BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 260 | ▲ 15%

STAR CEMENT | Cement | 23 May 2025

Well geared to meet challenges; maintain BUY

- **Revenues rose ~15% YoY in Q4FY25 on the back of ~9% volume gains, though realisations stayed flat (-1% YoY)**
- **EBITDA margin takes a jump to 25% YoY as cost well controlled, EBITDA/tn stays healthy at Rs1,225/tn**
- **Revisit FY26 earnings but FY27e estimates stay intact; continue to value STRCEM at 10x 1-year EV/EBITDA with TP of Rs260 (vs Rs248)**

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Revenue jump on healthy volume gains: In Q4FY25, STRCEM's revenue increased by ~15%/46% YoY/QoQ to Rs 10.5bn. Cement volumes, including clinker sales, were higher 9%/46% YoY/QoQ at 1.53mn tonnes (by 6%/39% YoY/QoQ at 1.48 mn tonnes excluding clinker sales). However, realisations (excluding incentives of Rs750mn) stayed flat with mild slip of 1% at Rs6.378/tn (increased by 6%/1.5% YoY/QoQ to Rs 6,861/t including incentives). Northeast India volume was down to ~74% (78% in Q3FY25), while eastern India's volume contributed 25% (22% in Q3FY25).

Healthy EBITDA gains: Operational costs declined by ~1%/11% YoY/QoQ to Rs 5,153/t, driven by softening of raw material cost, considering no clinker purchases. Energy cost adjusted to raw material expenses also fell by ~19%/26% YoY/QoQ to Rs 1,870/t, as fuel cost softened to Rs1.54/k cal vs Rs1.7 k/cal. Logistics costs, however, rose by ~18%/34% YoY/QoQ to Rs 2,004/t as the lead distance increased to 229km and higher inter-unit clinker cost (was offset by soft raw material cost that fell by ~Rs365/tn). Consequently, EBITDA jumped by 46%/152 YoY/QoQ to ~Rs 2.63bn and EBITDA margin rose significantly to 25% from 19.7% YoY (19% QoQ).

Capex guidance maintained: Management has guided for Rs 8.23bn capex in FY26 and Rs 6bn in FY27. STRCEM plans to commission a 2mnt grinding unit (GU) at Silchar (Assam) in Q4FY26 and 2mnt in Jorhat by FY27. No near-term clinker expansion planned, but has been secured in Sirohi, Rajasthan and exploration in Jaisalmer is being conducted. Majority of capex will be internally funded with minimal debt burden.

Growth prospects intact; maintain BUY: We cut our FY26 EBITDA/PAT estimates by 9.5%/16.5% to factor in soft realisations and higher depreciation. We keep FY27 EBITDA estimates unchanged but revise EPS to adjust higher depreciation (capex related). Our Revenue/EBITDA/PAT 3-year CAGR is now at 16%/20%//6%. We continue to assign a 10x 1-year EV/EBITDA to the stock, and revise TP to Rs260 (Rs 248 earlier) to factor in healthy growth visibility. Our TP implies replacement cost valuation is in line with the industry average of Rs 7.5bn/mnt. Maintain BUY.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	STRCEM IN/Rs 226
Market cap	US$ 1.1bn
Free float	33%
3M ADV	US$ 1.1mn
52wk high/low	Rs 247/Rs 172
Promoter/FPI/DII	67%/1%/6%

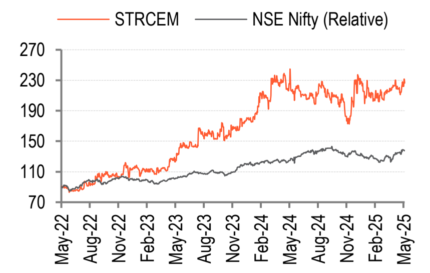
Source: NSE | Price as of 22 May 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	31,634	38,019	45,729
EBITDA (Rs mn)	5,786	7,642	10,505
Adj. net profit (Rs mn)	1,688	2,974	4,362
Adj. EPS (Rs)	4.0	7.1	10.4
Consensus EPS (Rs)	4.0	7.4	9.0
Adj. ROAE (%)	6.0	9.7	12.7
Adj. P/E (x)	56.2	31.9	21.7
EV/EBITDA (x)	16.9	12.2	8.8
Adj. EPS growth (%)	(42.6)	76.2	46.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q4FY25	Q3FY25	Our view
Volume and realisation	Cement sales volume in Q4FY25 was 1.48mn tonne versus 1.39mn tonnes. Northeast contributed 1.1mn tonne versus 1.04mn tonnes and outside Northeast contributed 0.37mn tonne versus 0.35mn tonnes. Premium segment mix increased to ~12% up from 5-6% YoY. Management is targeting 20% mix for FY26. Trade vs. non-trade gap in prices was ~Rs 500-600/t. Average price increase in Q1FY26 was Rs 5-7/bag from the average price of Q4FY25.	Sale of cement in Q3FY25 was 1.06mnt vs 0.9mnt YoY. Northeast India volume was 0.83mnt in Q3FY25 vs 0.73mnt in Q3FY24 and outside volumes at 0.231mnt in Q3FY25 vs 0.238mnt in Q3FY24. STRCEM sold 11% of OPC and 89% of PPC. Trade volume share was 81% and premium segment sales 12% in Q3FY25 Management expects volume growth of 10% in Q4FY25 and 7-8% in FY25. Further, management has guided for 6-7% industry growth in FY26 and expects STRCEM to grow at 12-15%.	We expect volumes to recover after a lull in FY25 given the government's focus on building up infrastructure in India's northeast region and resolution of clinkerisation unit issues. Further efforts to expand the footprint only augurs well.
Margins	Fuel mix in was 52% FSA (Coal India), 14% biomass, 1% from Nagaland and 33% spot auction; while fuel cost came in at Rs 1.54/k cal vss Rs1.7 k/cal. Fuel mix was ~4% FSA, 36% Nagaland coal, 10% biomass, and 50% spot option in Q4FY24. Lead distance increased to 229km from 222km in Q3FY25 (227kms in 4QFY24). Freight cost was up by Rs 300/t YoY (136/t QoQ to Rs 1280/t driven by peak season demand) offset by the absence external clinker purchases reflected in the raw material cost that softened by 365/t YoY to Rs775/t. In Q4FY25 STRCEM booked an incentive of Rs 750mn vs Rs30mn in Q4FY24 and Rs430mn in Q3FY25. Adjusted to the incentives, realisation has softened by 1% YoY to Rs6.378/t. EBITDA/t is also flat at Rs1,225/t	Fuel mix from Coal India was at 50% FSA, 30% biomass, 20% from Nagaland. Fuel cost stood at Rs 1.5/kcal. Lead distance increased to 222km from 218km QoQ. One-time maintenance shutdown cost of Rs 0.10bn was incurred and the additional cost to purchase clinker from outside of Rs 0.30bn, which shall not reoccur again in Q4FY25.	Focus on cost efficiencies will only help guard margins in case of increase in competitive intensity that may put pressure in the interim phase on prices
Capacity	Clinker production rose to ~1.14mn tonnes, driven by enhanced output from the Meghalaya plant. STRCEM's total grinding capacity is now at 7.7mn tonnes, with the Siliguri plant operating at over 70% utilization. AAC block unit is now ready for commercial production. The 12MW WHRS is expected to start contributing to efficiency gains as the kiln stabilizes. Two new grinding units in Silchar and Jorhat are on track for commissioning in Q4FY26/Q4FY27 respectively.	Capacity utilisation of Siliguri plant was at 45% in Q3FY25 and management expects it to improve in Q4FY25. 12MW WHRS to be operational in Q4FY25 and AAC block to be commissioned in Q4FY25.	Capacity expansion at the appropriate time will help STRCEM stay on the growth trajectory.
Capex	Capex spent for FY25 was at Rs 5.62bn; management has earmarked a capex of Rs 8.23bn for FY26 and Rs 6bn for FY27. No immediate plans for clinker capacity expansion. On the raw material front,	Management's guidance for the commissioning of the Silchar Plant in FY26 and for the Jorhat Plant in FY27 remains the same. STRCEM incurred a capex of Rs 4bn-4.4bn in 9MFY25 and guided Rs 2bn/Rs 6bn/Rs 3bn-4bn for Q4FY25/FY26/FY27.	The company has managed capital expenditure well with the minimum burden on the balance sheet. It has targeted growth with new additions in lucrative markets like Assam.

Parameter	Q4FY25	Q3FY25	Our view
	STRCEM has secured mines in Beawar, Rajasthan, and is actively exploring opportunities in Jaisalmer to strengthen its resource base.		Entry in North markets with capacity plans in Rajasthan in the medium term will prove handy.
Other key points	STRCEM's gross debt was at Rs 3.5–3.6bn, with net debt at approximately Rs 2–2.1bn after accounting for a Rs 1.5bn subsidy receivable. Incentives are expected to be in the range of Rs 2.2–2.5bn annually over the next few years. Initially, subsidy disbursements face a lag of 12–18 months, which is expected to normalize to a quarterly cycle. The AAC block unit is projected to contribute around Rs 150mn in EBITDA in FY26. While there are no immediate plans to enter Rajasthan, the company remains focused on securing necessary permissions and mining assets in the region.	Borrowings were Rs 4bn at 9MFY25-end. STRCEM recorded incentives of Rs 0.43bn in Q3FY25	Accrual of higher incentives will keep the borrowings in check even in capex mode and that will be a key positive.

Source: Company, BOBCAPS Research | OPC: Ordinary Portland Cement; PPC: Portland Pozzolana Cement; FSA: Fuel Supply Agreement; WHRS: Waste heat recovery system; AAC: Autoclaved Aerated Concrete

Fig 2 – Key metrics

	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ (%)	4QFY25E	Deviation (%)
Volumes (million tonnes)	1.5	1.4	8.6	1.4	8.6	1.53	(0.1)
Cement realisations (Rs/t)	6,378	6,474	(1.5)	6,474	(1.5)	6,278	1.6
Operating costs (Rs/t)	5,153	5,201	(0.9)	5,201	(0.9)	5,297	(2.7)
EBITDA/t (Rs)	1,225	1,274	(3.8)	1,274	(3.8)	981	24.9

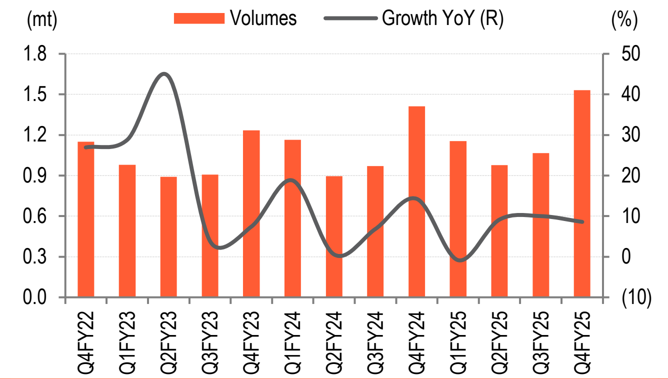
Source: Company, BOBCAPS Research

Fig 3 – Quarterly performance

(Rs mn)	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ (%)	4QFY25E	Deviation (%)
Net Sales	**10,521**	**9,135**	**15.2**	**7,188**	**46.4**	**9,625**	**9.3**
Expenditure							
Change in stock	(151)	498	(130.4)	(104)	45.0	500	NA
Raw material	1,187	1,594	(25.5)	1,655	(28.3)	2,995	(60.4)
Purchased products			0.0		0.0		
Power & fuel	1,829	1,172	56.1	1,148	59.4	1,251	46.2
Freight	3,070	2,406	27.6	1,595	92.4	1,443	112.7
Employee costs	601	548	9.7	606	(0.9)	616	(2.5)
Other exp	1,358	1,120	21.2	1,245	9.0	1,315	3.3
Total Operating Expenses	7,894	7,338	7.6	6,145	28.5	8,121	(2.8)
EBITDA	**2,627**	**1,797**	**46.2**	**1,042**	**152.0**	**1,504**	**74.7**
EBITDA margin (%)	25.0	19.7	529.7	14.5	1,046.8	15.6	934.8
Other Income	50	78	(35.8)	25	99.3	21	139.3
Interest	88	42	112.0	98	(10.2)	111	(20.7)
Depreciation	875	423	107.0	893	(2.1)	899	(2.7)
PBT	1,714	1,411	21.5	76	2,150.5	515	233.2
Non-recurring items			0.0		0.0		
PBT (after non recurring items)	1,714	1,411	21.5	76	2,150.5	515	233.2
Tax	483	535	(9.6)	(14)	(3,463.4)	98	394.2
Reported PAT	1,231	877	40.4	91	1,259.8	417	195.4
Adjusted PAT	**1,231**	**877**	**40.4**	**91**	**1,259.8**	**417**	**195.4**
NPM (%)	11.7	9.6	211bps	1.3	1044bps	4.3	737bps
Adjusted EPS (Rs)	**3.0**	**2.1**	**40.4**	**0.2**	**1,259.8**	**1.0**	**195.4**

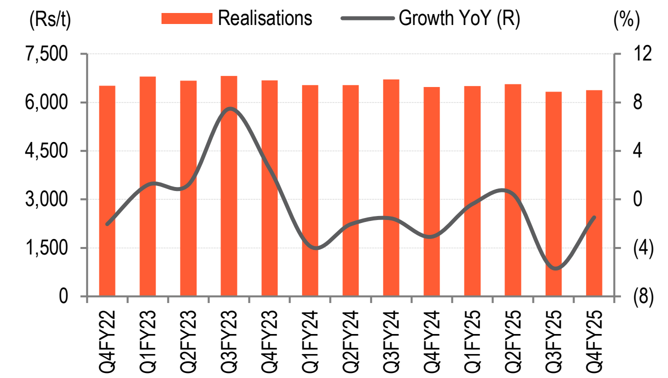
Source: Company, BOBCAPS Research

Fig 4 – Overall demand uptick awaited



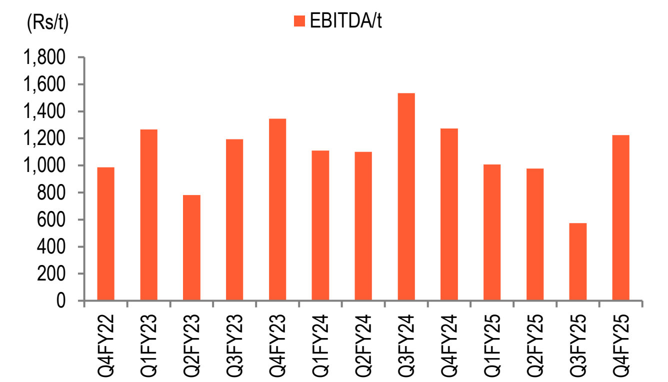
Source: Company, BOBCAPS Research

Fig 5 – Realisations soften albeit marginally



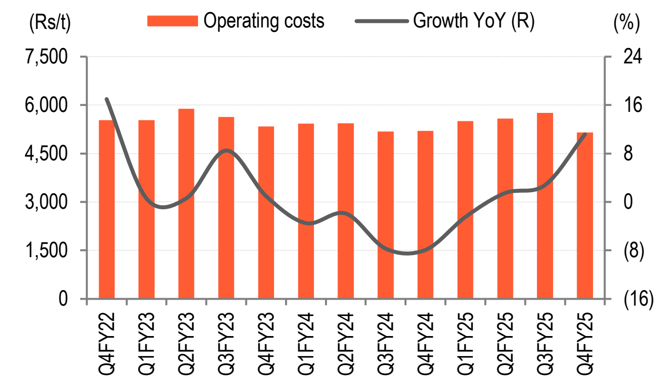
Source: Company, BOBCAPS Research

Fig 6 – EBITDA/t relatively better than peers



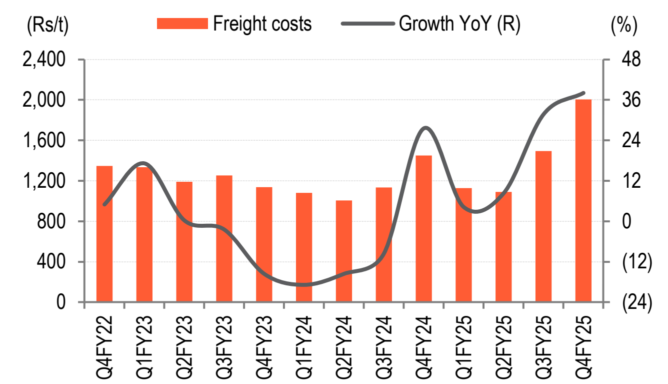
Source: Company, BOBCAPS Research

Fig 7 – Normalisation of expenses to drive better show



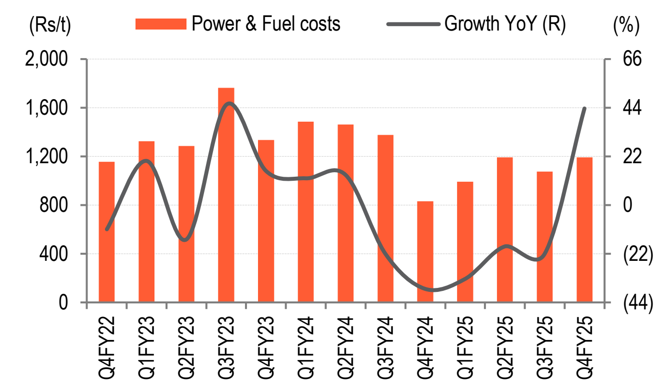
Source: Company, BOBCAPS Research

Fig 8 – Higher logistic cost offset by sharp decline in raw material cost due to no clinker purchases



Source: Company, BOBCAPS Research

Fig 9 – Power cost savings remain a focus area and major lever of efficiency improvement



Source: Company, BOBCAPS Research

Valuation Methodology

We cut our FY26 EBITDA/PAT estimates by 9.5%/16.5% to factor in soft realisations and higher depreciation. We keep FY27 EBITDA estimates unchanged but revise EPS to adjust higher depreciation (capex related).

Government's focus on infrastructure in STRCEM's core Northeast India market will boost volumes. Our Revenue/EBITDA/PAT 3-year CAGR is now at 16%/20%//6%. We believe timely capacity expansion will help STRCEM stay on the growth trajectory and aid earnings as demand recovers. We also believe the cost will normalise with the company gaining higher operating leverage as demand recovers in the region. Focus on expanding footprint over the medium term (till FY31 plans to gain size of 20 mn tonnes capacity).

We believe better cost efficiencies, including focus on reducing logistics cost and improving availability of fuel cost efficiently (higher WHRS use), will only help EBITDA margins in FY26E/FY27E to improve to the 20% range (after the setback in FY25E). Healthy balance sheet management, despite in capex phase only adds comfort.

Factoring in all the above we continue to assign a 10x 1-year EV/EBITDA to the stock, and revise TP to Rs260 (Rs 248 earlier) to factor in healthy growth visibility. Our TP implies replacement cost valuation is in line with the industry average of Rs 7.5bn/mnt.

Fig 10 – Estimates Revised

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	38,019	45,729	38,826	45,799	(2.1)	(0.2)
EBITDA	7,642	10,505	8,449	10,506	(9.5)	0.0
Adj PAT	2,974	4,362	3,555	4,804	(16.3)	(9.2)
Adj EPS (Rs)	7.1	10.4	8.5	11.5	(16.5)	(9.5)

Source: Company, BOBCAPS Research

Fig 11 – Key assumptions

	FY24	FY25E	FY26E	FY27E
Volumes (mnt)	4.6	4.8	5.5	6.4
Realisations (Rs/t)	6,970	6,489	6,489	6,684
Operating costs (Rs/t)	5,166	5,340	5,619	5,631
EBITDA/t (Rs/t)	1,217	1,195	1,271	1,513

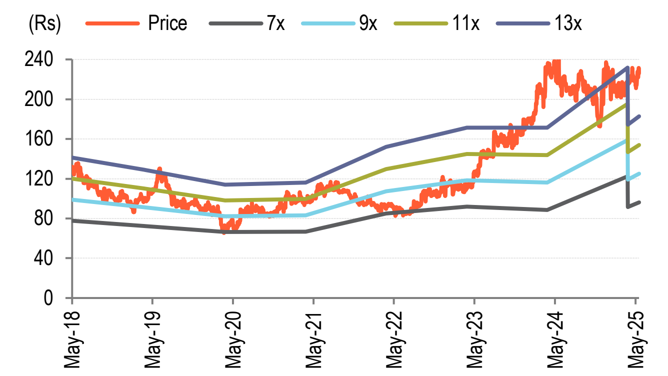
Source: Company, BOBCAPS Research

Fig 12 – Valuation summary

(Rs mn)	1-year Forward
Target EV/EBITDA (x)	10.0
EBITDA	10,505
Target EV	1,05,054
Total EV	1,05,054
Net debt	(202)
Target market capitalisation	1,05,256
Target price (Rs/sh)	**260**
Weighted average shares (mn)	404

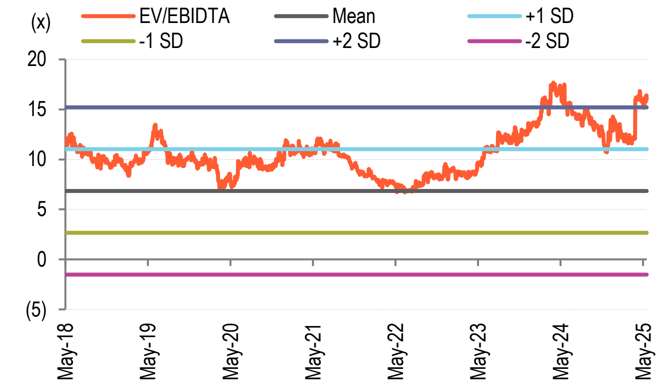
Source: BOBCAPS Research| Note: 1-year forward estimates include partial FY27 earnings

Fig 13 – EV/EBITDA band: Valuations to follow earnings pace



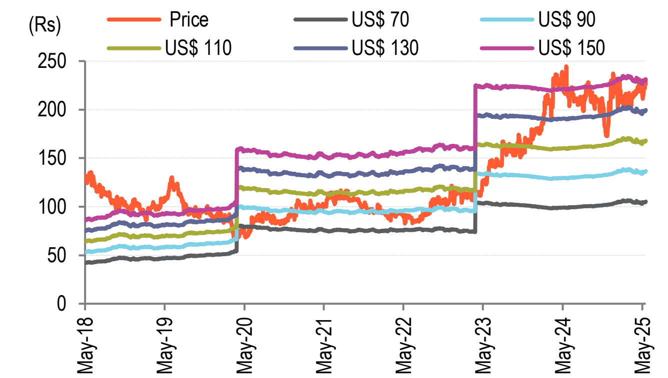
Source: Bloomberg, BOBCAPS Research

Fig 14 – EV/EBITDA 1YF:



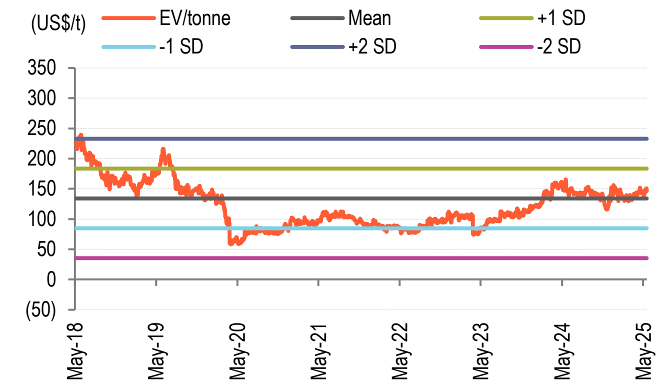
Source: Bloomberg, BOBCAPS Research

Fig 15 – EV/tonne: Replacement cost will stay inflated for efficient companies in the sector



Source: Company, Bloomberg, BOBCAPS Research

Fig 16 – EV/tonne: 1YF valuations are relatively modest



Source: Company, Bloomberg, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- Slower-than-expected demand revival in Northeast India could lead to downward risk to earnings.
- Fierce competitive pressure from companies in eastern India could strain pricing, representing a downside risk to our estimates.
- Any cost reversal upwards poses a risk to earnings.

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Total revenue	**25,756**	**28,882**	**31,634**	**38,019**	**45,729**
EBITDA	4,684	5,552	5,786	7,642	10,505
Depreciation	(1,311)	(1,466)	(3,319)	(3,719)	(4,725)
EBIT	3,894	4,350	2,573	4,270	6,170
Net interest inc./(exp.)	(96)	(126)	(316)	(386)	(431)
Other inc./(exp.)	521	265	106	347	390
Exceptional items	0	0	0	0	0
EBT	3,798	4,224	2,257	3,885	5,740
Income taxes	(1,321)	(1,285)	(569)	(911)	(1,377)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**2,477**	**2,940**	**1,688**	**2,974**	**4,362**
Adjustments	0	0	0	0	0
Adjusted net profit	**2,477**	**2,940**	**1,688**	**2,974**	**4,362**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Accounts payables	2,820	2,197	2,620	3,143	3,654
Other current liabilities	3,972	5,269	5,563	6,964	7,034
Provisions	97	158	195	170	187
Debt funds	261	1,298	3,901	4,807	5,007
Other liabilities	0	0	0	0	0
Equity capital	404	404	404	404	404
Reserves & surplus	23,760	26,697	28,804	31,778	36,141
Shareholders' fund	24,164	27,101	29,211	32,185	36,547
Total liab. and equities	**31,314**	**36,024**	**41,488**	**47,267**	**52,427**
Cash and cash eq.	3,117	973	944	3,472	5,209
Accounts receivables	1,047	1,508	1,995	2,135	2,568
Inventories	3,741	3,350	4,464	3,125	3,759
Other current assets	4,377	3,397	5,230	3,780	4,287
Investments	1,725	20	20	20	20
Net fixed assets	8,850	14,096	26,123	27,109	27,089
CWIP	5,506	10,190	190	4,859	6,459
Intangible assets	60	88	91	93	95
Deferred tax assets, net	2,890	2,401	2,431	2,674	2,941
Other assets	0	0	0	0	0
Total assets	**31,314**	**36,024**	**41,488**	**47,267**	**52,427**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Cash flow from operations	**4,543**	**6,447**	**2,297**	**10,998**	**7,844**
Capital expenditures	(5,394)	(11,332)	(5,348)	(9,376)	(6,307)
Change in investments	(89)	1,706	0	1	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(5,482)**	**(9,626)**	**(5,349)**	**(9,375)**	**(6,307)**
Equities issued/Others	422	(1,260)	419	0	0
Debt raised/repaid	207	1,037	2,603	906	200
Interest expenses	8	9	10	10	10
Dividends paid	(419)	(419)	0	0	0
Other financing cash flows	-	1,677	0	0	0
Cash flow from financing	**210**	**1,035**	**3,022**	**906**	**200**
Chg in cash & cash eq.	**(729)**	**(2,144)**	**(30)**	**2,529**	**1,737**
Closing cash & cash eq.	**3,118**	**973**	**944**	**3,472**	**5,209**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25P	FY26E	FY27E
Reported EPS	5.9	7.0	4.0	7.1	10.4
Adjusted EPS	5.9	7.0	4.0	7.1	10.4
Dividend per share	1.0	1.0	0.0	0.0	0.0
Book value per share	57.6	64.6	69.7	76.8	87.2

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25P	FY26E	FY27E
EV/Sales	3.6	3.3	3.1	2.5	2.0
EV/EBITDA	19.6	17.1	16.9	12.2	8.8
Adjusted P/E	38.3	32.3	56.2	31.9	21.7
P/BV	3.9	3.5	3.2	2.9	2.6

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25P	FY26E	FY27E
Tax burden (Net profit/PBT)	65.2	69.6	74.8	76.5	76.0
Interest burden (PBT/EBIT)	97.5	97.1	87.7	91.0	93.0
EBIT margin (EBIT/Revenue)	15.1	15.1	8.1	11.2	13.5
Asset turnover (Rev./Avg TA)	87.7	85.8	81.6	85.7	91.7
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.4	1.4	1.5
Adjusted ROAE	10.8	11.5	6.0	9.7	12.7

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25P	FY26E	FY27E
YoY growth (%)					
Revenue	23.2	12.1	9.5	20.2	20.3
EBITDA	35.7	18.5	4.2	32.1	37.5
Adjusted EPS	0.4	18.7	(42.6)	76.2	46.7
Profitability & Return ratios (%)					
EBITDA margin	17.3	19.1	18.3	19.8	22.6
EBIT margin	14.4	14.9	8.1	11.0	13.3
Adjusted profit margin	9.6	10.2	5.3	7.8	9.5
Adjusted ROAE	10.8	11.5	6.0	9.7	12.7
ROCE	16.9	16.5	8.4	12.2	15.7
Working capital days (days)					
Receivables	15	19	23	21	21
Inventory	53	42	52	30	30
Payables	46	34	37	37	37
Ratios (x)					
Gross asset turnover	1.6	1.2	0.8	0.9	0.9
Current ratio	1.8	1.2	1.5	1.2	1.5
Net interest coverage ratio	40.6	34.5	8.1	11.1	14.3
Adjusted debt/equity	0.0	0.0	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

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Note: Recommendation structure changed with effect from 21 June 2021

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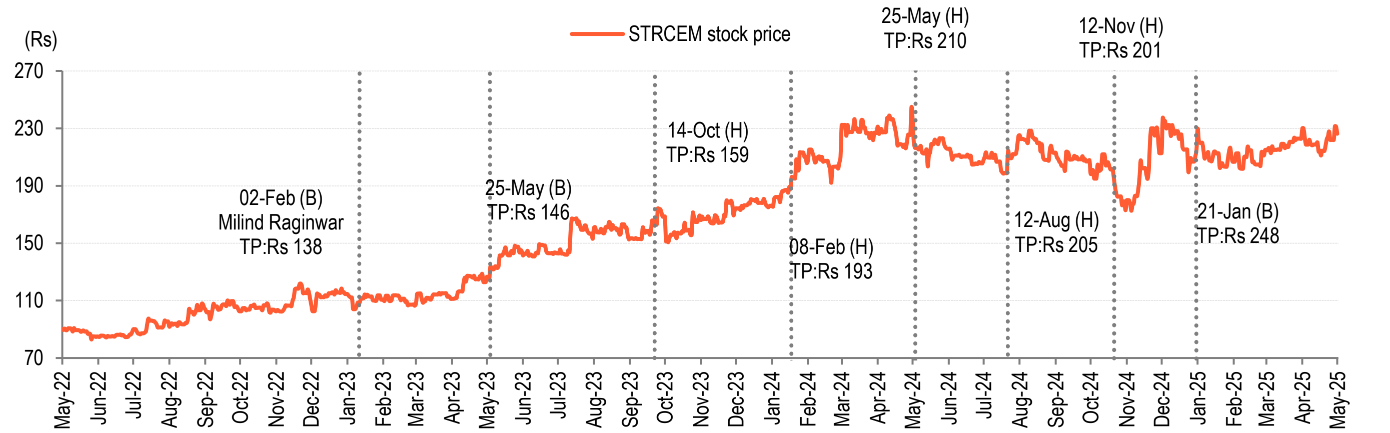
Ratings and Target Price (3-year history): STAR CEMENT (STRCEM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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