AXIS DIRECT

Result Update
07th November, 2025

Star Cement Limited
Cement

BUY
Target Price
335

Beat On All Fronts; Outlook Remains Positive

Est. Vs. Actual for Q2FY26: Revenue – BEAT; EBITDA Margin – BEAT; PAT – BEAT

Change in Estimates post Q2FY26 (Abs)

FY26E/FY27E: Revenue: 1%/-1%; **EBITDA:** 15%/12%; **PAT:** 23%/15%

Recommendation Rationale

- **Capacity Expansion Progressing Well:** The Silchar Grinding Unit is expected to be commissioned by Q4FY26. These expansions will increase SCL's total capacity to 9.7 mtpa from the existing 7.7 mtpa, providing substantial growth potential. The company is projected to grow its volume at a CAGR of 12% over FY25-27E.
- **Strong Q2FY26 Performance:** The company reported a strong consolidated net profit of Rs 72 Cr in Q2FY26, marking a robust 1,069% YoY increase from Rs 6 Cr in Q2FY25. Consolidated revenue was up 26% YoY to Rs 811 Cr, driven by higher cement volumes and improved margins. Furthermore, consolidated EBITDA surged 99% YoY to Rs 190 Cr, with the EBITDA per tonne for the cement division rising by 66% YoY to Rs 1,624. In this backdrop, we expect the company to report an EBITDA margin in the range of 22-23% and EBITDA/tonne growth of 11% CAGR over FY24-27E. This will be driven by higher volume growth and cement prices.
- **Higher Cement Demand to Support Growth:** Cement demand in East and North-East India is expected to see healthy growth over FY25-28, driven primarily by government-led infrastructure projects and a significant push for housing. The overall demand in the East is projected to grow at a compound annual growth rate (CAGR) of 8-9% during this period. The North-East, despite its weak infrastructural base, is poised for strong demand growth, having previously seen a CAGR of 7.5-8.5%.

Sector Outlook: Positive

Company Outlook & Guidance: The company has guided for 12-15% volume growth in FY26. Current prices are similar to Q2FY26 exit prices in North-East India and are marginally lower in East India. Prices are expected to be determined by market forces depending on demand. Both the East and North-East markets are showing strong traction in terms of Cement demand.

Current Valuation: 13.5x FY27E EV/EBITDA (Earlier Valuation: 13.5x FY27E EV/EBITDA)

Current TP: Rs 335/share (Earlier TP: Rs 325/share)

Recommendation: We maintain our **BUY** rating on the stock..

Alternative BUY Ideas from our Sector Coverage: UltraTech Cement (TP: Rs 13,900/Share), Dalmia Bharat (TP: Rs 2,550/Share), Ambuja Cement (TP: Rs 705/share), Shree Cement (TP: Rs 31,655/share), ACC (TP: Rs 2,390/share).

Financial Performance

SCL reported a strong set of numbers for Q2FY26, driven by higher volumes, improved realisations, and lower cement production costs YoY. Volume, revenue, EBITDA, and PAT grew by 20%, 26%, 99%, and 1169%, respectively—beating expectations across the board. The company delivered an EBITDA margin of 23.4%, a sharp improvement from 14.9% in the previous year and ahead of estimates. Quarterly volumes reached 1.17 MnTPA, reflecting 20% YoY growth, supported by the ramp-up of new capacity and better EBITDA per tonne of Rs 1,624—up 66% YoY—surpassing expectations of Rs 1,492. Blended realisation per tonne rose to Rs 6,925, marking a 6% YoY increase. Cost per tonne declined to Rs 5,301, down 5% YoY, driven by lower cost.

Key Financials (Consolidated)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	811	-11	26	789	3%
EBITDA	190	-17	99	168	13%
EBITDA Margin	23.4%	(160bps)	860bps	21.3%	220bps
Net Profit	72	-27	1169	53	33%
EPS (Rs)	1.8	-27	1169	1.3	33%

Source: Company, Axis Securities Research

(CMP as of 6th Nov, 2025)

CMP (Rs)	245
Upside /Downside (%)	37%
High/Low (Rs)	309/172
Market cap (Cr)	9,952
Avg. daily vol. (6m) Shrs.	10,20,000
No. of shares (Cr)	40.4

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	57.7	57.7	57.6
FIIs	2.0	2.2	3.0
MFs / UTI	5.2	4.9	4.3
Banks / FIs	0.0	0.0	0.0
Others	35.2	35.2	35.1

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	3,163	3,776	4,223
EBITDA	579	911	1,045
Net Profit	169	387	427
EPS (Rs)	4.2	9.6	10.6
PER (x)	59	26	23
P/BV (x)	1.0	0.8	0.7
EV/EBITDA (x)	18	11	10
ROE (%)	6	13	12

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	1%	-1%
EBITDA	15%	12%
PAT	23%	15%

Relative Performance

Source: Ace Equity

Results Gallery

Q2FY25
Q3FY25
Q4FY25
Q1FY26

Uttam Kumar Srimal
Sr Research Analyst
uttamkumar.srimal@axissecurities.in

Shikha Doshi
Research Associate
shikha.doshi@axissecurities.in

Outlook

With its upcoming capacity expansion, the company is well-positioned to capitalise on the rising demand in its operating region, primarily the North-East. We project SCL will achieve a CAGR of 12%/16% in volume and revenue and a 34% /59% CAGR in EBITDA and PAT over FY25-FY27E.

Valuation & Recommendation

The stock is currently trading at 11x/10xFY26E/27E EV/EBITDA. **We maintain our BUY recommendation on the stock** with a TP of Rs 335/share, implying an upside potential of 37% from the CMP.

Key Concall Highlights

- **Capacity Expansion:** The Silchar Grinding Unit is expected to be commissioned by Q4FY26, increasing the company's total capacity to 9.7 mtpa from the existing 7.7 mtpa, providing better growth headroom. The company has deferred its 2 MTPA cement plant in Jorhat and is looking to set up a 2 MTPA cement plant in Begusarai, Bihar, at a capital cost of Rs 500 cr to avail the attractive SGST benefit of 300% as per the State's Industrial Policy. It is also looking to set up a 4.5 mtpa Grinding and 3 mtpa Clinker unit in Rajasthan, and details about the same will be revealed in the coming days. The AAC block facility in Guwahati is now operational, with revenue for FY26 projected at Rs 75–80 Cr along with other value added products like construction chemical and RMC business. It anticipates a further ~20% increase in FY27, driven by improved capacity utilisation and market penetration.
- **Volume:** The company has guided for 12–15% volume growth in FY26. In the quarter, sales were geographically split at 73% in the North-East and 27% in the East. Cement mix comprised 83% blended cement and 17% OPC. The trade-to-non-trade mix stood at 80%/20%. Premium cement accounted for 13% of trade sales, up from 7% a year ago, with the company targeting an increase to 18% in FY26. The cement demand in the North-East region is expected to remain healthy moving ahead.
- **Pricing:** Current prices are stable in the North-East but marginally lower in the Eastern region compared to Q2FY26 exit prices and are expected not to correct meaningfully. During the quarter, blended realisation stood at Rs 6,925/tonne, down 2% QoQ and up 6% YoY. Market dynamics will determine prices,
- **Power/Fuel:** The company expects a marginal reduction in power and fuel costs in FY26 as the new WHRS plan gets fully stabilised. The fuel mix comprised 18% Biomass, 3% Auction Coal, and 79% from FSA. On a per Kcal basis, the cost stood at Rs 1.25 and is expected to remain stable as SCL has signed a long-term contract with Coal India for coal supply.
- **Freight:** The lead distance during the quarter was 230 km, compared to 220 km last quarter. Freight cost per tonne was lower by 5% YoY but higher by 3% QoQ at Rs 1,834/tonne..
- **Capex:** The company has guided for a capex of Rs 800 Cr in FY26 and Rs 600 Cr in FY27. During FY25, SCL incurred Rs 500 Cr in capex, while in H1FY26, it incurred Rs 200 Cr on capex.
- **Cash/Incentives:** The company is set to receive incentives for its grinding units in Guwahati and Silchar through SGST refunds. It aims to receive incentives in the range of Rs 180-190 Cr (Adjusted after cut in GST) annually for these units after adjusting for input tax credit, applicable for the next 5-7 years. The Guwahati and Silchar plants are eligible for a lower tax rate of 17%. Additionally, the clinker unit is expected to receive an incentive of Rs 300/tonne, linked to production. During Q2FY26, the company received Rs 35 Cr in incentives, with quarterly incentives expected at Rs 40-50 Cr going forward.

Key Risks to Our Estimates and TP

- Lower realisation and demand in its key market.
- Higher input costs may impact margins.

Change in Estimates

	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	3,776	4,223	3737	4274	1%	-1%
EBITDA	911	1,045	791	936	15%	12%
PAT	387	427	315	370	23%	15%

Source: Company, Axis Securities Research

Result Review Q2FY26

(Rs Cr)	Quarterly Performance				
	Q2FY26	Q1FY26	Q2FY25	% Chg QoQ	% Chg YoY
Net sales	811	912	642	-11%	26%
Expenditure	621	684	546	-9%	14%
EBITDA	190	228	96	-17%	99%
Other income	3	2	2	94%	113%
Interest	11	10	7	9%	56%
Depreciation	90	85	83	6%	9%
PBT	92	135	8	-31%	1121%
Tax	21	36	2	-42%	1024%
Adjusted PAT	72	98	6	-27%	1169%
EBITDA margin (%)	23.4%	25.0%	14.9%	(160bps)	860bps
EPS (Rs)	1.78	2.43	0.14	-27%	1169%

Source: Company, Axis Securities Research

Volume/Realisation/ Cost Analyses

	Quarterly Performance				
	Q2FY26	Q1FY26	Q2FY25	% Chg QoQ	% Chg YoY
Volume/mnt	1.17	1.30	0.98	-10%	20%
Realisation/tonne (Rs)	6925	7037	6,560	-2%	5.6%
Cost/tonne (Rs)	5301	5276	5,583	0%	-5%
Raw material/tonne (Rs)	750	902	921	-17%	-19%
Staff Cost/tonne (Rs)	611	515	660	18%	-8%
Power & Fuel/tonne (Rs)	1136	1091	1,192	4%	-5%
Freight/tonne (Rs)	1834	1927	1,779	-5%	3%
Other Expenses /tonne (Rs)	971	841	1,030	15%	-6%
EBITDA/tonne (Rs)	**1624**	**1761**	**977**	-8%	66%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Net sales	2911	3163	3776	4223
Other operating income	0	0	0	0
Total income	2911	3163	3776	4223
Raw Material	654	519	456	506
Power & Fuel	555	529	611	678
Freight & forwarding	567	828	1008	1108
Employee benefit expenses	217	247	269	295
Other Expenses	361	461	523	591
EBITDA	**556**	**579**	**911**	**1045**
Other income	26	11	9	8
PBIDT	583	589	920	1054
Depreciation	147	332	355	432
Interest & Fin Chg.	13	32	44	44
E/o income / (Expense)	0	0	0	0
Pre-tax profit	424	226	521	577
Tax provision	128	57	134	150
RPAT	295	169	387	427
Minority Interests	0.0	0.0	0.0	0.0
Associates	0	0	0	0
APAT after EO item	**295**	**169**	**387**	**427**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Total assets	3602	4107	4710	5156
Net Block	2418	2628	3141	3553
CWIP	1019	220	220	220
Investments	0	0	0	0
Wkg. cap. (excl cash)	266	413	348	387
Cash / Bank balance	97	52	184	151
Misc. Assets	-20	79	82	84
Capital employed	3602	4107	4710	5156
Equity capital	40	40	40	40
Reserves	2670	2839	3217	3636
Minority Interests	0	0	0	0
Borrowings	130	390	590	590
DefTax Liabilities	0	0	0	0
Other Liabilities and Provision	76	84	86	89

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Profit before tax	424	226	521	577
Depreciation	142	327	355	432
Interest Expenses	13	32	44	44
Non-operating/ EO item	-16	7	-9	-8
Change in W/C	4	-50	66	-39
Income Tax	76	69	134	150
Operating Cash Flow	490	473	842	856
Capital Expenditure	-1036	-581	-868	-845
Investments	184	0	0	0
Others	202	13	9	8
Investing Cash Flow	-650	-568	-859	-836
Borrowings	104	242	200	0
Interest Expenses	-11	-29	-44	-44
Dividend paid	0	0	-8	-8
Others	-7	0	0	0
Financing Cash Flow	86	213	148	-52
Change in Cash	-74	118	131	-33
Opening Cash	122	48	165	297
Closing Cash	48	165	297	264

Source: Company, Axis Securities Research

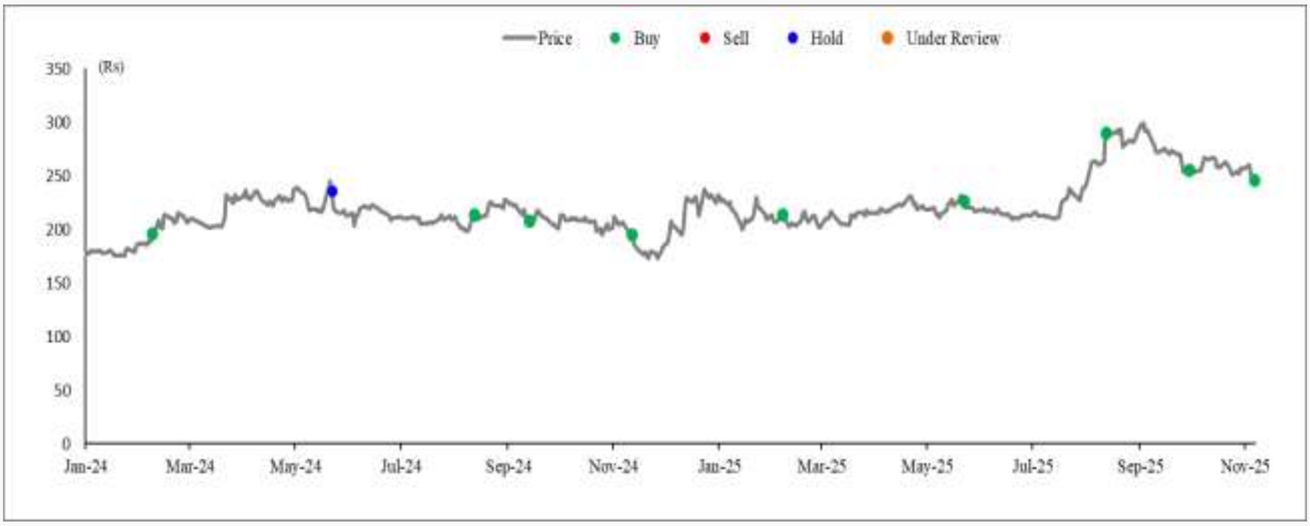
Ratio Analysis

(%)

Y/E March	FY24	FY25	FY26E	FY27E
Operational Ratios				
Sales growth	8%	9%	19%	12%
OPM	19.1%	18.3%	24.1%	24.8%
Op. profit growth	19%	4%	57%	15%
COGS / Net sales	61%	59%	55%	54%
Overheads/Net sales	20%	22%	21%	21%
Depreciation / G. block	6%	9%	8%	8%
Efficiency Ratios				
Total Asset Turnover (x)	0.81	0.77	0.80	0.82
Sales/Gross block (x)	1.24	0.86	0.83	0.78
Sales/Net block(x)	1.21	1.21	1.20	1.19
Working capital/Sales (x)	-0.04	0.03	0.01	0.01
Valuation Ratios				
P/E	29	59	26	23
P/BV (x)	1.0	1.0	0.8	0.7
EV/Ebitda (x)	15.7	17.7	11.3	9.9
EV/Sales (x)	3.0	3.2	2.7	2.4
EV/Tonne $ (x)	132	155	124	124
Return Ratios				
ROE	12	6	13	12
ROCE	16	9	16	16
ROIC	17	9	17	16
Leverage Ratios				
Debt/equity (x)	0.05	0.14	0.18	0.16
Net debt/ Equity (x)	0.01	0.12	0.12	0.12
Interest Coverage ratio (x)	35	8	13	14
Cash Flow Ratios				
OCF/Sales	0.17	0.09	0.22	0.20
OCF/Ebitda	0.88	0.51	0.92	0.82
OCF/Capital Employed	0.17	0.09	0.22	0.20
FCF/Sales	-0.39	-0.17	-0.23	-0.20
Payout ratio (Div/NP)	0.0	4.8	2.1	1.9
AEPS (Rs.)	7.3	4.2	9.6	10.6
AEPS Growth	19.2	-42.8	129.0	10.5
CEPS (Rs.)	11	12	18	21
DPS (Rs.)	0.0	0.0	0.0	0.0

Source: Company, Axis Securities Research

Star Cement Price Chart and Recommendation History



Date	Reco	TP	Research
09-Feb-24	BUY	225	Result Update
23-May-24	HOLD	240	Result Update
13-Aug-24	BUY	250	Result Update
16-Sep-24	BUY	250	AAA
12-Nov-24	BUY	235	Result Update
07-Feb-25	BUY	235	Result Update
23-May-25	BUY	270	Result Update
13-Aug-25	BUY	325	Result Update
30-Sep-25	BUY	325	AAA
07-Nov-25	BUY	335	Result Update

Source: Axis Securities Research

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Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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BUY	More than 10%
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