117	3,768	4,234	27.3	(1.6)	20.9	12.4	10.2%
SGC	2,757	1,536	2,460	988	2,126	3,428	60.2	(59.8)	115.2	61.2	11.7%
BCORP	11,100	7,722	14,377	11,266	14,207	16,334	86.2	(21.6)	26.1	15.0	4.3%
NUVOCO	14,967	12,104	16,237	14,091	16,753	18,960	34.1	(13.2)	18.9	13.2	5.3%
Total	**3,06,577**	**2,75,581**	**3,55,731**	**3,37,549**	**4,39,968**	**5,35,014**	**29.1**	**(5.1)**	**30.3**	**21.6**	**14.6%**

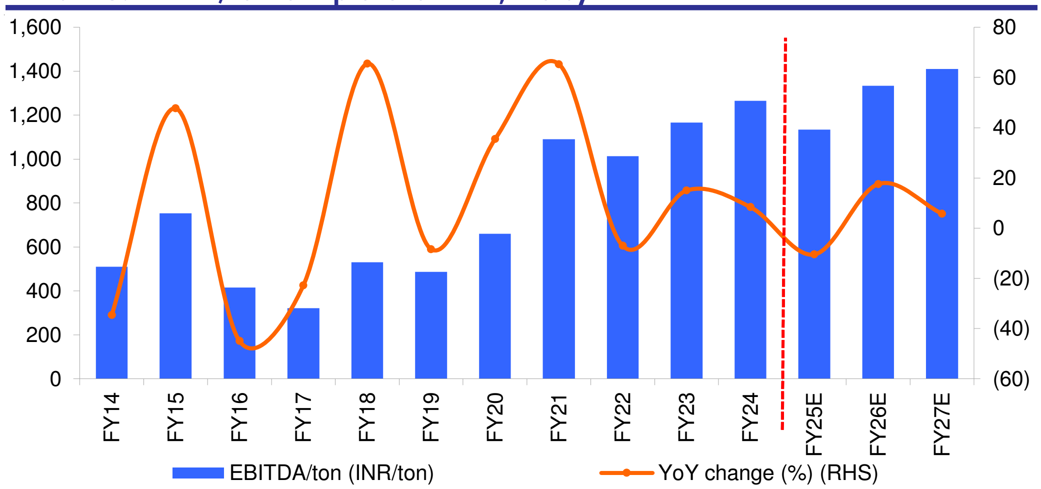
Source: Company, Antique

Table 13: STARCEM's EBITDA/ton likely to remain highest among peers

	EBITDA/te						Growth YoY (%)				
EBITDA/ton	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	CAGR 24-27E
UTCEM- consol	1,225	1,005	1,088	948	1,079	1,207	8.3	(12.9)	13.8	11.8	3.5%
ACC	1,020	499	830	683	806	899	66.3	(17.7)	18.1	11.5	2.7%
ACEM - consol.	**1,273**	740	1,082	898	1,023	1,150	46.2	(17.0)	14.0	12.4	2.1%
SRCM	1,315	925	1,217	1,075	1,235	1,305	31.6	(11.7)	14.9	5.6	2.4%
DALBHARA	1,062	899	913	818	944	992	1.5	(10.4)	15.4	5.2	2.8%
STRCEM	**1,014**	**1,167**	**1,265**	**1,134**	**1,333**	**1,410**	**8.4**	**(10.4)**	**17.6**	**5.8**	3.7%
JKCE	1,061	810	1,079	999	1,097	1,136	33.2	(7.4)	9.8	3.6	1.7%
TRCL	1,158	778	850	739	863	923	9.3	(13.1)	16.8	6.9	2.8%
JKLC	865	735	877	691	852	949	19.3	(21.2)	23.3	11.4	2.7%
ORCMNT	1,079	634	732	642	925	1,103	15.5	(12.3)	44.0	19.3	14.6%
SGC	765	318	447	174	335	470	40.4	(61.0)	92.1	40.2	1.7%
HEIM	867	566	659	682	793	857	16.4	3.6	16.2	8.0	9.2%
BCORP	781	491	815	627	754	835	66.0	(23.1)	20.2	10.7	0.8%
NUVOCO	842	644	866	742	838	903	34.4	(14.3)	12.9	7.8	1.4%
Weighted average	**1,096**	**846**	**1,026**	**890**	**1,024**	**1,128**	**21.2**	**(13.2)**	**15.0**	**10.1**	**3.2%**

Source: Company, Antique

Exhibit 15: EBITDA/ton to improve to INR 1,410 by FY27



Source: Company, Antique

STARCEM to remain net cash despite significant capex

The balance sheet remains strong with peak debt of INR 2–3 bn in FY25E despite a large capex outlay of INR 18 bn over FY24–25E. Future greenfield expansion in the North post FY27 is likely to be funded via internal accruals as the company is likely to generate an average OCF of INR 7–8 bn p.a.

Exhibit 16: STARCEM has aggressive capex plan

Particulars	Timeline	Project cost	Incurred Till date	H2 FY25	FY25	FY26	FY27
Line - 3 Clinker	Phase 1 Completed	1,180	1,035	50	125	-	-
Line - 3 WHR	Q3 FY25	120	98	22	43	-	-
Silchar GU	FY26	650	34	100	112	450	66
AAC Block + Const. Chemical	FY25	89	59	30	67	-	-
Jorhat GU	FY27	500	6	20	26	100	374
Fleet	Q2 FY25	52	52	-	52	-	-
AFR	Q3 FY25	32	3	29	32	-	-
Group captive	Q4 FY26	23	-	12	12	12	-
Operational CAPEX		-	-	67	198	100	100
Total		2,646	1,287	329	666	662	540

Source: Company, Antique

Table 14: STARCEM's likely to remain net cash despite significant expansion

	Net Debt (INR mn)					
	FY22	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
UTCEM - consol	35,549	27,013	28,132	1,00,532	81,874	32,427
ACC	(74,431)	(31,477)	(46,745)	(48,449)	(52,002)	(55,726)
ACEM	(41,195)	(83,853)	(1,89,926)	(23,984)	13,839	33,045
SRCM	(73,081)	(63,043)	(65,027)	(63,787)	(69,034)	(78,351)
DALBHARA	(11,260)	6,740	4,760	6,665	19,244	33,224
STRCEM	**(5,389)**	**(4,538)**	**325**	**1,492**	**64**	**(2,438)**
JKCE	25,350	34,010	32,719	36,872	39,661	39,145
TRCL	37,515	43,515	47,799	48,944	46,609	46,792
JKLC	6,467	9,559	13,852	18,221	22,866	28,008
HEIM	(3,419)	(3,182)	(4,297)	(5,978)	(7,529)	(9,292)
ORCMNT	2,517	3,172	410	(1,035)	4,441	8,807
SGC	13,407	12,616	11,769	14,313	12,416	13,104
BCORP	34,684	36,747	30,259	28,179	30,370	31,874
NUVOCO	50,642	44,145	40,292	36,974	37,672	38,040
Total	**(2,646)**	**31,424**	**(95,679)**	**1,48,958**	**1,80,491**	**1,58,659**

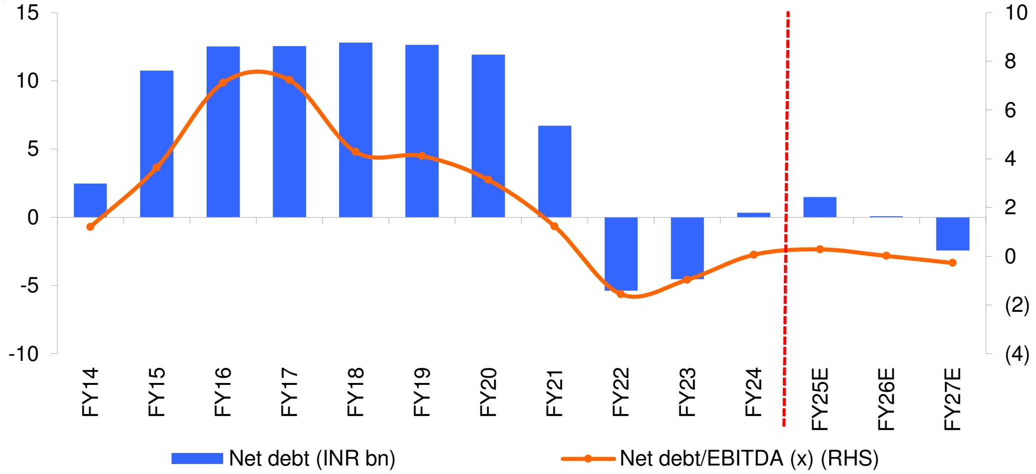
Source: Company, Antique

Table 15: STRCEM generated superior return ratios over FY19–24

RoCE (%)	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
ACC	10.9	11.4	11.7	14.0	7.6	12.5
ACEM	11.9	12.8	17.7	10.3	8.9	9.5
UTCEM	6.1	8.4	11.7	13.3	8.9	11.3
SRCM	12.8	12.8	15.2	13.4	6.8	12.5
TRCL	8.7	8.2	8.9	6.2	4.0	5.2
JKLC	8.1	14.1	16.3	14.7	10.8	12.2
JKCE	8.5	10.6	12.7	10.3	6.6	10.0
DALBHARA	4.7	2.8	6.0	4.7	3.9	5.1
ORCMNT	5.1	6.7	11.5	13.5	6.7	8.6
BCORP	5.8	5.6	7.7	8.7	5.3	2.9
NVCL	3.9	6.5	2.0	3.7	3.1	1.4
STRCEM	**16.3**	**15.4**	**12.8**	**12.2**	**11.0**	**11.5**
Average	**8.6**	**9.6**	**11.2**	**10.4**	**6.9**	**8.5**

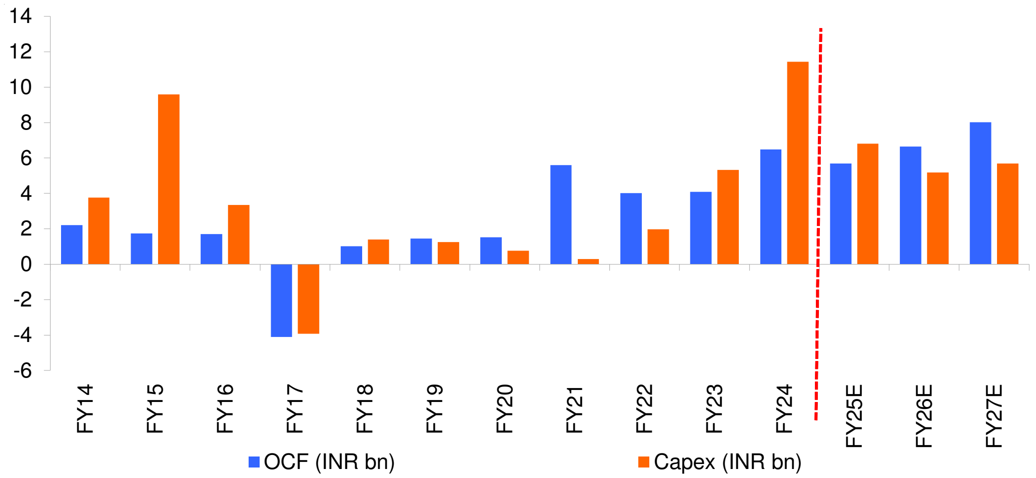
Source: Company, Antique

Exhibit 17: STRCEM likely to turn net cash by 27E



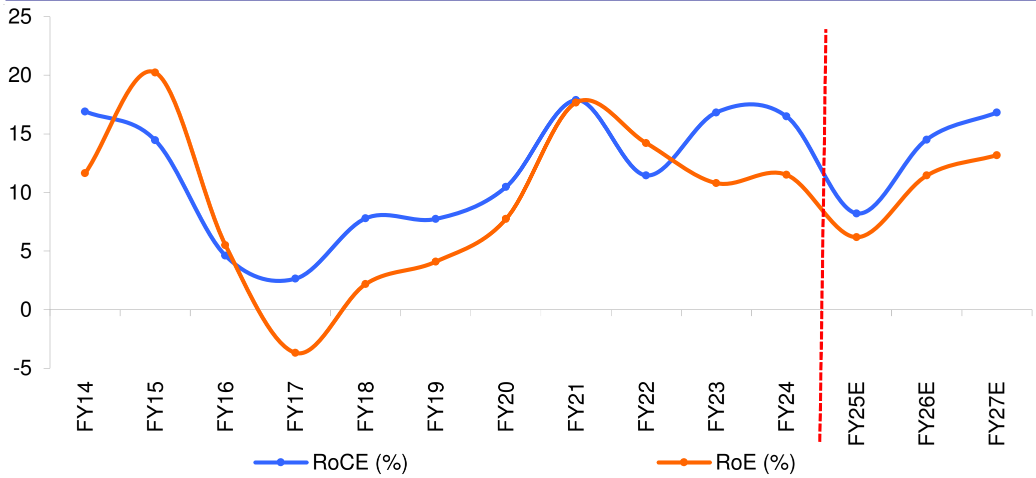
Source: Company, Antique

Exhibit 18: Capex of INR 18 bn over FY25–27E



Source: Company, Antique

Exhibit 19: RoE and RoCE to touch ~17%/ ~22% by FY27E respectively



Source: Company, Antique

We factor 12% volume/ 16% EBITDA CAGR over FY24–27E

We factor in 12% volume/ 16% EBITDA CAGR over FY24–27E and expect EBITDA/ton to improve from INR1, 134 in FY25E to ~INR1,410 in FY27E. STARCEM is trading at ~7.7x FY27 EV/EBITDA (broadly in line with other small and mid-cap players). However, it has superior growth prospects, better market mix / profitability, and return ratios vs. peers. We initiate coverage on STARCEM with BUY rating and a TP of INR 225/share based on 10x FY27E EV/EBITDA. Key risks include lower demand/ price and higher cost escalations.

Table 16: Key asumptions

Per tonne	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Volumes	**1.6**	**2.2**	**2.6**	**2.7**	**2.6**	**2.7**	**2.9**	**2.6**	**3.4**	**4.0**	**4.4**	**4.70**	**5.4**	**6.2**
% yoy		33.1	21.2	4.1	(6.0)	5.2	6.4	(8.2)	28.7	17.9	9.5	7.0	15.0	15.0
Realization	**7,199**	**6,594**	**6,522**	**6,312**	**6,275**	**6,767**	**6,400**	**6,505**	**6,527**	**6,739**	**6,620**	**6,616**	**6,693**	**6,771**
% yoy		(8.4)	(1.1)	(3.2)	(0.6)	7.8	(5.4)	1.6	0.3	3.2	(1.8)	(0.1)	1.2	1.2
Raw materials	1,238	1,058	1,314	1,514	1,176	1,614	1,396	1,525	1,685	1,559	1,663	1,813	1,722	1,748
Employees	482	421	410	433	417	430	439	497	468	491	489	534	511	489
Power & Fuel	1,280	793	819	700	840	956	1,257	1,280	1,225	1,347	1,262	1,124	1,124	1,140
Freight	1,142	1,118	1,126	986	1,126	1,341	1,226	1,202	1,255	1,262	1,114	1,136	1,153	1,159
Others	1,492	1,198	1,334	1,187	690	765	713	743	880	913	827	876	850	825
Total Expenses	5,634	4,589	5,003	4,819	4,249	5,107	5,031	5,247	5,513	5,572	5,354	5,483	5,360	5,360
% yoy		(18.6)	9.0	(3.7)	(11.8)	20.2	(1.5)	4.3	5.1	1.1	(3.9)	2.4	(2.2)	0.0
EBITDA	**1,564**	**2,006**	**1,519**	**1,493**	**2,026**	**1,660**	**1,369**	**1,258**	**1,014**	**1,167**	**1,265**	**1,134**	**1,333**	**1,410**
% yoy		28.2	(24.3)	(1.7)	35.7	(18.1)	(17.5)	(8.1)	(19.4)	15.1	8.4	(10.4)	17.6	5.8

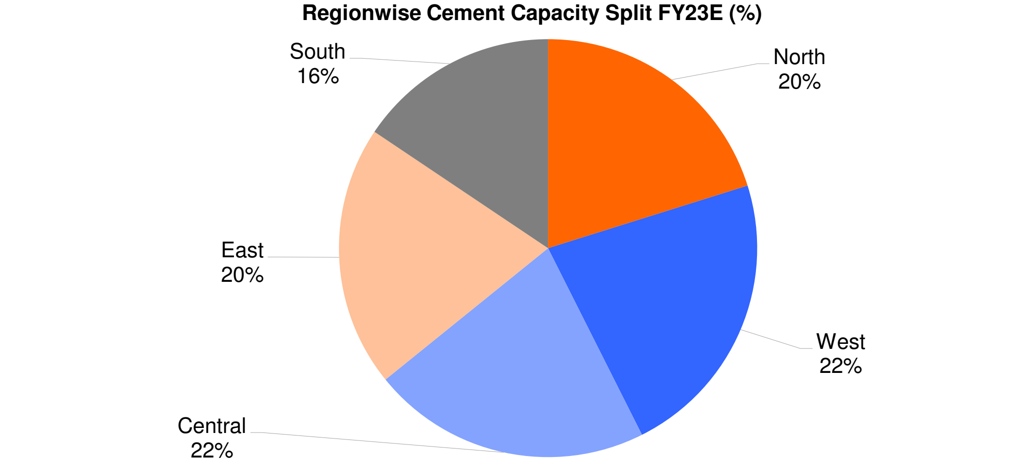
Source: Company, Antique

Table 17: Valuation matrix

	Mcap		Shares	P/E (x)			EV/EBITDA (x)			EV/te (US$)			RoE (%)		
Company	**(US$bn)**	**Rating**	**(mn)**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**
ACC	5.1	BUY	188	26	19.6	16.1	12.8	10	8.3	113	106	100	9.4	11.3	12.4
ACEM	13.5	BUY	1,986	49.7	45.4	32.9	25.1	18.5	14.6	187	158	137	5.7	5.5	7.6
BCORP	1.1	BUY	77	20.8	42.5	21.5	10.1	8.2	7.2	71	70	67	6.5	2.9	5.5
DALBHARA	4	HOLD	185	39.5	25.8	22.8	12.6	10.5	9.7	85	84	88	4.6	6.6	7
GRASIM	20.5	BUY	658	82.7	39.8	27.6	35.6	23.8	17.9	-	-	-	-2	0.4	2
HEIM	0.5	HOLD	227	29.3	29.5	22.6	13.8	11	9.4	85	81	79	11.5	15.3	18
JKCE	3.8	BUY	77	43.4	33.9	27.4	17.1	14.4	12.2	156	128	128	11.8	16	12.6
JKLC	1.1	HOLD	118	35.3	23.4	18	12.6	10.2	8.9	75	76	79	8.2	12	14
NUVOCO	1	HOLD	357	393.1	50.8	31.7	11.1	9.3	8.3	79	74	74	1.7	0.3	2.6
ORCMNT	0.8	HOLD	205	57.4	24.4	18.1	19.5	13.1	10.6	94	102	108	6.7	14.3	16.6
SRCM	10.3	BUY	36	60.5	42.6	33.9	19.7	15.5	13.1	155	140	126	6.7	9	10.5
TRCL	2.6	HOLD	236	102.5	41.4	29.9	18	14	11.9	130	115	103	2.9	6.8	8.8
UTCEM	37	BUY	289	47	35.8	27.6	25.2	19	15.2	222	193	177	10.9	13.1	15.3
STRCEM	0.6	BUY	404	41.8	20.7	15.9	13.8	10	8	114	88	71	6.2	11.4	13.2

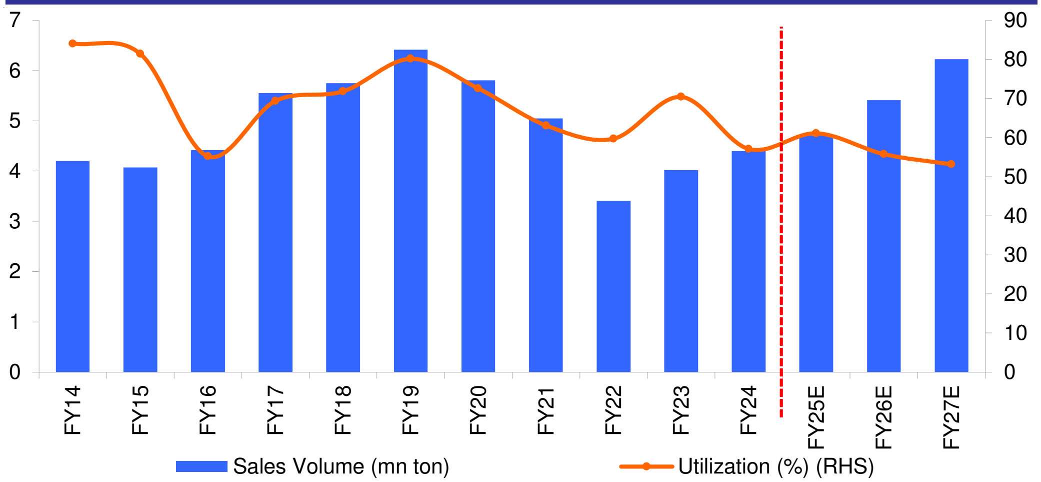
Source: Company, Antique

Exhibit 20: Capacity to grow at 15% CAGR over FY24–27E



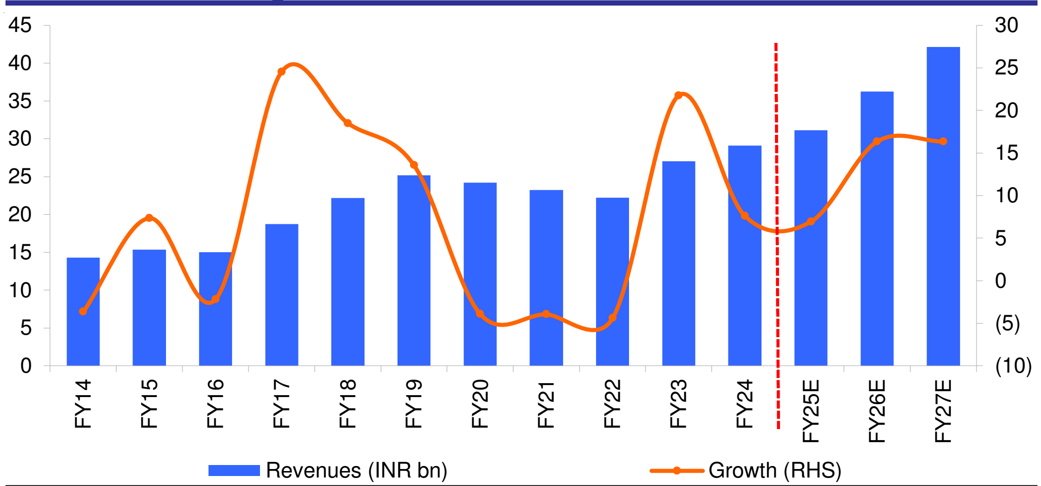
Source: Company, Antique

Exhibit 21: Volume to grow at 12% CAGR over FY24–27



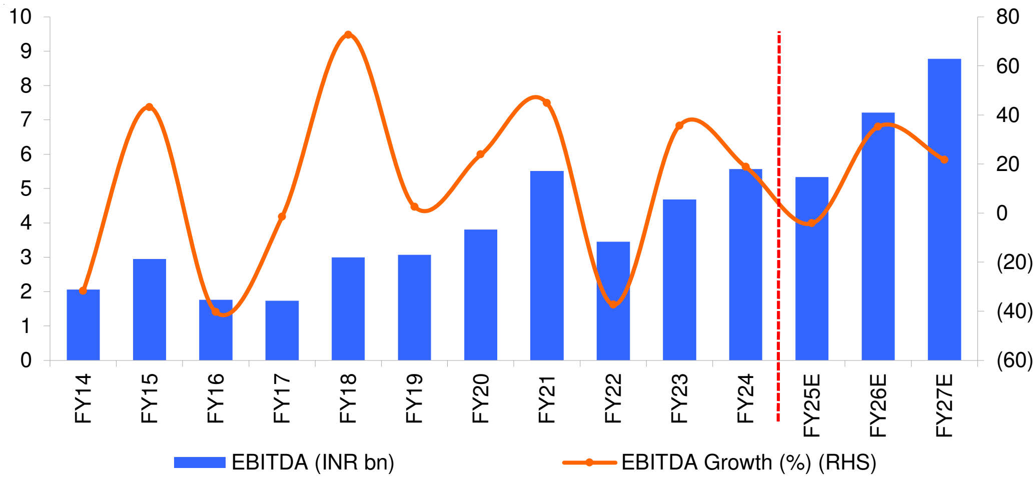
Source: Company, Antique

Exhibit 22: Revenue to grow at 13% CAGR over FY24–27E



Source: Company, Antique

Exhibit 23: EBITDA to grow at 16% CAGR over FY24–27E



Source: Company, Antique

Risks & Concerns

Higher capacity additions in Northeast

New entrants to Northeast markets like UTCEM, JKLC etc have plans to add capacities. Alternatively, there is possibility of influx of materials from the neighboring East markets. Higher capacity additions by new entrants may increase competitive intensity, thereby posing risk to current price and profitability.

Lower demand

Northeast markets have grown historically higher than pan-India average. Lower demand growth may impact STARCEM volume growth.

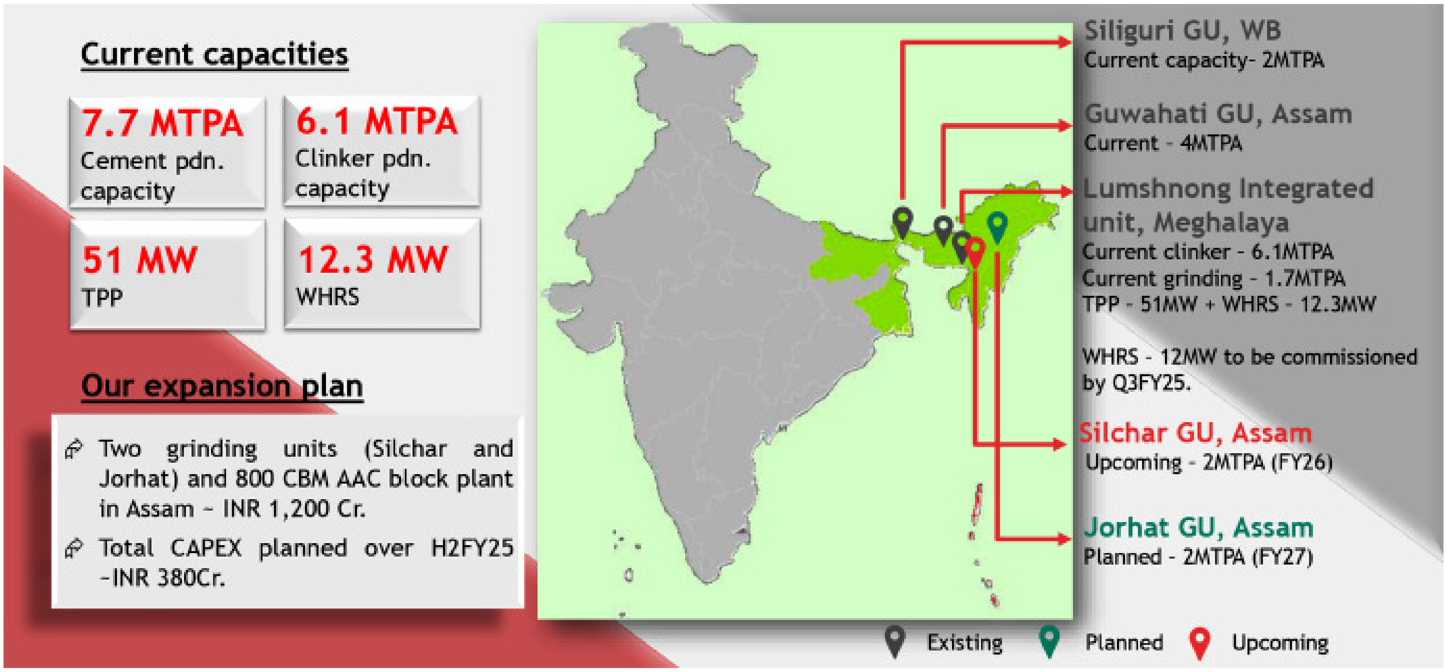
Adverse sales mix

STARCEM enjoys very high profitability in the core Northeast markets which accounts of ~75% of its sales mix. On the other hand, it makes abysmal low profitability in the balance part of its sales mix (East markets). Any adverse market mix shift towards East may impact overall profitability for the company.

Company Background

Star Cement Ltd. is one of the leading names among cement manufacturers in East India. The company has created strong brand recall with a comprehensive supply chain ecosystem. It currently has clinker/ cement capacity of 6.1 MT/ 7.7 MT, of which a majority is in the Northeast and aspires to increase cement capacity to 11.7 MT by FY27. In addition, it has 51 MW thermal power plant (TPP) and 12 MW WHRS, it plans to double to 24 MW. It currently has ~26% market share in the highly profitable Northeast market. Overall, the company has a 2,000+ dealer network.

Exhibit 24: STARCEM is the largest Cement manufacturer in North-East India

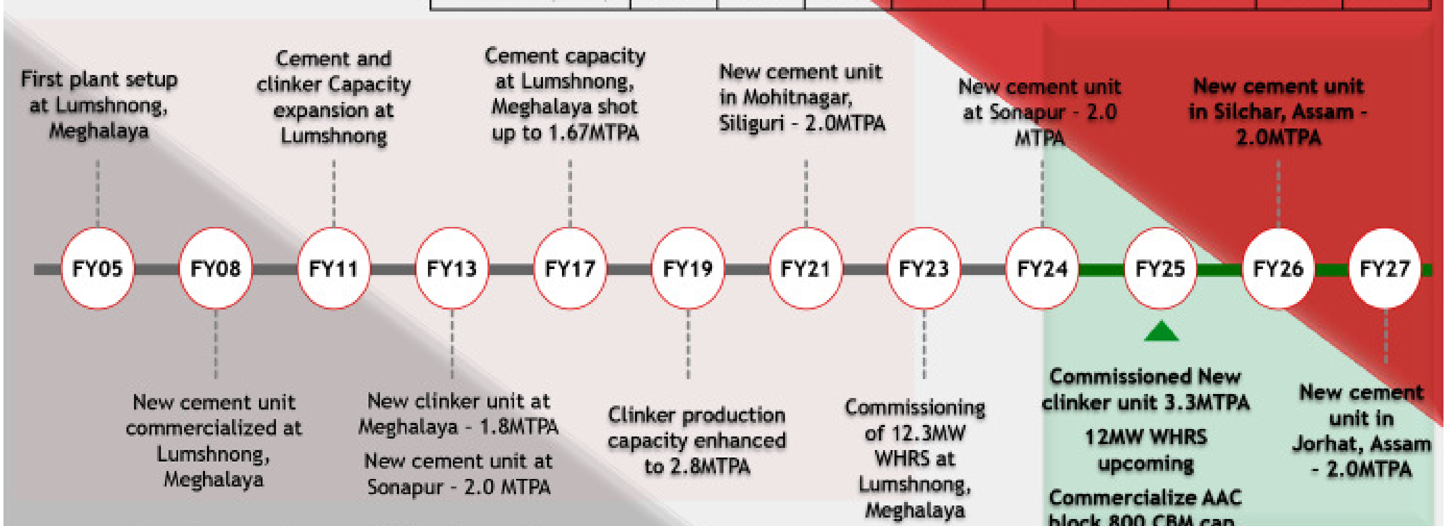


Source: Company, Antique

Exhibit 25: STARCEM has a history of excellent execution and sustained expansion

Plan to take cement capacity to ~12MTPA by FY27.

Capacities	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27[1]
Clinker capacity	2.8	2.8	2.8	2.8	2.8	2.8	6.1	6.1	6.1
Cement capacity	3.67	5.67	5.67	5.67	5.67	7.67	7.67	9.67	11.67



1. Based on ongoing greenfield projects only.

Source: Company, Antique

Key management personnel

Mr. Sajjan Bhajanka - Chairman & Managing Director

Mr. Bhajanka is the chairman of Star Cement, having 50 years of industry experience in plywood, laminates, ferro-alloys, ferro silicon, granite, export and import of cement, and in the building materials industry. He is also the chairman of Century Ply boards—the largest producer of plywood, laminates and block-board in India, and is considered as an icon of the Indian plywood industry. Mr. Bhajanka is also the chairman of Shyam Century Ferrous, one of the leading manufacturers of ferro silicon in India.

Mr. Rajendra Chamaria - Vice Chairman & Managing Director

Mr. Chamaria is promoter director of Star Cement. He has rich experience of 36 years in the cement and concrete sleeper industry with excellent project execution skills and production knowledge. Mr. Chamaria is a partner at Nefa Udyog that deals in the timber business on a large scale in Arunachal Pradesh and a director at M/s Donypolo Udyog which is into the concrete business and manufacturing of different types of concrete sleepers.

Mr. Sanjay Agarwal – Managing Director

Mr. Agarwal has business and industrial experience of about 36 years. He is also the managing director of Century Plyboard. He is the key driving force behind the successful marketing of the 'Star Cement' and 'Century PF' brands and its distribution, besides his immense contribution to the management aspects of the company.

Mr. Prem Kumar Bhajanka – Managing Director

Mr. Bhajanka is a well-known industrialist who has a rich industry experience of 43 years. He is the managing director of M/s Century Plyboards. Mr. Bhajanka is also the promoter director of M/s Namchic Tea Estate Pvt. Ltd. and M/s Lal Pahar Tea Estate Pvt. Ltd. which have tea estates in India's North-East region.

Mr Dilip Kumar Agarwal

Mr. Dilip Kumar Agarwal is a commerce graduate from Patna University and a member of the Institute of Chartered Accountants of India. He is having more than 30 years of experience in cement and telecom sectors. He has in-depth knowledge in the areas of Business, Finance, Accounts, Taxation, Supply Chain, Audit and Operations. He was earlier associated with the Company as Chief Financial Officer.

Mr. Manoj Agarwal – Chief Financial Officer

Mr. Manoj Agarwal is a certified Fellow Chartered Accountant (FCA) with varied experience of over 27 years, including 12 years in the cement industry. He is responsible for finance and accounts, taxation statutory compliance, and vendor management.

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Net Revenue	**27,048**	**29,107**	**31,128**	**36,213**	**42,129**
Op. Expenses	22,365	23,544	25,795	28,999	33,353
EBITDA	**4,684**	**5,563**	**5,333**	**7,214**	**8,776**
Depreciation	1,311	1,466	3,026	2,639	3,030
EBIT	**3,373**	**4,097**	**2,306**	**4,576**	**5,745**
Other income	521	265	141	201	298
Interest Exp.	97	126	198	230	117
Reported PBT	**3,797**	**4,236**	**2,249**	**4,547**	**5,927**
Tax	1,321	1,285	517	1,046	1,363
Reported PAT	**2,476**	**2,951**	**1,732**	**3,501**	**4,564**
Net Profit	**2,476**	**2,951**	**1,732**	**3,501**	**4,564**
Adjusted PAT	**2,476**	**2,951**	**1,732**	**3,501**	**4,564**
Adjusted EPS (INR)	**6.1**	**7.3**	**4.3**	**8.7**	**11.3**

Balance sheet (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Share Capital	404	404	404	404	404
Reserves & Surplus	23,760	26,697	28,429	31,930	36,494
Networth	**24,164**	**27,101**	**28,833**	**32,334**	**36,898**
Debt	305	1,298	2,298	2,298	298
Capital Employed	**24,469**	**28,399**	**31,131**	**34,633**	**37,196**
Gross Fixed Assets	16,849	23,597	34,050	39,243	44,936
Accumulated Depreciation	8,117	9,583	12,609	15,248	18,278
Capital work in progress	5,506	10,190	6,540	6,540	6,540
Net Fixed Assets	**14,239**	**24,205**	**27,981**	**30,536**	**33,198**
Investments	1,743	20	20	20	20
Non Current Investments	18	20	20	20	20
Current Investments	1,725	-	-	-	-
Current Assets, Loans & Adv.	**13,825**	**11,799**	**11,806**	**14,153**	**15,584**
Inventory	3,741	3,350	3,582	3,969	4,386
Debtors	1,047	1,508	1,366	1,589	1,849
Cash & Bank balance	3,117	973	807	2,235	2,736
Loans & advances and others	5,920	5,968	6,051	6,360	6,613
Current Liabilities & Provisions	**5,338**	**7,625**	**8,676**	**10,076**	**11,607**
Net Current Assets	**8,487**	**4,174**	**3,130**	**4,077**	**3,978**
Application of Funds	**24,469**	**28,399**	**31,131**	**34,633**	**37,196**

Per share data

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
No. of shares (mn)	404	404	404	404	404
Diluted no. of shares (mn)	404	404	404	404	404
BVPS (INR)	59.8	67.1	71.3	80.0	91.3
CEPS (INR)	9.4	10.9	11.8	15.2	18.8
DPS (INR)	1.5	1.7	0.9	1.0	1.0

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	**3,797**	**4,236**	**2,249**	**4,547**	**5,927**
Depreciation & amortization	1,311	1,466	3,026	2,639	3,030
Interest expense	97	126	198	230	117
(Inc)/Dec in working capital	(720)	(2,202)	(877)	(481)	(601)
Tax paid	(1,321)	(1,285)	(517)	(1,046)	(1,363)
Less: Interest/Div. Income Recd.	521	265	141	201	298
Other operating Cash Flow	398	3,874	1,473	561	605
CF from operating activities	**4,083**	**6,480**	**5,693**	**6,650**	**8,013**
Capital expenditure	(5,324)	(11,432)	(6,803)	(5,193)	(5,693)
Inc/(Dec) in investments	(106)	1,723	-	-	-
Add: Interest/Div. Income Recd.	521	265	141	201	298
CF from investing activities	**(4,910)**	**(9,444)**	**(6,662)**	**(4,992)**	**(5,395)**
Inc/(Dec) in debt	229	993	1,000	-	(2,000)
Others	(131)	(173)	(198)	(230)	(117)
CF from financing activities	**98**	**820**	**802**	**(230)**	**(2,117)**
Net cash flow	**(729)**	**(2,144)**	**(167)**	**1,428**	**502**
Opening balance	3,847	3,117	973	807	2,235
Closing balance	**3,117**	**973**	**807**	**2,235**	**2,736**

Growth indicators (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue(%)	21.7	7.6	6.9	16.3	16.3
EBITDA(%)	35.7	18.8	(4.1)	35.3	21.6
Adj PAT(%)	0.3	19.2	(41.3)	102.2	30.3
Adj EPS(%)	0.3	19.2	(41.3)	102.2	30.3

Valuation (x)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	28.2	23.7	40.4	20.0	15.3
P/BV (x)	2.9	2.6	2.4	2.2	1.9
EV/EBITDA (x)	14.0	12.6	13.4	9.7	7.7
EV/Sales (x)	2.4	2.4	2.3	1.9	1.6
Dividend Yield (%)	0.9	1.0	0.5	0.6	0.6

Financial ratios

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
RoE (%)	10.8	11.5	6.2	11.4	13.2
RoCE (%)	16.8	16.5	8.2	14.5	16.8
Asset/T.O (x)	1.3	1.1	1.0	1.1	1.2
Net Debt/Equity (x)	(0.2)	0.0	0.1	0.0	(0.1)
EBIT/Interest (x)	40.2	34.6	12.4	20.8	51.7

Margins (%)

Year ended 31 Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin(%)	17.3	19.1	17.1	19.9	20.8
EBIT Margin(%)	12.5	14.1	7.4	12.6	13.6
PAT Margin(%)	9.2	10.1	5.6	9.7	10.8

Source: Company Antique

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