

26 May 2025

Star Cement

Expansion on track, strong balance sheet persists; Buy

The Meghalaya clinker-unit stabilisation along with the better demand-pricing environment in its operating region (East/North east) aided Star's overall performance. Targeting 18-20m-tonne capacity by FY30, the ongoing expansion would take capacity to 11.7m tonnes. A higher RE share, rise in operating efficiency and incentives (on new capacity), etc. would help. We retain our Buy rating, at a higher 12-mth TP of Rs275 (earlier Rs270), 12x FY27e EV/EBITDA.

Robust performance. With its leading position in the NE, cement sales volumes grew 6% y/y to 1.475m tonnes (NE up ~6%, outside NE ~7%) and revenue, 15.2% y/y to Rs10.5bn (realisation/tonne up ~6% y/y). Lower raw material cost (stabilisation of the Meghalaya clinker unit), higher subsidy (Rs750m vs Rs30m a year back), WHRS commissioning and higher realisations helped EBITDA grow 46% y/y to Rs2.6bn and EBITDA/tonne, 34.6% y/y to Rs1,715, the highest in the last 25 quarters.

Expansion status. While the Meghalaya clinker unit was stabilised by end-Nov, the 2m-tonne Silchar GU is expected to commence by Q4 FY26 and the 2m-tonne Jorhat GU in H2 FY27, taking overall cement capacity to 11.7m tonnes. Targeting 18-20m-tonne capacity by FY30, it is evaluating 4-4.5m tonnes cement capacity (3m tonnes clinker) expansion in Rajasthan. The AAC block unit would begin in May'25.

Business outlook, Valuation. While Q1 may be impacted due to the unseasonal monsoon, the company is targeting 5.4m-5.5m tonnes cement sales in FY26. Cement prices have risen Rs5-7/bag the Q4 average in the east and NE and are guided to hold up, subject to the monsoon. Greater operational efficiency with the stabilised clinker unit, incentives from capacity commissioning and the rising share of green energy would aid the operating performance. Net debt would shrink to Rs2bn (Rs3.2bn on 31st Mar'25) aided by expected receipt in Q2 of a Rs1.5bn incentive. We expect 13/9/28% revenue/ volume/EBITDA CAGRs over FY25-27. We retain our Buy, at a higher 12-mth TP of Rs275, 12x FY27e EV/EBITDA. **Risks:** Rising operational costs, demand slowdown.

Key Financials (YE Mar)	FY23	FY24	FY25	FY26e	FY27e
Sales (Rs m)	27,048	29,107	31,634	35,044	40,579
Net profit (Rs m)	2,476	2,951	1,690	2,555	3,616
EPS (Rs)	6.1	7.3	4.2	6.3	8.9
P/E (x)	18.2	31.0	52.6	34.8	24.6
EV / EBITDA (x)	8.7	16.5	15.9	12.2	9.7
EV / tonne (\$)	86.4	138.6	139.4	111.2	90.5
RoE (%)	10.8	11.5	6.0	8.5	10.9
RoCE (%)	11.1	12.0	6.6	8.6	10.9
Dividend yield (%)	-	-	-	-	-
Net debt / equity (x)	-0.2	0.0	0.1	0.1	0.1

Source: Company, Anand Rathi Research

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Change in Estimates ☒ Target ☒ Reco ☐

Rating: **Buy**

Target Price (12-mth): Rs.275

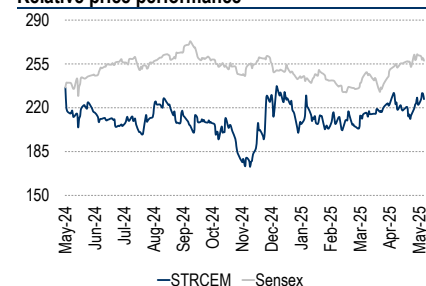
Share Price: Rs.220

Key data	STRCEM IN
52-week high / low	Rs248 / 171
Sensex / Nifty	82176 / 25001
Market cap	Rs.91bn
Shares outstanding	404m

Shareholding pattern (%)	Mar-25	Dec-24	Sept-24
Promoters	57.7	57.7	66.5
- of which, Pledged	1.3	1.1	0.6
Free float	42.3	42.3	33.5
- Foreign institutions	2.0	1.2	1.4
- Domestic institutions	5.2	5.0	5.0
- Public	35.2	36.2	27.2

Estimates revision (%)	FY26e	FY27e
Sales	(3.2)	(4.7)
EBITDA	4.9	4.1
PAT	14.8	12.4

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rsm)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Sales volumes (m tonnes)	4.0	4.4	4.7	5.4	6.2
Net revenues	27,048	29,107	31,634	35,044	40,579
Growth (%)	21.7	7.6	8.7	10.8	15.8
Direct costs	16,731	17,761	18,762	19,611	22,087
SG&A	5,633	5,783	7,085	7,843	9,070
EBITDA	4,684	5,563	5,786	7,589	9,421
EBITDA margins (%)	17.3	19.1	18.3	21.7	23.2
- Depreciation	1,311	1,466	3,319	3,918	4,382
Other income	521	265	106	123	142
Interest expenses	97	126	316	391	363
PBT	3,797	4,236	2,257	3,404	4,819
Effective tax rates (%)	34.78	30.33	25.18	25.00	25.00
+ Associates / (Minorities)	-	-	-2	-2	-2
Net income	2,476	2,951	1,690	2,555	3,616
Adj. income	2,476	2,951	1,690	2,555	3,616
WANS	404	404	404	404	404
FDEPS (Rs)	6.1	7.3	4.2	6.3	8.9
FDEPS growth (%)	0.3	19.2	-42.7	51.1	41.5

Fig 3 – Cash-flow statement (Rsm)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
PBT (Adj. OI and interest)	3,373	4,097	2,467	3,672	5,039
+ Non-cash items	1,311	1,466	3,319	3,918	4,382
Oper. prof. before WC	4,684	5,563	5,786	7,589	9,421
- Incr./ (decr.) in WC	-78	-1,646	2,681	-1,294	318
Others incl. taxes	1,321	1,285	568	851	1,205
Operating cash-flow	3,442	5,924	2,538	8,033	7,898
- Capex (tang. +intang.)	5,401	11,426	5,348	8,200	6,000
Free cash-flow	-1,960	-5,501	-2,811	-167	1,898
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	-	-	-	-	-
+ Equity raised	-	-	-	-	-
+ Debt raised	207	1,037	2,603	877	-1,500
- Fin investments	53	-1,706	0	-	-
- Misc. (CFI + CFF)	-1,076	-615	241	268	221
Net cash-flow	-729	-2,144	-450	442	177

Source: Company, AnandRathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

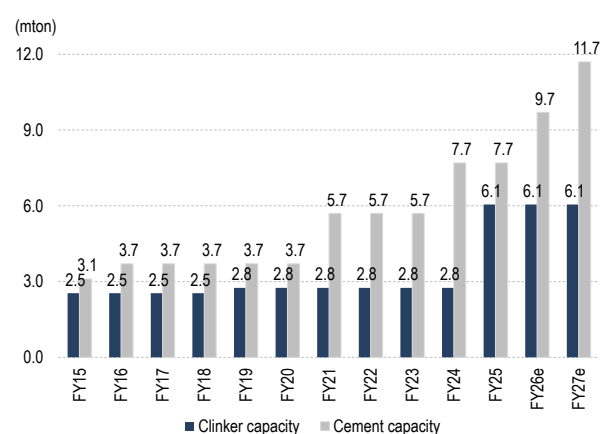
Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Share capital	404	404	404	404	404
Net worth	24,164	27,101	28,792	31,347	34,963
Debt	261	1,298	3,901	4,778	3,278
Minority interest	-	-	-3	-4	-6
DTL/(Assets)	-2,890	-2,401	-2,431	-2,431	-2,431
Capital employed	21,534	25,999	30,259	33,690	35,804
Net tangible assets	8,733	13,964	24,006	28,487	30,605
Net intangible assets	177	195	200	200	200
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	5,506	10,216	2,199	2,000	1,500
Investments (strategic)	19	20	20	20	20
Investments (financial)	1,707	-	-	-	-
Current assets (excl. cash)	9,165	8,254	11,689	11,041	12,785
Cash	3,117	973	524	966	1,144
Current liabilities	6,889	7,624	8,378	9,025	10,450
Working capital	2,276	630	3,311	2,016	2,335
Capital deployed	21,534	25,999	30,259	33,690	35,804
Contingent liabilities	-	-	-	-	-

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
P/E (x)	18.2	31.0	52.6	34.8	24.6
EV / EBITDA (x)	8.7	16.5	15.9	12.2	9.7
EV / Sales (x)	1.5	3.2	2.9	2.6	2.2
P/B (x)	1.9	3.4	3.1	2.8	2.5
RoE (%)	10.8	11.5	6.0	8.5	10.9
RoCE (%) - after tax	11.1	12.0	6.6	8.6	10.9
DPS (Rs)	-	-	-	-	-
Dividend payout (%) - incl. DDT	-	-	-	-	-
Net debt / equity (x)	-0.19	0.01	0.12	0.12	0.06
WC days	31	18	23	28	20
EV / tonne (\$)	86.4	138.6	139.4	111.2	90.5
NSR / tonne(Rs) (blended)	6,739	6,554	6,687	6,817	6,937
EBITDA / tonne (Rs)	1,167	1,253	1,223	1,408	1,532
Volumes (m tonnes)	4.0	4.4	4.7	5.1	5.9
CFO: PAT (%)	139.0	200.7	150.1	314.4	218.4

Source: Company, AnandRathi Research

Fig 6 – Cement and clinker capacities



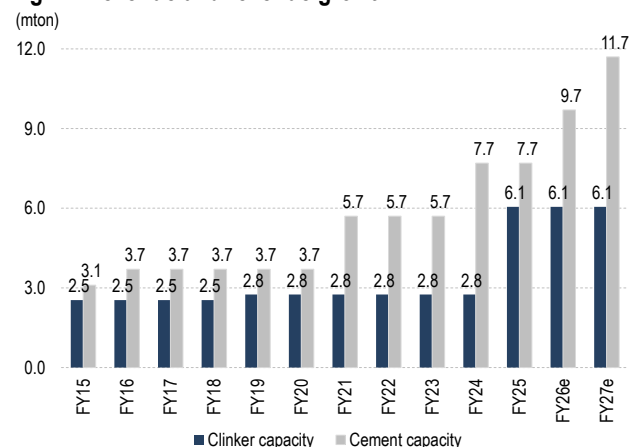
Source: Company, Anand Rathi Research

Key highlights

Revenue growth

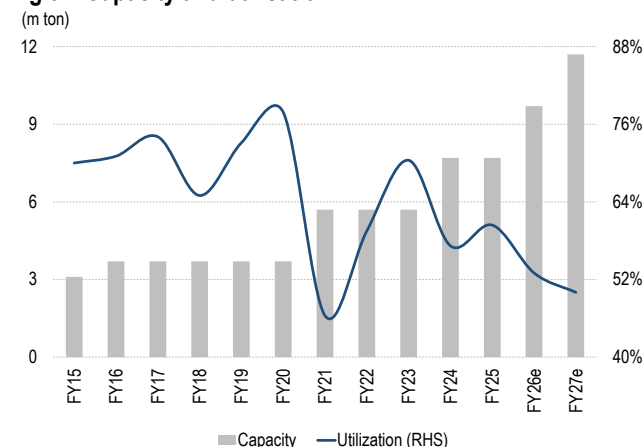
Star Cement's Q4 revenue grew 15.2% y/y to Rs10.5bn. Its cement sales grew 8.6% y/y to 1.53m tonnes (to the NE 6% y/y to 1.1m tonnes and to regions outside the NE 7% y/y to 0.373m tonnes). Clinker sales were up 138% y/y to 0.057m tonnes mainly on commencement of the 3m-tonnes Meghalaya clinker unit. Cement realisation (blended) was up 6% y/y.

Fig 7 – Revenue and revenue growth



Source: Company, Anand Rath Research

Fig 8 – Capacity and utilisation



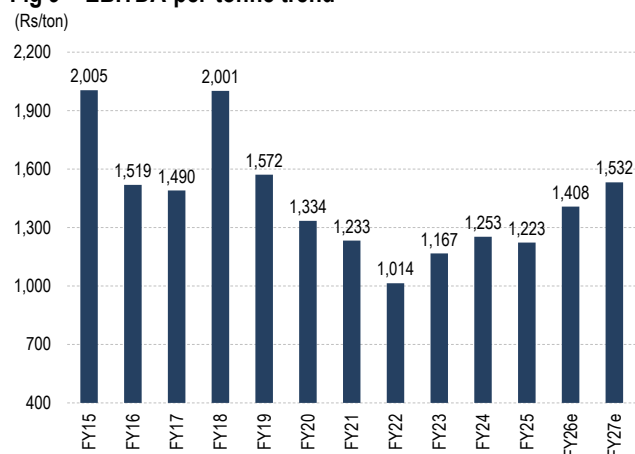
Source: Company, Anand Rath Research

Operating performance

EBITDA grew 46.2% y/y to Rs2,627m, with a 25% margin. Per-tonne power & fuel cost grew 43.7% y/y. Raw material cost/tonne declined 10.7% y/y and freight cost grew 10.6% y/y. Employee costs were up 10% y/y; other expenditure was up 21% y/y on an absolute basis.

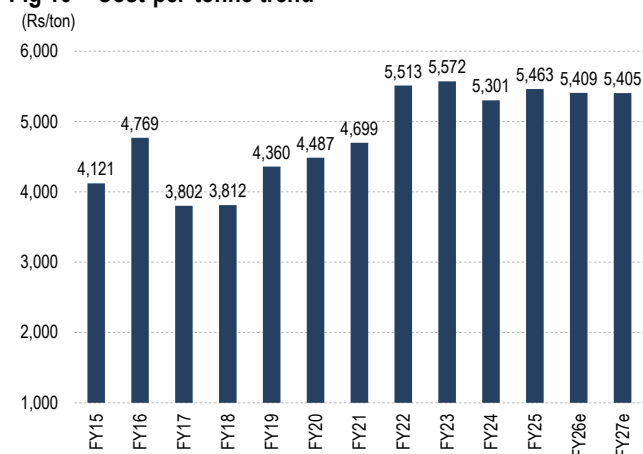
EBITDA/tonne grew 34.6% y/y to Rs1,715 (up 75.6% q/q) and PAT 40.5% y/y to Rs1.2bn.

Fig 9 – EBITDA-per-tonne trend



Source: Company, Anand Rath Research

Fig 10 – Cost-per-tonne trend



Source: Company, Anand Rath Research

Result Highlights

Fig 11 – Quarterly performance

(Rs m)	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	% Y/Y	% Q/Q
Sales	5,933	6,172	8,292	7,605	5,853	6,514	9,135	7,510	6,415	7,188	10,521	15.2	46.4
EBITDA	697	1,084	1,662	1,293	986	1,488	1,797	1,161	956	1,042	2,627	46.2	152.1
EBITDA margins (%)	11.7	17.6	20.0	17.0	16.8	22.8	19.7	15.5	14.9	14.5	25.0	530bps	1047bps
EBITDA / tonne (Rs)	782	1,194	1,346	1,111	1,100	1,529	1,274	1,006	977	977	1,715	34.6	75.6
Interest	26	33	12	22	32	30	42	59	71	98	88	112.3	(10.1)
Depreciation	315	341	351	318	360	365	423	725	825	893	875	107.0	(2.1)
Other income	136	117	127	87	58	41	78	14	16	25	50	(35.8)	99.3
Exceptional items	-	-	-	-	-	-	-	-	-	-	-	NA	NA
PBT	490	828	1,427	1,040	651	1,134	1,411	391	76	76	1,714	21.5	2,153.2
Tax	180	299	466	107	244	399	535	81	19	(14)	483	(9.7)	NA
Reported PAT	311	529	961	933	407	735	877	310	57	91	1,232	40.5	1,259.9
Adj. PAT	311	529	961	933	407	735	877	310	57	91	1,232	40.5	1,259.9

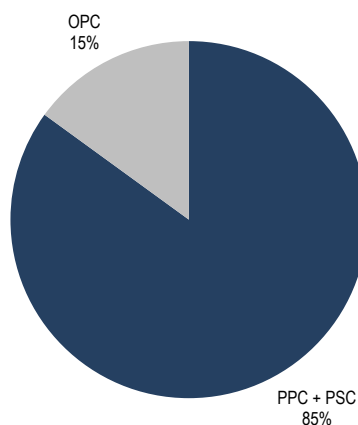
Source: Company, Anand Rath Research

Fig 12 – Per-tonne analysis

(Rs per tonne)	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	% Y/Y	% Q/Q
Gross realisations (blended)	6,659	6,797	6,714	6,533	6,532	6,695	6,474	6,508	6,560	6,736	6,867	6.1	1.9
EBITDA	782	1,194	1,346	1,111	1,100	1,529	1,274	1,006	977	977	1,715	34.6	75.6
Sales volumes (m tonnes) (cement+clinker)	0.89	0.91	1.24	1.16	0.90	0.97	1.41	1.15	0.98	1.07	1.53	8.6	43.6
Costs													
Raw material	1,555	1,589	1,508	1,651	1,451	1,601	1,677	2,126	1,651	1,902	1,499	(10.7)	(21.2)
Power & Fuel	1,204	1,640	1,288	1,487	1,464	1,373	831	992	1,192	1,076	1,194	43.7	11.0
Freight	1,317	1,255	1,137	1,083	1,007	1,131	1,158	1,129	1,091	1,144	1,280	10.6	11.9
Staff cost	544	498	447	416	638	560	388	539	660	568	392	1.1	(31.0)
Other expenses	1,011	1,006	908	716	990	816	794	866	1,030	1,167	887	11.6	(24.1)

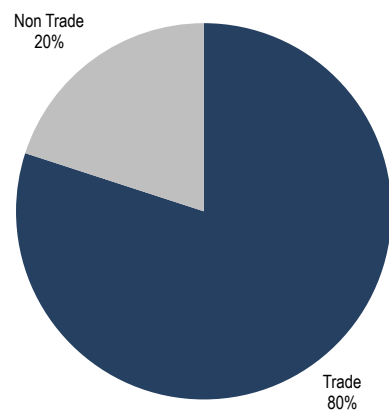
Source: Company, Anand Rath Research

Fig 13 – Product mix



Source: Company, Anand Rath Research

Fig 14 – Trade-nontrade mix



Source: Company, Anand Rath Research

Concall Highlights

- **Volumes, demand.** In Q4, 1.475m tonnes of cement were sold, up 6% y/y. Sales to the NE grew 6% y/y to 1.102m tonnes; to regions outside the NE, 7% y/y to 0.373m tonnes. Clinker sales were 0.057m tonnes, up 138% y/y mainly on commissioning of 3m-tonne Meghalaya clinker unit. The Siligudi unit capacity utilisation was 70%
- Cement demand may be impacted in NE because of an unseasonal monsoon in Q1; however, FY26 cement sales volume guidance maintained of 5.4m-5.5m tons.
- Cement prices have increased by Rs5-7/bag from the Q4 average in the East/NE, expected to hold in Q1 but may decline off season (monsoon). The price gap between trade and non trade is Rs50/bag.

Incentives

- With the 3.3m-tonne clinker expansion at the present location, the integrated GST benefit (Rs300/tonne) would be available till FY27. The incentive from the Guwahati GU will be available for 6-8 years. The coming Silchar and Jorhat units will also be available for subsidy.
- The company booked Rs750m incentives in Q4 (Rs30m a year ago). It guided to Rs2.2bn-2.5bn incentive for FY26 (Rs1.67bn in FY25, Rs160m-170m in FY24). Accrued incentives of Rs1.5bn are expected to be received in Q2 FY26.

Expansion, capex, debt

- The 3m-tonne Meghalaya clinker unit commencement was delayed by technical issues and commenced in Nov. The 2m-tonne Silchar GU would begin by Q4 FY26 at Rs4.5bn capex. The 2m-tonne capacity expansion at the Jorhat (Assam) GU at Rs4.5bn capex is expected to begin in H2 FY27.
- Subsidiary Star Cement Meghalaya has been declared the 'preferred bidder' for composite License of the Boro Hundong Limestone Block in e-auctions conducted by the Assam government. The block is situated in the Dima Hasao district (formerly North Cachar Hills), and covers 400 hectares with an estimated 146.75m tonnes of limestone. With limestone mines in Nimbol, the company is looking at mines in Jaisalmer, Rajasthan.
- Targeting 18-20m tonnes cement capacity by FY30, management is evaluating the setting up of a 4m-4.5m tonne cement GU in Rajasthan (clinker ~3m tons). Clinker in the NE suffices to cater to NE demand for the next four years; however various clearance processes would continue (environment/forest)
- An 800tpd AAC block unit and a CC unit are expected to commence next week. Aided by state and Central benefits, Rs150m EBITDA expected in FY26.
- At 31st Mar'25 gross/net debt were Rs3.8bn/3.2bn. FY26/FY27 capex would be Rs8.2/6bn (FY25 ~Rs5.62bn). The receipt of Rs1.5bn in Q2 would reduce net debt to Rs2bn.
- The 12MW Meghalaya WHRS commenced in Q4 FY25; however, the full benefit will be available from next quarter with the clinker unit stabilized.

Operational highlights

- The Q4 fuel-mix was Nagaland coal ~1%, spot coal 33%, biomass ~15%, FSA coal 53%. Fuel consumption cost was Rs1.54/GCV (Rs1.5 the quarter prior).
- The Q4 trade-nontrade mix was 80:20; OPC share 15%. The share of premium cement rose to 12% (vs. 12% the quarter prior and ~5-6% in FY24).
- The lead distance was 229km (vs. 222km the previous quarter).

Valuations

With a sturdy ~26% market share, Star Cement is the leader in the NE where, with Dalmia Bharat, it addresses 50-60% of cement demand, benefiting from economies of scale. The Meghalaya clinker unit stabilization along with the improved demand-pricing environment in its operating region (East/North east) aided the overall performance. Targeting 18-20m tonnes capacity by FY30, the ongoing expansion would take capacity to 11.7m tonnes. Greater operational efficiency, incentives on the capacity commissioned and the improving share of green energy would help the operating performance.

At the CMP, the stock quotes at 9.7x EV/EBITDA, 24.6x P/E, \$90.5 EV/tonne on FY27e. We retain our Buy rating, at a higher TP of Rs275 (earlier Rs270), 12x FY27e EV/EBITDA. **Risks:** Demand slowdown, higher operational costs.

Fig 15 – Change in estimates

(Rs bn)	Old		New		% change	
	FY26e	FY27e	FY26e	FY27e	FY26	FY27
Revenue	36,193	42,564	35,044	40,579	-3.2	-4.7
EBITDA	7,235	9,051	7,589	9,421	4.9	4.1
PAT	2,224	3,214	2,555	3,616	14.9	12.5

Source: Anand Rath Research

Fig 16 – 12-month-forward EV/EBITDA: Mean and standard deviation



Source: Bloomberg

Fig 17 – Peer comparison on valuations

Company	CMP (Rs)	P/E (x)		EV / EBITDA (x)		EV / tonne (\$)	
		FY26e	FY27e	FY26e	FY27e	FY26e	FY27e
Star Cement	220	34.8	24.6	12.2	9.7	111	90
Shree Cement	31,070	56.9	42.8	21	17.6	179	177
Ramco Cement	980	76.7	33.7	17.8	13	107	104
Birla Corp.	1,401	18.9	15.3	9	8.1	68	69
JK Cement	5,256	42.4	28.8	19.5	14.8	169	167
JK Lakshmi	880	27.9	18.8	12.3	9.7	84	76
Heidelberg Cement	203	24.4	18.7	11.9	9.4	72	69
Prism Johnson	141	NA	NA	13	11.2	68	65
Dalmia Bharat	2,056	38.1	26.7	12.9	10.6	90	90

Source: Company, Anand Rath Research

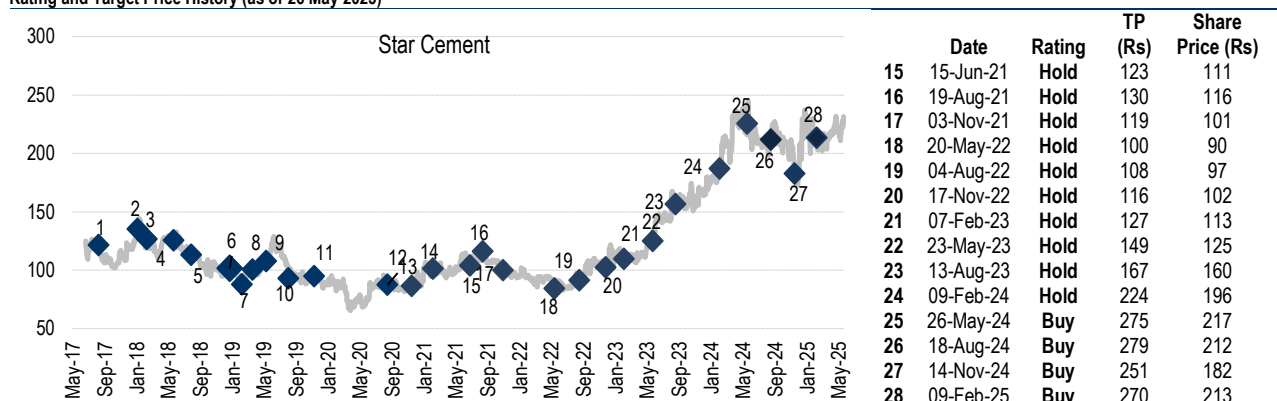
Appendix

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Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
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