

We assume coverage on Star Cement (Star) with BUY and target price of Rs250, while valuing the stock at FY27E EV/EBITDA of 12x. Star, with the upcoming commissioning of grinding units (GUs) in Silchar and Jorhat (both in Assam) is set to consolidate its leadership position in the Northeast. We estimate its volume/capacity share to increase to ~29%/45% by FY27E from ~23%/33% as of FY25-end, respectively. On the incentives front, the management has given guidance of Rs2-2.5bnpa of incentives for the next two years. We have valued incentives receivable (over the next 9 years), per DCF methodology, and estimate the net present value of incentives at ~Rs10bn (~Rs25/sh). We believe incentives shall cushion Star's balance sheet amid ongoing and planned (Rajasthan) capacity expansions. Ex-incentives, we see Star's EBITDA/t rise to Rs1,151 in FY26E and Rs1,212 in FY27E from Rs885 in FY25.

#### Competitive intensity in NE to remain low; bodes well for regional pricing

As per our demand-supply framework, the north-eastern region will see capacity addition primarily from its top-two players, ie Star Cement and Dalmia Bharat over FY26E-27E. Accordingly, these players will strengthen their presence, as capacity share of top-2 players rises to ~80% in FY27E from ~75% in FY25. JK Lakshmi (JKLC)'s plan to enter the region through subsidiary 'Agrani Cement' is witnessing delays (7-8 months), and we believe commissioning of its greenfield project (1/1.5mtpa clinker/cement IU) could be delayed to FY29E. Besides JKLC, none of the other larger players have announced capacity expansion projects in the Northeast, implying low competitive intensity in the region, at least in the medium term (3-4 years). We believe lower competitive intensity bodes well for cement prices and expect these to remain firm in the region.

#### With home turf well-guarded, Star shall look to diversify in north India

We estimate ~23%/33% volume/capacity share for Star in the Northeast as at FY25-end, respectively. Further, with commissioning of Silchar and Jorhat GUs in FY26 and FY27 we see Star's volume/capacity share rising to a robust ~29%/45% in the Northeast by FY27E. The management gave guidance for a greenfield expansion project (4-4.5mtpa IU) in Rajasthan, as the next leg of expansion after completion of ongoing projects. Star shall achieve cement capacity of ~16mtpa (~2x of current capacity) in ~5 years, with the completion of the Rajasthan project.

#### Incentives to cushion balance sheet amid expansions

We estimate Star receiving cumulative incentives (primarily SGST and IGST) to the tune of ~Rs17bn over FY26E-34E, implying ~Rs1.8bn per annum. The incentives will primarily originate from the recently commissioned clinker line at Lumshnong, Meghalaya, and Guwahati GU. The upcoming Silchar GU shall also contribute to the incentive pool from FY27E. We believe the incentives will aid Star in maintaining a healthy balance sheet amid ongoing and future expansions. We estimate a meagre net debt-to-EBITDA of ~0.4x in FY27E (vs ~0.3x in FY25E) despite spending Rs15bn as capex over FY26E-27E against ~Rs10bn of operating cash flows (excluding incentives).

Target Price – 12M	Mar-27
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	15.2

Stock Data	STRCEM IN
52-week High (Rs)	248
52-week Low (Rs)	172
Shares outstanding (mn)	404.2
Market-cap (Rs bn)	88
Market-cap (USD mn)	1,027
Net-debt, FY26E (Rs mn)	4,955.2
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	96.8
ADTV-3M (USD mn)	1.1
Free float (%)	42.3
Nifty-50	24,750.7
INR/USD	85.6

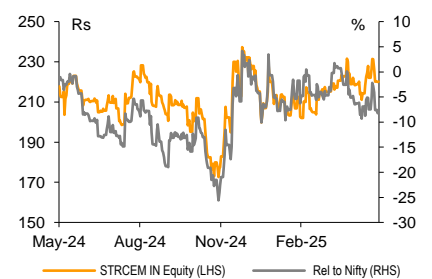
#### Shareholding, Mar-25

Promoters (%)	57.7
FPIs/MFs (%)	2.0/5.2

#### Price Performance

(%)	1M	3M	12M
Absolute	(0.4)	7.6	1.9
Rel. to Nifty	(2.1)	(3.8)	(7.4)

#### 1-Year share price trend (Rs)



#### Star Cement: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	27,048	29,107	31,634	36,441	43,784
EBITDA	4,684	5,563	5,786	8,142	9,912
Adj. PAT	2,476	2,951	1,688	3,447	4,484
Adj. EPS (Rs)	6.1	7.3	4.2	8.5	11.1
EBITDA margin (%)	17.3	19.1	18.3	22.3	22.6
EBITDA growth (%)	35.7	18.8	4.0	40.7	21.7
Adj. EPS growth (%)	0.3	19.2	(42.8)	104.2	30.1
RoE (%)	10.8	11.5	6.0	11.3	13.0
RoIC (%)	15.1	18.3	7.8	13.1	16.7
P/E (x)	35.5	29.8	52.0	25.5	19.6
EV/EBITDA (x)	18.1	15.9	15.8	11.4	9.4
P/B (x)	3.6	3.2	3.1	2.7	2.4
FCFF yield (%)	(2.3)	(6.2)	(3.1)	(1.1)	-

Source: Company, Emkay Research

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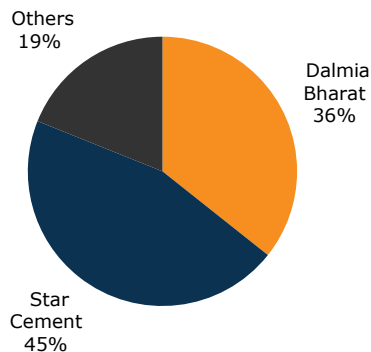
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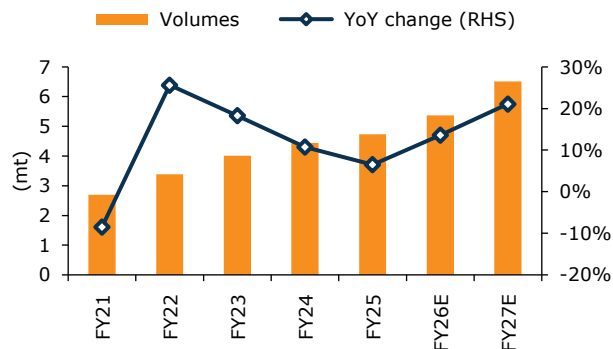
## Key Charts

Exhibit 1: Northeast capacity share by FY27E



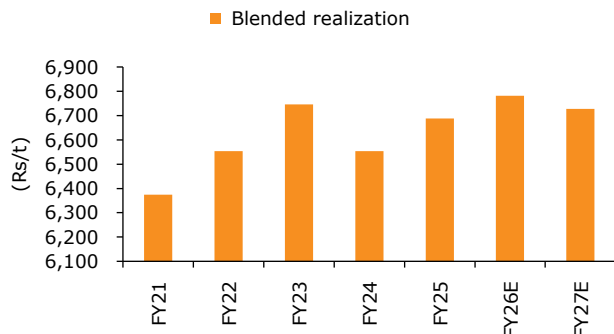
Source: Company, Emkay Research

Exhibit 2: Annual volume trend



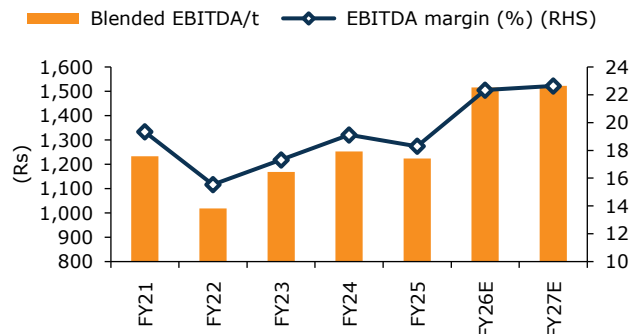
Source: Company, Emkay Research

Exhibit 3: Annual realization trend



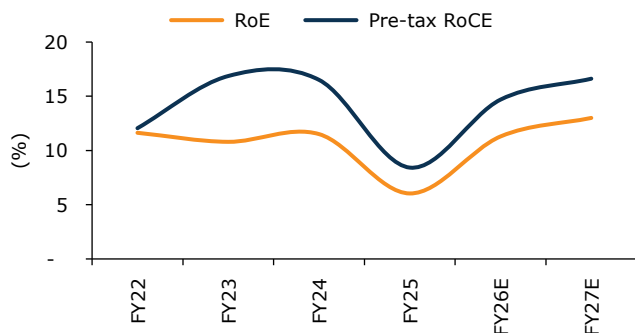
Source: Company, Emkay Research; Realization, incl incentives

Exhibit 4: Annual margin trend



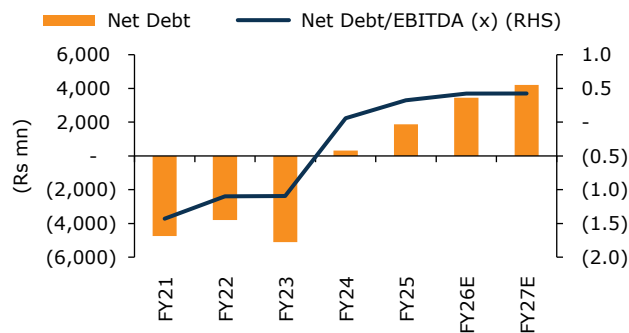
Source: Company, Emkay Research; EBITDA, incl incentives

Exhibit 5: RoCE in the 15-17% range



Source: Company, Emkay Research

Exhibit 6: Comfortable leverage position



Source: Company, Emkay Research

**Exhibit 7: Per-tonne estimate on annual basis**

(Rs)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Blended realization</b>	<b>6,375</b>	<b>6,554</b>	<b>6,745</b>	<b>6,554</b>	<b>6,688</b>	<b>6,782</b>	<b>6,728</b>
YoY change (%)		2.8	2.9	-2.8	2.0	1.4	-0.8
Raw material consumed	1,495	1,692	1,560	1,647	1,675	1,399	1,399
Power and fuel costs	1,254	1,230	1,421	1,250	1,118	1,169	1,169
Employee expenses	487	470	488	484	523	502	482
Freight and forwarding	1,178	1,260	1,264	1,103	1,174	1,250	1,250
Other Expenses	728	884	844	819	975	946	904
<b>Total Operating Expenses</b>	<b>5,142</b>	<b>5,536</b>	<b>5,577</b>	<b>5,301</b>	<b>5,465</b>	<b>5,266</b>	<b>5,205</b>
YoY change (%)		7.7	0.8	-4.9	3.1	-3.6	-1.2
<b>EBITDA</b>	<b>1,233</b>	<b>1,018</b>	<b>1,168</b>	<b>1,253</b>	<b>1,223</b>	<b>1,515</b>	<b>1,523</b>
YoY change (%)		-17.4	14.7	7.2	-2.3	23.9	0.5

Source: Company, Emkay Research

## Quarterly metrics

### Exhibit 8: Q4FY25 – Result Snapshot

Particulars (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Volume (mt)	1.53	1.41	8.6	1.07	43.6
Avg Realization (Rs/t)	6,378	6,474	(1.5)	6,333	0.7
<b>Net Sales</b>	<b>10,521</b>	<b>9,135</b>	<b>15.2</b>	<b>7,188</b>	<b>46.4</b>
Raw Material cost	2,144	2,865	(25.2)	1,925	11.4
Personnel cost	601	548	9.7	606	(0.9)
Power and Fuel cost	1,829	1,172	56.1	1,148	59.4
Freight cost	1,961	1,633	20.1	1,221	60.7
Other Expenses	1,358	1,120	21.2	1,245	9.0
<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>EBITDA</b>	<b>2,627</b>	<b>1,797</b>	<b>46.2</b>	<b>1,042</b>	<b>152.1</b>
<b>EBITDA/t (Rs)</b>	<b>1,715</b>	<b>1,274</b>	<b>34.6</b>	<b>977</b>	<b>75.6</b>
Interest	88	42	112.3	98	(10.1)
Depreciation	875	423	107.0	893	(2.1)
Other Income	50	78	(35.8)	25	99.3
<b>Recurring pre-tax income</b>	<b>1,714</b>	<b>1,411</b>	<b>21.5</b>	<b>76</b>	<b>NA</b>
Extraordinary income/expense)	-	-	NA	-	NA
Taxation	483	535	(9.6)	(14)	NA
<b>Reported Net Income</b>	<b>1,231</b>	<b>877</b>	<b>40.4</b>	<b>90</b>	<b>NA</b>
<b>Recurring Net Income</b>	<b>1,231</b>	<b>877</b>	<b>40.4</b>	<b>90</b>	<b>NA</b>
<b>Ratios (%)</b>					
EBITDA margins	25.0	19.7		14.5	
Net profit margins	11.7	9.6		1.3	

Source: Company, Emkay Research

### Exhibit 9: Historical analysis on per-tonne basis

Particulars (Rs)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
<b>Blended Realization</b>	<b>6,474</b>	<b>6,508</b>	<b>6,566</b>	<b>6,736</b>	<b>6,867</b>
Raw materials consumed	2,030	1,975	1,611	1,805	1,399
Power and Fuel cost	831	992	1,193	1,076	1,194
Freight cost	1,158	1,129	1,092	1,144	1,280
Staff cost	388	539	661	568	392
Other Expenses	794	866	1,031	1,167	887
<b>Total cost</b>	<b>5,201</b>	<b>5,502</b>	<b>5,588</b>	<b>5,759</b>	<b>5,153</b>
<b>EBITDA</b>	<b>1,274</b>	<b>1,006</b>	<b>978</b>	<b>977</b>	<b>1,715</b>

Source: Company, Emkay Research

## Conference call takeaways

### Demand/Volume

- In Q4FY25, clinker production reached 1.138mt vs 0.693mt YoY, driven by the stabilization of the Lumshnong, Meghalaya clinker unit.
- Similarly, cement production was ~1.48mt compared with ~1.39mt YoY. Volume in the Northeast (NE) stood at ~1.10mt, while volume ex-NE stood at ~0.37mt.
- The company has maintained its FY26 volume target at 5.5mt, though Q1FY26 volumes may fall short due to the early onset of monsoons.
- The Silchar clinker grinding unit is expected to be operational by Q4FY26, and another grinding unit is planned for commissioning in Q3/Q4FY27. There are no plans to expand clinker capacity in the NE, as existing capacity is sufficient.

### Price

- The share of premium cement has risen to 12%, up from 5-6pps last year. The company aims to increase the premium cement mix to 20% by the end of FY26.
- Cement prices in the East and Northeast have increased by Rs 5-7/bag compared with the Q4 average. The company expects prices to be stable in Q1, although it anticipates a potential decline during the monsoon season.
- The company recorded incentives of Rs750mn in Q4FY25. For FY25, total incentives booked amounted to Rs1.6bn. The company expects to maintain an annual incentive run rate of Rs2.2-2.5bn over the next two years.

### Cost

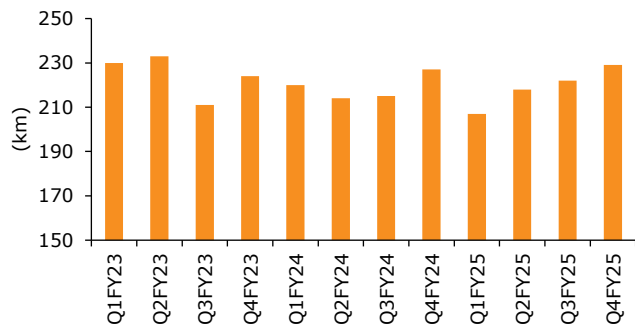
- Fuel cost for the quarter was Rs1.54/mn cal. The fuel mix comprises 53% FSA coal, 15% biomass, 33% spot contracts, and 1% Nagaland coal.
- The new kiln (Lumshnong) has ramped up, and the WHRS (12MW) has been commissioned in Q4FY25.

### Capex

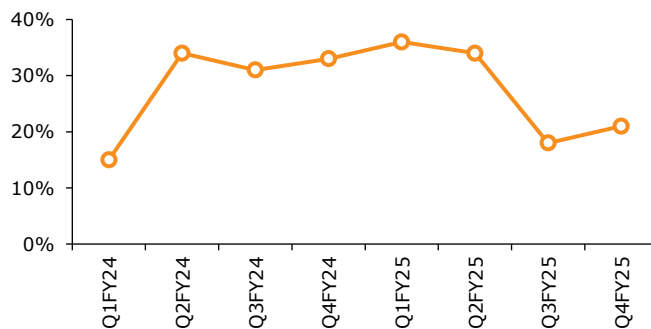
- Capex cash outflow stood at Rs5.5bn in FY25 and Star plans to spend Rs 8.2bn for FY26, and Rs 6bn for FY27.
- The Silchar grinding unit is scheduled for commissioning by Q4FY26, and the Jorhat grinding unit by Q3/Q4FY27. Clinker capacity in the Northeast is sufficient to meet demand for the next four years. The management is considering an expansion project in Rajasthan, which would add 4.5mt of cement and 3mt of clinker capacity.

### Others

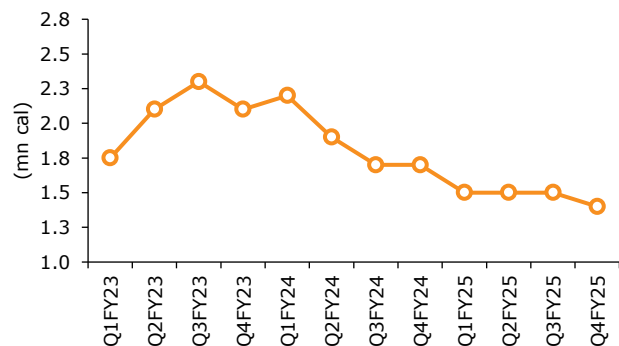
- An AAC plant and a construction chemicals unit have been established. Star expects to generate EBITDA of ~Rs150mn from these operations in the first year, with commencement by May end.
- As of FY25, consolidated gross debt stands at ~Rs3.8bn, while net debt is ~Rs3.2bn. The company anticipates receiving a subsidy of Rs1.5bn in 2QFY26 which is expected to further reduce net debt to about ~Rs2bn.

**Exhibit 10: Lead distance trend**

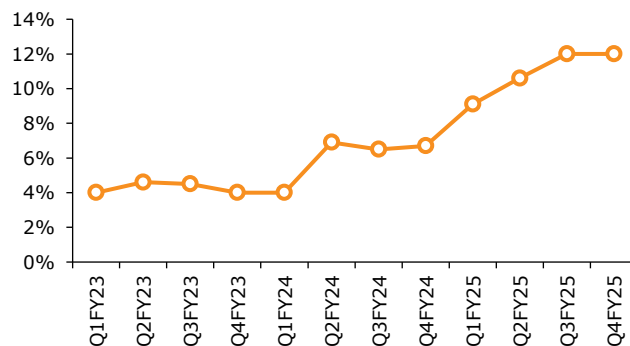
Source: Company, Emkay Research

**Exhibit 11: Green Power share trend**

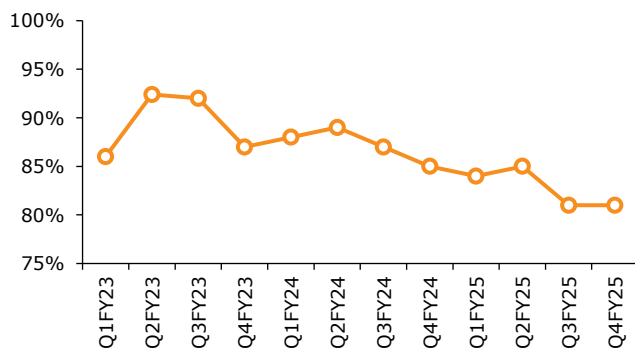
Source: Company, Emkay Research

**Exhibit 12: Fuel consumption cost trend**

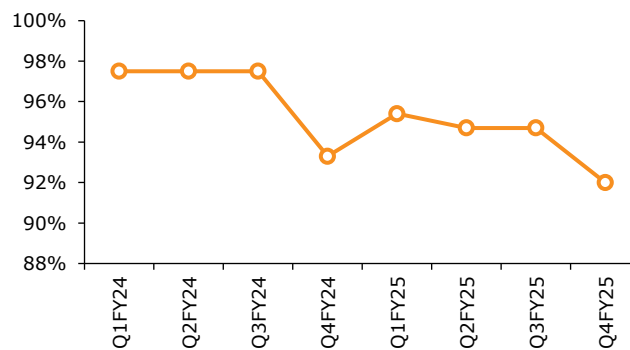
Source: Company, Emkay Research

**Exhibit 13: Premium share contribution**

Source: Company, Emkay Research

**Exhibit 14: Trade share**

Source: Company, Emkay Research

**Exhibit 15: Road share in the freight mix**

Source: Company, Emkay Research

**Exhibit 16: Valuation Snapshot**

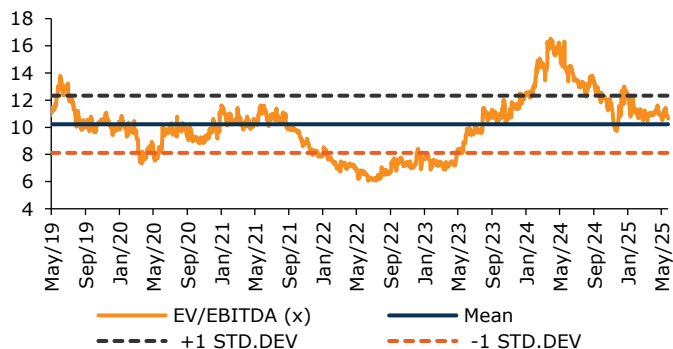
Valuation (Rs mn)	FY27E
Assumed EV/EBITDA multiple (x)	12.0
Core EBITDA (ex-incentives)	7,886
EV	94,627
Less: Net debt	3,455
Net Present Value (NPV) of incentives	10,333
M-Cap	101,505
Shares o/s (mn)	404.2
<b>Value per share (Rs)</b>	<b>250</b>

Source: Company, Emkay Research

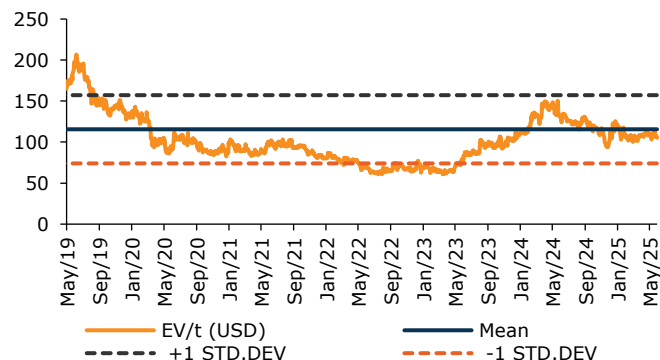
**Exhibit 17: Emkay vs consensus estimates**

Particulars	FY26E	FY27E
<b>Revenue (Rs mn)</b>		
Consensus estimate	36,417	41,206
Emkay estimate	36,441	43,784
Difference	0.1%	6.3%
<b>EBITDA (Rs mn)</b>		
Consensus estimate	7,612	9,008
Emkay estimate	8,142	9,912
Difference	7.0%	10.0%

Source: Bloomberg, Emkay Research

**Exhibit 18: Rolling one-year forward EV/EBITDA**

Source: Company, Emkay Research

**Exhibit 19: Rolling one-year forward EV/t**

Source: Company, Emkay Research

Star Cement: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	27,048	29,107	31,634	36,441	43,784
Revenue growth (%)	21.7	7.6	8.7	15.2	20.2
EBITDA	4,684	5,563	5,786	8,142	9,912
EBITDA growth (%)	35.7	18.8	4.0	40.7	21.7
Depreciation & Amortization	1,311	1,466	3,319	3,034	3,274
EBIT	3,373	4,097	2,467	5,108	6,638
EBIT growth (%)	50.8	21.5	(39.8)	107.0	29.9
Other operating income	-	-	-	-	-
Other income	521	265	106	96	74
Financial expense	97	126	316	596	718
PBT	3,797	4,236	2,257	4,607	5,993
Extraordinary items	0	0	0	0	0
Taxes	1,321	1,285	569	1,161	1,510
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	2,476	2,951	1,688	3,447	4,484
PAT growth (%)	0.3	19.2	(42.8)	104.2	30.1
Adjusted PAT	2,476	2,951	1,688	3,447	4,484
Diluted EPS (Rs)	6.1	7.3	4.2	8.5	11.1
Diluted EPS growth (%)	0.3	19.2	(42.8)	104.2	30.1
DPS (Rs)	1.0	1.0	1.0	1.0	0
Dividend payout (%)	16.7	14.0	24.4	12.0	0
EBITDA margin (%)	17.3	19.1	18.3	22.3	22.6
EBIT margin (%)	12.5	14.1	7.8	14.0	15.2
Effective tax rate (%)	34.8	30.3	25.2	25.2	25.2
NOPLAT (pre-IndAS)	2,200	2,855	1,846	3,821	4,966
Shares outstanding (mn)	404	404	404	404	404

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	404	404	404	404	404
Reserves & Surplus	23,760	26,697	28,385	31,832	36,315
Net worth	24,164	27,101	28,789	32,236	36,720
Minority interests	-	-	-	-	-
Non-current liab. & prov.	0	0	0	0	0
Total debt	261	1,298	3,901	5,901	5,901
Total liabilities & equity	24,425	28,399	32,690	38,137	42,621
Net tangible fixed assets	-	-	-	-	-
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	5,506	10,190	2,199	8,699	11,199
Goodwill	-	-	-	-	-
Investments [JV/Associates]	1,725	20	20	20	20
Cash & equivalents	3,117	973	524	946	185
Current assets (ex-cash)	12,055	10,655	14,120	14,238	16,747
Current Liab. & Prov.	6,889	7,624	8,378	8,937	9,428
NWC (ex-cash)	5,166	3,031	5,742	5,301	7,319
Total assets	24,425	28,399	32,690	38,137	42,621
Net debt	(2,856)	325	3,377	4,955	5,716
Capital employed	24,425	28,399	32,690	38,137	42,621
Invested capital	14,036	17,165	29,872	28,397	31,141
BVPS (Rs)	59.8	67.1	71.2	79.8	90.8
Net Debt/Equity (x)	(0.1)	-	0.1	0.2	0.2
Net Debt/EBITDA (x)	(0.6)	0.1	0.6	0.6	0.6
Interest coverage (x)	40.2	34.6	8.1	8.7	9.3
RoCE (%)	16.9	16.5	8.4	14.7	16.6

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PBT (ex-other income)	3,797	4,236	2,257	4,607	5,993
Others (non-cash items)	(337)	(161)	37	0	0
Taxes paid	(677)	(762)	(689)	(1,161)	(1,510)
Change in NWC	(1,519)	618	(2,395)	(118)	(2,509)
Operating cash flow	3,752	4,897	2,965	7,518	6,457
Capital expenditure	(5,694)	(10,361)	(5,757)	(8,500)	(6,500)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	(2,717)	(6,501)	(5,285)	(8,500)	(6,500)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	207	1,037	2,588	2,000	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	-	-	-	-	-
Dividend paid (incl tax)	-	-	-	-	-
Others	(107)	(172)	(347)	(596)	(718)
Financing cash flow	100	865	2,241	1,404	(718)
Net chg in Cash	1,135	(738)	(79)	421	(760)
OCF	3,752	4,897	2,965	7,518	6,457
Adj. OCF (w/o NWC chg.)	5,271	4,279	5,359	7,636	8,966
FCFF	(1,942)	(5,463)	(2,792)	(982)	(43)
FCFE	(1,942)	(5,463)	(2,792)	(982)	(43)
OCF/EBITDA (%)	80.1	88.0	51.2	92.3	65.2
FCFE/PAT (%)	(78.4)	(185.1)	(165.4)	(28.5)	(0.9)
FCFF/NOPLAT (%)	(88.3)	(191.4)	(151.3)	(25.7)	(0.9)

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
P/E (x)	35.5	29.8	52.0	25.5	19.6
EV/CE(x)	3.5	3.1	2.8	2.4	2.2
P/B (x)	3.6	3.2	3.1	2.7	2.4
EV/Sales (x)	3.1	3.0	2.9	2.5	2.1
EV/EBITDA (x)	18.1	15.9	15.8	11.4	9.4
EV/EBIT(x)	25.2	21.5	37.0	18.2	14.1
EV/IC (x)	6.1	5.1	3.1	3.3	3.0
FCFF yield (%)	(2.3)	(6.2)	(3.1)	(1.1)	-
FCFE yield (%)	(2,210.6)	(6,218.4)	(3,177.8)	(1,118.2)	(48.4)
Dividend yield (%)	0.5	0.5	0.5	0.5	0
DuPont-RoE split					
Net profit margin (%)	9.2	10.1	5.3	9.5	10.2
Total asset turnover (x)	1.2	1.1	1.0	1.0	1.1
Assets/Equity (x)	1.0	1.0	1.1	1.2	1.2
RoE (%)	10.8	11.5	6.0	11.3	13.0
DuPont-RoIC					
NOPLAT margin (%)	8.1	9.8	5.8	10.5	11.3
IC turnover (x)	1.9	1.9	1.3	1.3	1.5
RoIC (%)	15.1	18.3	7.8	13.1	16.7
Operating metrics					
Core NWC days	69.7	38.0	66.2	53.1	61.0
Total NWC days	69.7	38.0	66.2	53.1	61.0
Fixed asset turnover	3.0	2.5	1.7	1.5	1.9
Opex-to-revenue (%)	59.5	55.8	56.7	57.0	56.6

Source: Company, Emkay Research



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