

23 May 2025

India | Equity Research | Results Update

## Star Cement

Cement

### Good times are back; here to stay

The good times are back with a bang for Star Cement (Star) as stabilisation and ramp-up of its new kiln has helped: 1) ease variable cost/t (ex-freight) by ~INR 300/t QoQ; and 2) ride volume gains (up 9% YoY/44% QoQ) from the new plants and accrue incentives of ~INR 500/t. As a result, EBITDA/t stood at an impressive INR 1,715/t (up 35% YoY/75% QoQ), being 8% ahead of our estimates. Further, with the underlying improvement in cement prices and scope of efficiency enhancement, we believe the good times are here to stay. It is with this confidence that we: a) broadly retain our EBITDA for FY26E and introduce our estimate for FY27, assuming 15% growth; b) roll-over valuations to FY27E; and c) upgrade the stock to **ADD** (from *Hold*; keeping our valuation multiple at 11x EV/EBITDA intact) with a revised target price of INR 251 (INR 227 earlier).

### Q4FY25 rides full-blown benefits of new capacities

Q4FY25 EBITDA at INR 2.63bn surged 46% YoY/152% QoQ (8% ahead of our forecast). EBITDA/t stood at an impressive INR 1,715, being its highest since Q3FY19. The feat was achieved on the back of: 1) volume rising 8.6% YoY to 1.53mt (in line with our estimate); 2) incentive accrual of INR 760mn (~INR 500/t) vs. INR 430mn in Q3FY25 and ~INR 30mn in Q4 last year (even as realisations, ex-incentives, stood flat QoQ); 3) total variable cost/t slipping 4% QoQ (10% QoQ or ~INR 300/t ex-freight); and 4) operating leverage benefits driving 25% QoQ drop in fixed cost/t. EBITDA/t for FY25 stood at INR 1,225 versus our estimate of INR 1,719 for FY26E and INR 1,800 for FY27E.

### Good times here to stay

As per Star – 1) The incentives will likely continue to accrue broadly at par with the Q4FY25 run-rate. 2) Existing capacities are enough to meet volume growth for the next 4–5 years. 3) It is exploring the possibility of foraying into north India over the medium-term and may pursue acquisition of mines via auctions (it already has won a few limestone auctions in Rajasthan in past few months). With Star keen to pursue growth, the M&A overhang (created post acquisition of 8.7% stake by UltraTech Cement in Dec'24) can also be out to rest. Factoring in healthy RoE of ~14% (for FY26E/FY27E) and strong balance-sheet (net debt/EBITDA stood 0.6x for FY25), we continue to value Star at 11x EV/EBITDA. Rolling over valuations to FY27E, we upgrade Star to **ADD** (from *Hold*) with a revised TP of INR 251 (INR 227 earlier).

### Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	29,107	31,634	38,419	43,000
EBITDA	5,563	5,786	9,512	10,960
EBITDA (%)	19.1	18.3	24.8	25.5
Net Profit	2,951	1,688	4,172	5,192
EPS (INR)	7.3	4.2	10.3	12.8
EPS % Chg YoY	19.2	(42.8)	147.1	24.4
P/E (x)	31.0	54.2	21.9	17.6
EV/EBITDA (x)	16.5	16.4	9.9	8.3
RoCE (%)	11.5	6.3	12.9	14.0
RoE (%)	11.5	6.0	13.5	14.6

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#### Market Data

Market Cap (INR)	91bn
Market Cap (USD)	1,064mn
Bloomberg Code	STRCEM IN
Reuters Code	STATf.BO
52-week Range (INR)	256 /172
Free Float (%)	20.0
ADTV-3M (mn) (USD)	1.1

Price Performance (%)	3m	6m	12m
Absolute	9.4	25.8	(4.1)
Relative to Sensex	1.9	23.5	(13.2)

ESG Score	2023	2024	Change
ESG score	NA	62.5	NA
Environment	NA	46.9	NA
Social	NA	70.8	NA
Governance	NA	72.0	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E
Revenue	0.3
EBITDA	(1.5)
EPS	(8.0)

#### Previous Reports

30-12-2024: [Q2FY25 results review](#)

28-11-2024: [Company Update](#)

## Conference call takeaways

### Demand/volume

#### Exhibit 1: Production snapshot

(mt)	Q4FY25	Q4FY24
Clinker	1.138	0.693
Cement	1.479	1.388

Source: Company data

#### Exhibit 2: Sales volume snapshot

(mt)	Q4FY25	Q4FY24
Clinker	0.057	0.025
Cement	1.475	1.387

Source: Company data

#### Exhibit 3: Region-wise sales mix

(mt)	Q4FY25	Q4FY24
North East India	1.102	1.040
East India	0.373	0.347

Source: Company data

- In Q4FY25, trade mix stood at 80% (vs. 84% in Q4FY24); product mix: OPC at 14% (vs. 10% in Q4FY24) and PPC at 86%.
- Company expects to achieve sales volume of ~5.5mtpa in FY26.
- Company's total Grinding Unit capacity is 7.7mtpa, of which 2mtpa is in Siliguri (West Bengal) and rest 5.7mtpa is in the North East.

### Pricing

- In Q1FY26 so far, cement prices (in North East and other regions put together), have increased by INR 5–7/bag versus Q4FY25 average.
- Price gap (net of GST) between trade and non-trade cement prices is ~INR 500-600/t.
- In Q4FY25, Star booked incentive income of ~INR 750mn (vs. ~INR 30mn YoY) from its Guwahati and Lumshnong plants. It expects an annual run-rate of ~INR 2.2-2.5bn in coming years (vs. ~INR 1.67bn in FY25 and ~INR 167mn in FY24)
- Premium cement share stood at 12% in Q4FY25 (vs. ~ 7% in Q4FY24) and it aspires to take it to 30% in future.

### Cost

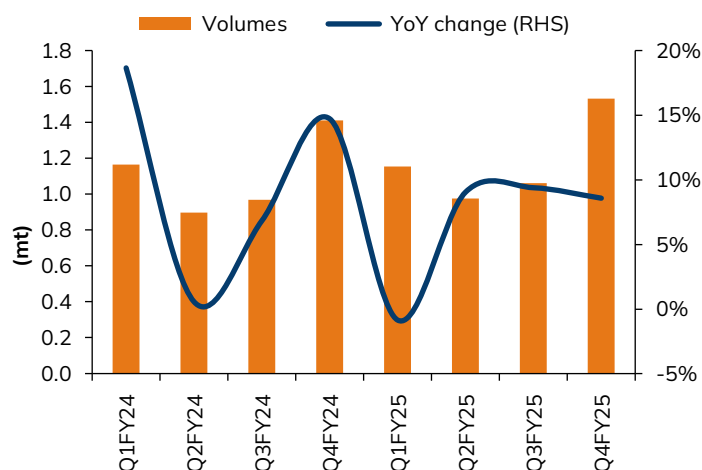
- Star expects further efficiency gain in coming quarters on the back of WHRS (Waste Heat Recovery Systems) plant commissioned in Mar'25 and further stabilisation of kiln (currently operates at 70-80% capacity).
- Blended fuel consumption cost in Q4FY25 stood at INR 1.54/'000 kcal vs. INR 1.7/'000 kcal in Q4FY24.
- Fuel mix in Q4FY25 was – FSA: 52%; Nagaland coal: 1%; biomass: 14%; and spot contract coal: 33%.
- Lead distance in Q4FY25 stood at 229kms (~flat YoY).

**Capex**

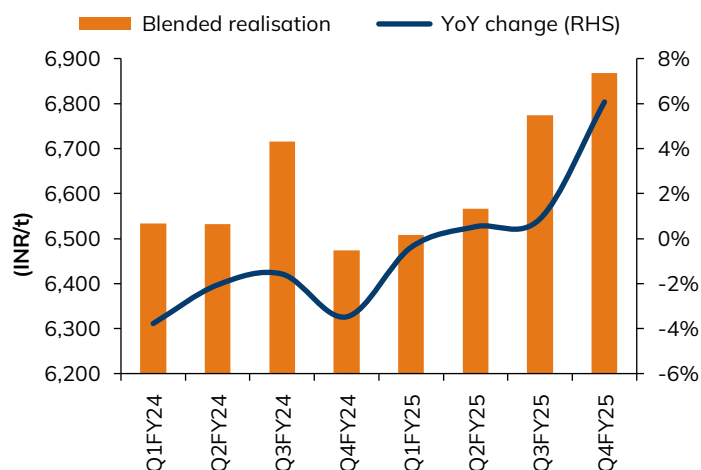
- Star did a capex of ~INR 5.62bn in FY25; it guides for capex of INR 8.23bn and ~INR 6bn in FY26 & FY27, respectively.
- Commissioning of 2mtpa grinding capacity each at Silchar and Jorhat, Assam is expected in Q4FY26 and Q4FY27, respectively.
- Star is in the process of acquiring limestone mines in the state of Rajasthan. In the past few months, it has won a few mines in auction in the area of Nimbol. It is further looking for new mines in Jaisalmer.
- Over the medium term, the company may pursue an expansion plan of ~3mtpa clinker and ~4.5mtpa cement manufacturing unit in Rajasthan. Its plans are yet to firm up.
- Star does not expect any major capacity addition (besides Dalmia Bharat's project) in the North East region in the next 2–3 years.

**Others**

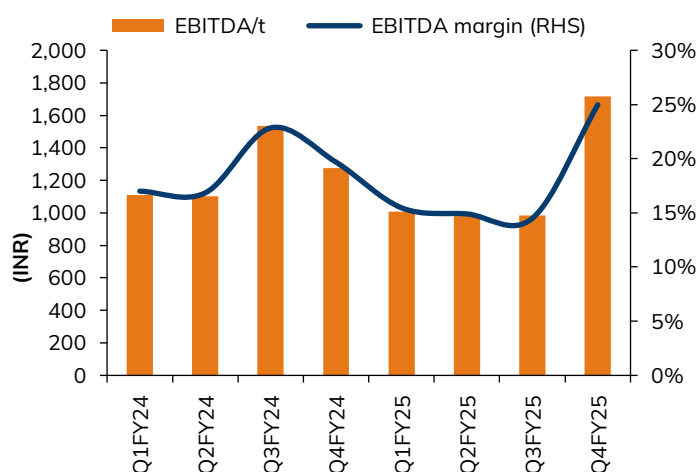
- AAC block project is now ready for commercial production and the company is targeting to commence operations in last week of May'25.
- Star expects to generate an EBITDA of ~INR 150mn in the first year of operation from AAC plant.
- Gross debt stood at ~INR 3.80bn while net debt stood at ~INR 3.4bn (excluding subsidy receivable of ~INR 1.5bn).
- Star accounts for incentives on an accrual basis; When a new plant is commissioned, there is an initial time lag of 12-18 months. Thereafter, there is a gradual and steady cash inflow (from incentives).
- On the back of commissioning of assets (Silchar and Jorhat Grinding Units), Star expects some increase in depreciation costs in Q4 of FY26 and FY27.

**Exhibit 4: Quarterly volume trend**

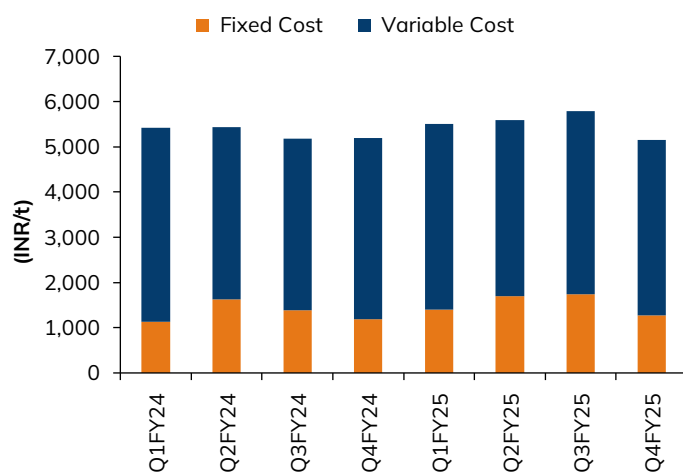
Source: I-Sec research, Company data

**Exhibit 5: Quarterly realisation trend**

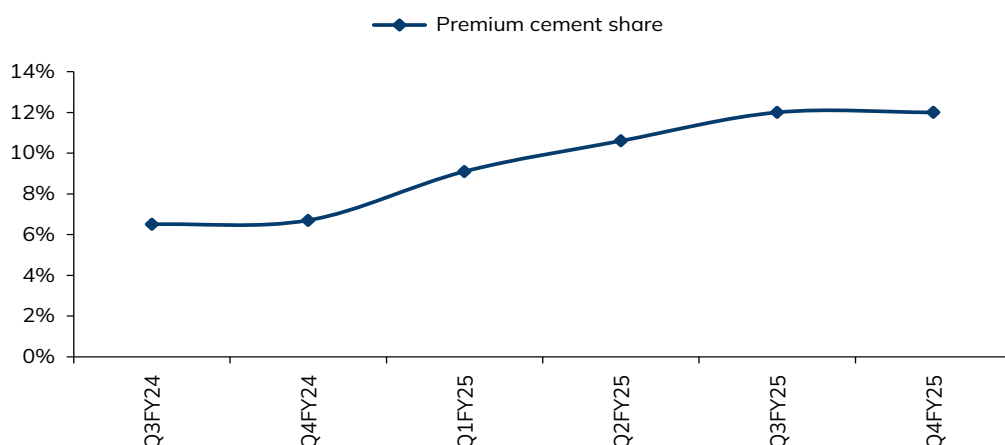
Source: I-Sec research, Company data

**Exhibit 6: Quarterly margin trend**

Source: I-Sec research, Company data

**Exhibit 7: Break-up of total cost**

Source: I-Sec research, Company data

**Exhibit 8: Share of premium cement (in trade sales)**

Source: I-Sec research, Company data

**Exhibit 9: Q4FY25 result review – consolidated**

(INR mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Q4FY25E	Variance
Volume Sales (mt)	1.53	1.41	8.6	1.06	44.4	1.53	0.1
Cement Realisation (INR/t)	6,371	6,474	(1.6)	6,369	0.0	6,496	(1.9)
<b>Net Sales</b>	<b>10,521</b>	<b>9,135</b>	<b>15.2</b>	<b>7,188</b>	<b>46.4</b>	<b>10,492</b>	<b>0.3</b>
Raw Materials	2,144	2,865	(25.2)	1,925	11.4	2,525	(15.1)
Personnel Cost	601	548	9.7	606	(0.9)	657	(8.6)
Power and Fuel	1,829	1,172	56.1	1,148	59.4	1,683	8.7
Freight and Forwarding	1,961	1,633	20.1	1,221	60.7	1,760	11.5
Other Expenses	1,358	1,120	21.2	1,245	9.0	1,446	(6.1)
<b>Total Expenses</b>	<b>7,894</b>	<b>7,338</b>	<b>7.6</b>	<b>6,145</b>	<b>28.5</b>	<b>8,070</b>	<b>(2.2)</b>
<b>EBITDA</b>	<b>2,627</b>	<b>1,797</b>	<b>46.2</b>	<b>1,042</b>	<b>152.1</b>	<b>2,423</b>	<b>8.4</b>
<b>EBITDA/t (INR)</b>	<b>1,715</b>	<b>1,274</b>	<b>34.6</b>	<b>982</b>	<b>74.6</b>	<b>1,583</b>	<b>8.3</b>
Interest	88	42	112.3	98	(10.1)	102	NA
Depreciation	875	423	107.0	893	(2.1)	798	9.6
Other Income	50	78	(35.8)	25	99.3	35	NA
<b>Recurring pre-tax income</b>	<b>1,714</b>	<b>1,411</b>	<b>21.5</b>	<b>76</b>	<b>NA</b>	<b>1,557</b>	<b>10.1</b>
Extraordinary inc/(exp)	-	-	NA	-	NA	-	NA
Taxation	483	535	(9.6)	(14)	(3,463.1)	389	24.1
<b>Reported Net Income</b>	<b>1,231</b>	<b>877</b>	<b>40.4</b>	<b>90</b>	<b>1,261.2</b>	<b>1,168</b>	<b>5.4</b>
<b>Recurring Net Income</b>	<b>1,231</b>	<b>877</b>	<b>40.4</b>	<b>90</b>	<b>1,261.2</b>	<b>1,168</b>	<b>5.4</b>
<b>Ratios (%)</b>							
EBITDA margins	25.0	19.7		14.5		23.1	
Net profit margins	11.7	9.6		1.3		11.1	

Source: I-Sec research, Company data

**Exhibit 10: Historical quarterly analysis – consolidated**

(INR/t)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
<b>Cement Realisation</b>	<b>6,474</b>	<b>6,508</b>	<b>6,566</b>	<b>6,774</b>	<b>6,867</b>
YoY (%)	-3.5	-0.4	0.5	0.9	6.1
<b>Expenditure</b>					
Raw material costs	2,030	1,975	1,611	1,815	1,399
Power & fuel costs	831	992	1,193	1,082	1,194
Freight costs	1,158	1,129	1,092	1,150	1,280
Staff costs	388	539	661	571	392
Other expenditure	794	866	1,031	1,174	887
<b>Total costs</b>	<b>5,201</b>	<b>5,502</b>	<b>5,588</b>	<b>5,792</b>	<b>5,153</b>
<b>EBITDA</b>	<b>1,274</b>	<b>1,006</b>	<b>978</b>	<b>982</b>	<b>1,715</b>

Source: I-Sec research, Company data

**Exhibit 11: Performance trend and assumptions**

Particulars	FY23	FY24	FY25	FY26E	FY27E
Capacity (mtpa)	5.7	7.7	7.7	9.7	11.7
Production (mt)	4.0	4.4	4.7	5.5	6.1
Capacity utilisation (%)	70.7	57.9	61.6	57.2	52.2
Sales volumes (mt)	4.0	4.4	4.7	5.5	6.1
YoY Growth (%)	18.3	10.7	6.4	17.1	10.0
Cement Realisation (INR/t)	6,745	6,554	6,696	6,943	7,064
YoY Growth (%)	2.9	-2.8	2.2	3.7	1.7

Source: I-Sec research, Company data

**Exhibit 12: Per-tonne analysis**

INR/t	FY23	FY24	FY25	FY26E	FY27E
<b>Cement Realisation</b>	<b>6,745</b>	<b>6,554</b>	<b>6,696</b>	<b>6,943</b>	<b>7,064</b>
YoY (%)	2.9	-2.8	2.2	3.7	1.7
Raw materials consumed	1,560	1,647	1,677	1,399	1,421
Power and fuel	1,421	1,250	1,119	1,151	1,162
Employee expenses	488	484	524	492	514
Freight & forwarding	1,264	1,103	1,175	1,260	1,270
Other Expenses	844	819	976	922	897
<b>Total operating expenses</b>	<b>5,577</b>	<b>5,301</b>	<b>5,472</b>	<b>5,224</b>	<b>5,264</b>
<b>EBITDA</b>	<b>1,168</b>	<b>1,253</b>	<b>1,225</b>	<b>1,719</b>	<b>1,800</b>
YoY (%)	14.7	7.2	-2.2	40.3	4.7

Source: I-Sec research, Company data

**Exhibit 13: Valuations based on 11x Mar'27E EV/E**

Valuation (INR mn)	FY27E
Assumed EV/EBITDA multiple (x)	11.0
Core EBITDA (ex-incentives)	8,608
<b>EV</b>	<b>94,683</b>
Less: Net debt	2,475
Net Present Value (NPV) of incentives	9,266
MCap	1,01,475
Shares o/s (mn)	404.2
<b>Value per share (INR)</b>	<b>251</b>
Potential Upside (%)	11%

Source: I-Sec research, Company data

**Key risk:** Sharp rise in input costs or material decline in cement prices.**Exhibit 14: Shareholding pattern**

%	Sep'24	Dec'24	Mar'25
Promoters	66.5	57.7	57.7
Institutional investors	6.3	6.1	7.2
MFs and others	5.0	5.0	5.2
Fls/Banks	0.0	0.0	0.0
Insurance	0.0	0.0	0.0
FIIIs	1.4	1.2	2.0
Others	27.2	36.2	35.2

Source: Bloomberg, I-Sec research

**Exhibit 15: Price chart**

Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 16: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>Net Sales</b>	<b>29,107</b>	<b>31,634</b>	<b>38,419</b>	<b>43,000</b>
Operating Expenses	16,231	17,925	21,165	23,391
<b>EBITDA</b>	<b>5,563</b>	<b>5,786</b>	<b>9,512</b>	<b>10,960</b>
EBITDA Margin (%)	19.1	18.3	24.8	25.5
Depreciation & Amortization	1,466	3,319	3,686	4,026
EBIT	4,097	2,467	5,826	6,934
Interest expenditure	126	316	367	325
Other Non-operating Income	265	106	105	314
<b>Recurring PBT</b>	<b>4,236</b>	<b>2,257</b>	<b>5,563</b>	<b>6,923</b>
<b>Profit / (Loss) from Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Taxes	1,285	568	1,391	1,731
PAT	2,951	1,688	4,172	5,192
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
<b>Net Income (Reported)</b>	<b>2,951</b>	<b>1,688</b>	<b>4,172</b>	<b>5,192</b>
<b>Net Income (Adjusted)</b>	<b>2,951</b>	<b>1,688</b>	<b>4,172</b>	<b>5,192</b>

Source Company data, I-Sec research

### Exhibit 17: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	7,657	10,360	10,010	13,106
of which cash & cash eqv.	973	525	973	3,854
Total Current Liabilities & Provisions	7,233	8,062	8,533	8,808
<b>Net Current Assets</b>	<b>424</b>	<b>2,298</b>	<b>1,478</b>	<b>4,299</b>
Investments	20	20	20	20
Net Fixed Assets	14,135	25,640	29,654	33,828
ROU Assets	-	-	-	-
Capital Work-in-Progress	11,244	2,201	2,731	531
Total Intangible Assets	50	-	-	-
Other assets	2,534	2,534	2,534	2,534
Deferred Tax assets	-	-	-	-
<b>Total Assets</b>	<b>28,791</b>	<b>33,077</b>	<b>36,801</b>	<b>41,596</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>1,298</b>	<b>3,898</b>	<b>3,448</b>	<b>3,048</b>
<b>Deferred Tax Liability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
provisions	132	132	132	132
other Liabilities	259	259	259	259
Equity Share Capital	404	404	404	404
Reserves & Surplus	26,697	28,385	32,558	37,750
<b>Total Net Worth</b>	<b>27,101</b>	<b>28,789</b>	<b>32,962</b>	<b>38,154</b>
Minority Interest	-	(2)	(1)	2
<b>Total Liabilities</b>	<b>28,791</b>	<b>33,077</b>	<b>36,801</b>	<b>41,596</b>

Source Company data, I-Sec research

### Exhibit 18: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	7,510	6,415	7,188	10,521
% growth (YOY)	(1.2)	9.6	10.3	15.2
EBITDA	1,161	956	1,042	2,627
Margin %	15.5	14.9	14.5	25.0
Other Income	14	16	25	50
Extraordinaries	-	-	-	-
<b>Adjusted Net Profit</b>	<b>310</b>	<b>57</b>	<b>90</b>	<b>1,231</b>

Source Company data, I-Sec research

### Exhibit 19: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>Operating Cashflow</b>	<b>5,619</b>	<b>5,890</b>	<b>9,618</b>	<b>11,277</b>
Working Capital Changes	41	(723)	869	(190)
Capital Commitments	(10,361)	(5,732)	(8,230)	(6,000)
<b>Free Cashflow</b>	<b>15,258</b>	<b>10,331</b>	<b>17,326</b>	<b>15,355</b>
<b>Other investing cashflow</b>	<b>3,860</b>	<b>(1,600)</b>	<b>400</b>	<b>250</b>
Cashflow from Investing Activities	(6,501)	(7,332)	(7,830)	(5,750)
Issue of Share Capital	-	-	-	-
Interest Cost	(172)	(316)	(367)	(325)
Inc (Dec) in Borrowings	1,037	2,600	(450)	(400)
Dividend paid	-	-	-	-
Others	-	-	-	-
Cash flow from Financing Activities	865	2,284	(817)	(725)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(738)</b>	<b>(449)</b>	<b>448</b>	<b>2,881</b>
Closing cash & balance	478	29	477	3,358

Source Company data, I-Sec research

### Exhibit 20: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>Per Share Data (INR)</b>				
Reported EPS	7.3	4.2	10.3	12.8
Adjusted EPS (Diluted)	7.3	4.2	10.3	12.8
Cash EPS	10.9	12.4	19.4	22.8
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	67.1	71.2	81.6	94.4
Dividend Payout (%)	-	-	-	-
<b>Growth (%)</b>				
Net Sales	7.6	8.7	21.4	11.9
EBITDA	18.8	4.0	64.4	15.2
EPS (INR)	19.2	(42.8)	147.1	24.4
<b>Valuation Ratios (x)</b>				
P/E	31.0	54.2	21.9	17.6
P/CEPS	20.7	18.3	11.6	9.9
P/BV	3.4	3.2	2.8	2.4
EV / EBITDA	16.5	16.4	9.9	8.3
EV / te (USD)	147.7	149.0	117.0	93.6
Dividend Yield (%)	-	-	-	-
<b>Operating Ratios</b>				
Gross Profit Margins (%)	74.9	75.0	79.8	79.9
EBITDA Margins (%)	19.1	18.3	24.8	25.5
Effective Tax Rate (%)	30.3	25.2	25.0	25.0
Net Profit Margins (%)	10.1	5.3	10.9	12.1
NWC / Total Assets (%)	1.5	6.9	4.0	10.3
Net Debt / Equity (x)	0.0	0.1	0.1	0.0
Net Debt / EBITDA (x)	0.1	0.6	0.3	(0.1)
<b>Profitability Ratios</b>				
RoCE (%) (Post Tax)	11.5	6.3	12.9	14.0
RoE (%)	11.5	6.0	13.5	14.6
RoIC (%)	12.5	6.5	13.2	14.9
Fixed Asset Turnover (x)	2.5	1.6	1.4	1.4
Inventory Turnover Days	73	76	73	64
Receivables Days	16	20	19	18
Payables Days	52	45	46	47

Source Company data, I-Sec research



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