RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 333 | ⮝ 15%

STAR CEMENT | Cement | 12 August 2025

On a firm growth path; maintain BUY

- **Revenues rose ~21% YoY in Q1FY26 on ~12% volume gains, including clinker sales, though realisations stayed flat (+1% YoY)**
- **EBITDA margin jumped to 25% YoY as cost well controlled, despite flat realisations , EBITDA/tn stays healthy at Rs1,144/tn**
- **Revise FY26e/FY27e EBITDA upwards; introduce FY28e earnings, value STRCEM at 11x vs 10x 1YF EV/EBITDA with TP of Rs333 (Rs260)**

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Revenue jump on volume gains: STRCEM's revenue jumped by ~21% YoY (fell 13% QoQ) to Rs 9.1bn as cement volumes, including clinker sales, were higher 12.1% YoY (-15.5% QoQ) at 1.29mnt. Net realisations (ex-incentives of Rs620mn) stayed flat up by ~1% YoY/QoQ at Rs6,428/t. Ex-clinker sales, cement volumes were up ~6% YoY (down ~17% QoQ). Premium segment volumes rose to ~12% (6% YoY) while Northeast India volume was down to ~73% (74% in Q4FY25); eastern region volume was ~27% vs 25%.

Healthy EBITDA gains: Total cost fell by ~4% YoY (+3% QoQ) to Rs 5,284/t as raw material (RM) cost softened, following no clinker purchases. Energy cost (adjusted for RM) was down sharply by ~33%/42% YoY/QoQ, as fuel cost came down to Rs1.35/k cal vs Rs1.5 k/cal YoY. Logistics costs rose steeply to Rs 1,930/t vs Rs 1,129/t in Q1FY25 (down 3.7% QoQ), following higher lead distance (clinker movement) offsetting the RM cost decline. Effectively, EBITDA jumped by ~97% YoY to ~Rs 2.28bn and EBITDA margin spiked to 25% from 15.5% YoY (flat QoQ).

Capex guidance maintained: Management reiterated capex guidance of Rs8.2bn for FY26 and Rs6bn for FY27. STRCEM plans to commission a 2mnt grinding unit in Silchar (Assam) by Q4FY26, with Rs1.05bn spent to date, and a 2mnt unit in Jorhat by Q4FY27. No near-term clinker expansion planned, but mines secured in Nimbol, Rajasthan with ongoing auctions in Jaisalmer, support a planned 3mnt clinker and 4mnt grinding unit (Rs24bn budget) within 3 years.

Growth prospects intact; value at 11x; maintain BUY: We revise upwards our FY26e/FY27e EBITDA estimates by 7%/5% to factor in healthy growth, given the timely capacity addition, market leadership and strong regional presence. We introduce FY28 earnings with our Revenue/EBITDA/PAT 3Y CAGR at 19%/46%//32%, given healthy topline growth and cost-saving initiative. We now assign an 11x (vs 10x) 1Y EV/EBITDA to STRCEM, and revise TP to Rs 333 (Rs 260 earlier) to factor in healthy growth visibility, number 1 position and regional diversification. 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 291
Market cap	US$ 1.4bn
Free float	33%
3M ADV	US$ 2.0mn
52wk high/low	Rs 295/Rs 172
Promoter/FPI/DII	67%/1%/6%

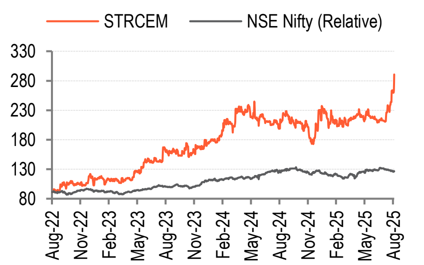
Source: NSE | Price as of 12 Aug 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	31,634	38,019	45,729
EBITDA (Rs mn)	5,786	8,383	11,240
Adj. net profit (Rs mn)	1,688	3,192	4,600
Adj. EPS (Rs)	4.0	7.6	11.0
Consensus EPS (Rs)	4.0	7.3	9.8
Adj. ROAE (%)	6.0	10.4	13.3
Adj. P/E (x)	72.2	38.2	26.5
EV/EBITDA (x)	21.6	14.3	10.6
Adj. EPS growth (%)	(42.6)	89.1	44.1

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q1FY26	Q4FY25	Our view
Volume and realisation	Cement sales volume was ~1.2mnt vs 1.15mnt YoY. Northeast contributed 0.9mnt (73% of total) vs 0.85mnt YoY and the outside Northeast contributed 0.33mnt vs 0.30mnt YoY. Clinker sales 0.074mnt. STRCEM sold 15% of OPC and 85% of PPC. Premium mix stable at ~12% with the target of 18% by FY26-end. Trade vs non-trade gap in prices was ~Rs 60-70/bag in Northeast. Current prices are maintaining levels vs Q1FY26 average with push towards West Bengal and Bihar markets where prices have risen. Northeast accounts for 73% of sales with expected growth rate to remain good and clinker to cement ratio was 1.44x.	Cement sales volume in Q4FY25 was 1.48mnt vs 1.39mnt. Northeast contributed 1.1mnt vs 1.04mnt and the outside Northeast contributed 0.37mnt vs 0.35mnt. Premium 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 hike in Q1FY26 was Rs 5-7/bag from the average price of Q4FY25.	We expect volumes to be in a healthy recovery mode, given the govt's focus on building up infrastructure in the Northeast and resolution of clinkerisation unit issues. Further, efforts to expand footprint in other regions only augur well.
Margins	Fuel mix was 79% FSA, 19% from alternative sources and 3% from spot auction; while fuel cost came in at Rs 1.35/kcal expected to remain at similar levels. Non-conventional fuel sources contributed 18%. Lead distance was 220km. Variable cost was high on account of operational variability, though RM cost came down and production cost remained like the last quarter. In Q1FY26, STRCEM booked incentives of Rs 620mn vs negligible in Q1FY25 with outstanding incentives at Rs 1.5bn expected to be received majorly by Q2-end.	Fuel mix 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 vs 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 of external clinker purchases reflected in RM 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 incentives, realisation has softened by 1% YoY to Rs6.378/t. EBITDA/t is also flat at Rs1,225/t.	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. However, we feel competition will only be in the medium term as STRCEM will continue dominance in the region cost effectively.
Capacity	Clinker production rose to 0.89mnt vs 0.69mnt YoY driven by Meghalaya plant. AAC block unit has started with expected revenue 700-800mn in FY26 and 20-30% higher in FY27. Northeast market size 14mnt with growth rate ~10%. Management stated that STRCEM has ~28% MS; slightly above Dalmia. Putting up 40mw of solar capacity in Assam and looking at wind farms in other locations with treaty with JSW Green to start by year-end.	Clinker production rose to ~1.14mnt, driven by enhanced output from the Meghalaya plant. STRCEM's total grinding capacity now at 7.7mnt, with the Siliguri plant operating at over 70% utilisation. AAC block unit is now ready for commercial production. The 12MW WHRS is expected to start contributing to efficiency gains as the kiln stabilises. Two new grinding units in Silchar and Jorhat are on track for commissioning in Q4FY26/Q4FY27 respectively.	Capacity expansion at the appropriate time will help STRCEM stay on the growth trajectory. Additionally, cost saving efforts will only he a helping hand to improve earnings.
Capex	Capex remains intact with Rs820mn incurred in Q1FY26. 2mnt unit in Silchar is expected to be commissioned by Q4FY26 with Rs1.05bn capex till date. 2mnt in Jorhat by Q4FY27. Rajasthan expansion: mines have been	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, STRCEM	STRCEM has managed capex well with the minimum burden on balance sheet. It has Targeted growth with new additions in lucrative markets

Parameter	Q1FY26	Q4FY25	Our view
	bought in Nimbol and STRCEM participated in few other auctions and plans to put up 3mnt clinker plant and 4mnt grinding unit at a budget Rs24bn in a 3Y time. Evaluating another plant in Bihar.	has secured mines in Beawar, Rajasthan, and is actively exploring opportunities in Jaisalmer to strengthen resource base.	like Assam. Entry in North markets with capacity plans in Rajasthan in the medium term will increase presence but will be margin-dilutive.
Other key points	Net debt at Rs3.2bn. Trade receivables at Rs1.8bn and Inventory at Rs4.9bn. Trade sales constituted 81% of volumes. Incentive from Govt. of Assam to the tune of Rs1.5bn will likely be received by Q2FY26-end. No synergy benefits with Ultratech currently. Northeast frontier train service can pose as a benefit and disadvantage. STRCEM expects to reach Rs8.5-9bn EBITDA level by this year.	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 Rs 2.2–2.5bn range annually over the next few years. Initially, subsidy disbursements face a lag of 12–18 months, which is expected to normalise 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.	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

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q4FY25E	Deviation (%)
Volumes (million tonnes)	1.3	1.2	12.1	1.5	(15.5)	1.27	1.9
Cement realisations (Rs/t)	6,428	6,508	(1.2)	6,378	0.8	6,578	(2.3)
Operating costs (Rs/t)	5,284	5,502	(3.9)	5,153	2.6	5,055	4.5
EBITDA/t (Rs)	1,144	1,006	13.6	1,225	(6.7)	1,522	(24.9)

Source: Company, BOBCAPS Research

Fig 3 – Quarterly performance

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q4FY25E	Deviation (%)
Net Sales	**9,120**	**7,510**	**21.4**	**10,521**	**(13.3)**	**8,531**	**6.9**
Expenditure							
Change in stock	80	(174)	(145.8)	(151)	(152.7)	(51)	(256.4)
Raw material	1,089	2,454	(55.6)	1,187	(8.3)	984	10.6
Purchased products			0.0		0.0		
Power & fuel	1,414	1,145	23.5	1,829	(22.7)	1,335	5.9
Freight	2,497	1,303	91.7	3,070	(18.6)	2,386	4.7
Employee costs	668	622	7.4	601	11.2	691	(3.3)
Other exp	1,090	999	9.0	1,358	(19.8)	1,211	(10.0)
Total Operating Expenses	**6,838**	**6,349**	**7.7**	**7,894**	**(13.4)**	**6,557**	**4.3**
EBITDA	**2,282**	**1,161**	**96.5**	**2,627**	**(13.1)**	**1,975**	**15.6**
EBITDA margin (%)	25	15.5	956.0	25.0	5.3	23.1	187.7
Other Income	18	14	29.6	50	(64.3)	37	(51.5)
Interest	102	59	72.3	88	15.5	78	30.3
Depreciation	852	725	17.4	875	(2.6)	885	(3.7)
PBT	1,346	391	244.7	1,714	(21.5)	1,049	28.4
Non-recurring items			0.0		0.0		
PBT (after non recurring items)	1,346	391	244.7	1,714	(21.5)	1,049	28.4
Tax	365	81	351.8	483	(24.5)	199	83.2
Reported PAT	982	310	216.8	1,231	(20.3)	849	15.6
Adjusted PAT	**982**	**310**	**216.8**	**1,231**	**(20.3)**	**849**	**15.6**
NPM (%)	**10.8**	**4.1**	**664bps**	**11.7**	**(94bps)**	**10.0**	**81bps**
Adjusted EPS (Rs)	**2.4**	**0.8**	**216.8**	**3.0**	**(20.3)**	**2.1**	**15.6**

Source: Company, BOBCAPS Research

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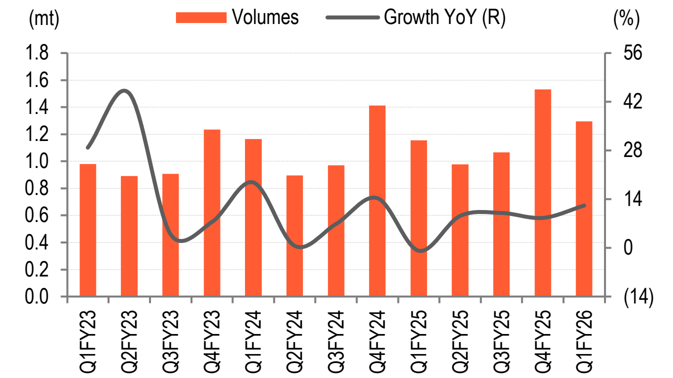
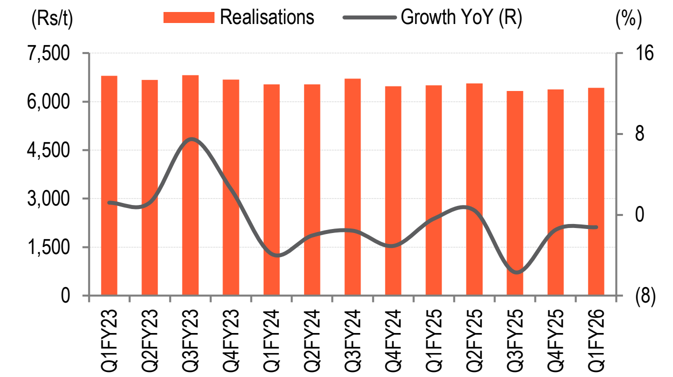
Fig 4 – Overall demand uptick awaited and expected in FY26 and demand is expected to continue



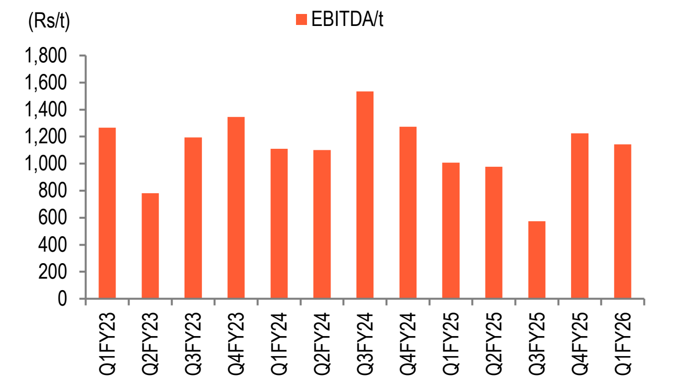
Source: Company, BOBCAPS Research

Fig 5 – Realisations focus dims as cost efficiencies help guard margins



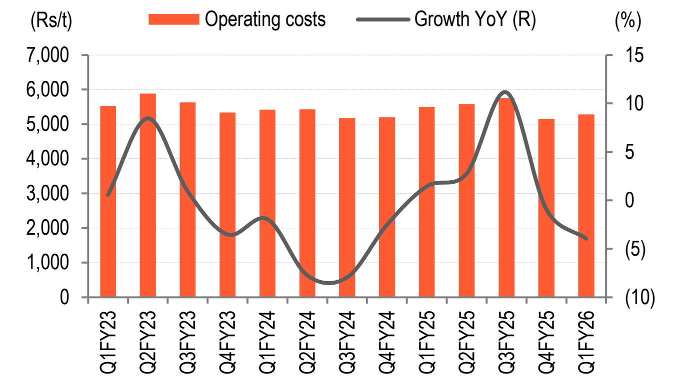
Source: Company, BOBCAPS Research

Fig 6 – EBITDA/t relatively better than peers



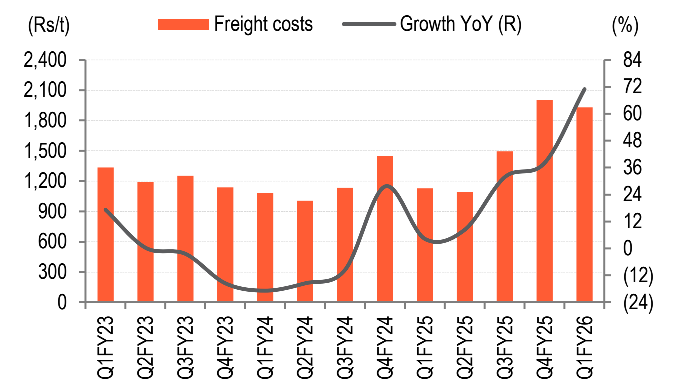
Source: Company, BOBCAPS Research

Fig 7 – Normalisation of expenses to drive a better show



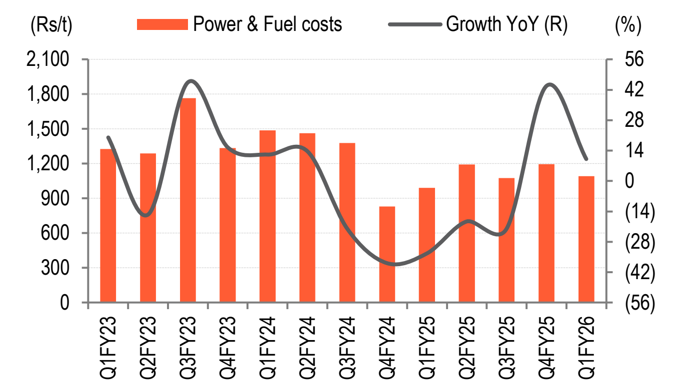
Source: Company, BOBCAPS Research

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 revise our FY26e/FY27e EBITDA estimates upwards by 7%/5%, to factor in healthy growth, given timely capacity addition, market leadership and strong regional presence. We introduce FY28 earnings with our Revenue/EBITDA/PAT 3Y CAGR at 19%/46%//32%, given healthy topline growth and cost-saving initiative.

Government's focus on infrastructure in STRCEM's core Northeast India market will boost volumes. We believe timely capacity expansion will help STRCEM stay on 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 a 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/FY28E, to improve to the 22%-25% range (after the setback in FY25E). Healthy balance sheet management, despite being in capex phase, only adds comfort.

Effectively, we now assign an 11x (vs 10x) 1Y EV/EBITDA to STRCEM, and revise TP to Rs 333 (Rs 260 earlier) to factor in healthy growth visibility, No.1 position in the Northeast for a considerable period and regional diversification. Our TP implies that the replacement cost valuation is in line with the industry average of Rs 7.5bn/mnt. Maintain BUY.

Fig 10 – Estimates Revised

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E*	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	38,019	45,729	53,970	38,019	45,729		0.0	0.0	
EBITDA	8,383	11,240	13,694	7,642	10,505		9.7	7.0	
Adj PAT	3,192	4,600	5,622	2,974	4,362		7.3	5.5	
Adj EPS (Rs)	7.6	11.0	13.4	7.1	10.4		7.3	5.5	

Source: Company, BOBCAPS Research

Fig 11 – Key assumptions

	FY25P	FY26E	FY27E	FY28E
Volumes (mnt)	4.8	5.5	6.4	7.6
Realisations (Rs/t)	6,489	6,489	6,684	6,751
Operating costs (Rs/t)	5,340	5,434	5,448	5,388
EBITDA/t (Rs/t)	1,195	1,455	1,696	1,757

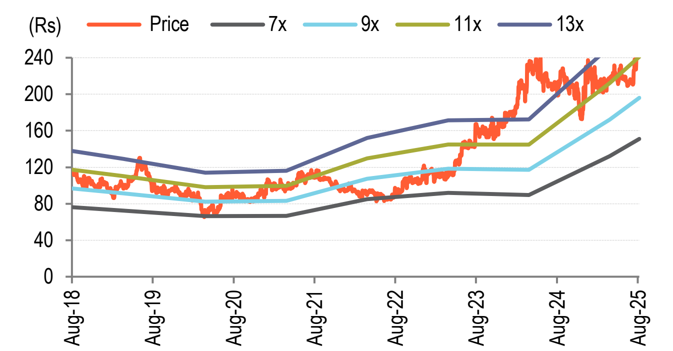
Source: Company, BOBCAPS Research

Fig 12 – Valuation summary

(Rs mn)	1-year Forward
Target EV/EBITDA (x)	11.0
EBITDA	13,694
Target EV	1,56,043
Total EV	1,56,043
Net debt	(1,608)
Target market capitalisation	1,57,650
Target price (Rs/sh)	**333**
Weighted average shares (mn)	404

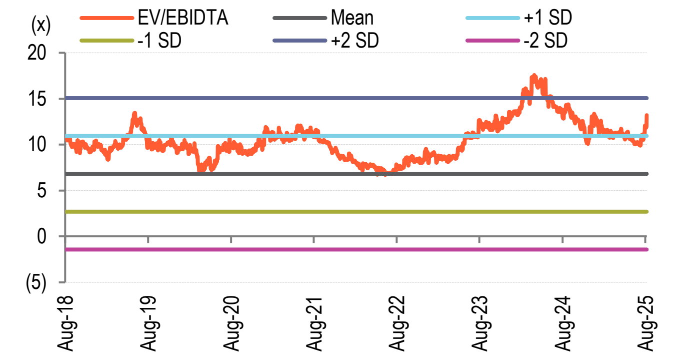
Source: BOBCAPS Research| Note: 1-year forward estimates include partial FY28 earnings

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



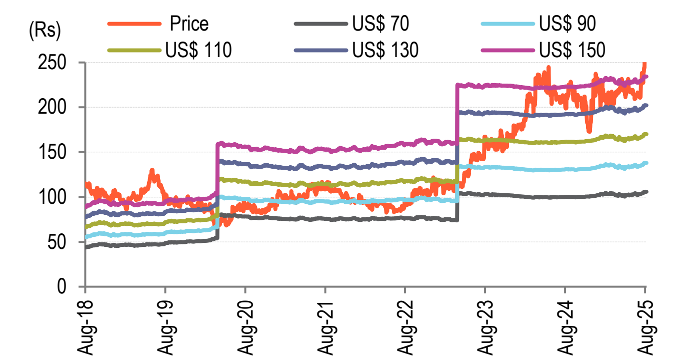
Source: Bloomberg, BOBCAPS Research

Fig 14 – EV/EBIDTA 1YF:



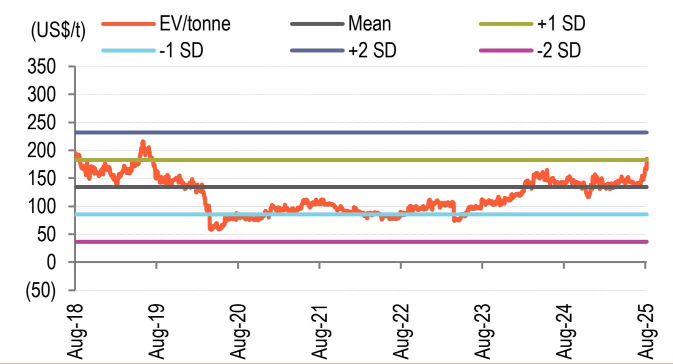
Source: Bloomberg, BOBCAPS Research

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 follows path



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.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25P	FY26E	FY27E	FY28E
Total revenue	**28,882**	**31,634**	**38,019**	**45,729**	**53,970**
EBITDA	5,552	5,786	8,383	11,240	13,694
Depreciation	(1,466)	(3,319)	(4,047)	(4,967)	(6,000)
EBIT	4,350	2,573	4,683	6,662	8,124
Net interest inc./(exp.)	(126)	(316)	(386)	(423)	(481)
Other inc./(exp.)	265	106	347	390	430
Exceptional items	0	0	0	0	0
EBT	4,224	2,257	4,297	6,239	7,644
Income taxes	(1,285)	(569)	(1,105)	(1,639)	(2,021)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**2,940**	**1,688**	**3,192**	**4,600**	**5,622**
Adjustments	0	0	0	0	0
Adjusted net profit	**2,940**	**1,688**	**3,192**	**4,600**	**5,622**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25P	FY26E	FY27E	FY28E
Accounts payables	2,197	2,620	3,040	3,535	4,014
Other current liabilities	5,269	5,563	6,964	7,034	7,104
Provisions	158	195	170	187	206
Debt funds	1,298	3,901	4,807	4,907	5,009
Other liabilities	0	0	0	0	0
Equity capital	404	404	404	404	404
Reserves & surplus	26,697	28,804	31,997	36,597	42,219
Shareholders' fund	27,101	29,211	32,404	37,004	42,626
Total liab. and equities	**36,024**	**41,488**	**47,382**	**52,665**	**58,957**
Cash and cash eq.	973	944	1,624	3,323	6,616
Accounts receivables	1,508	1,995	2,135	2,631	3,216
Inventories	3,350	4,464	5,416	6,390	7,393
Other current assets	3,397	5,230	3,780	4,287	4,930
Investments	20	20	20	20	20
Net fixed assets	14,096	26,123	26,781	26,519	25,390
CWIP	10,190	190	4,859	6,459	8,059
Intangible assets	88	91	93	95	98
Deferred tax assets, net	2,401	2,431	2,674	2,941	3,235
Other assets	0	0	0	0	0
Total assets	**36,024**	**41,488**	**47,382**	**52,665**	**58,957**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25P	FY26E	FY27E	FY28E
Cash flow from operations	**6,447**	**2,297**	**9,150**	**7,907**	**9,665**
Capital expenditures	(11,332)	(5,348)	(9,376)	(6,307)	(6,474)
Change in investments	1,706	0	1	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(9,626)**	**(5,349)**	**(9,375)**	**(6,307)**	**(6,474)**
Equities issued/Others	(1,260)	419	0	0	0
Debt raised/repaid	1,037	2,603	906	100	102
Interest expenses	9	10	10	10	10
Dividends paid	(419)	0	0	0	0
Other financing cash flows	1,677	0	0	0	0
Cash flow from financing	**1,035**	**3,022**	**906**	**100**	**102**
Chg in cash & cash eq.	**(2,144)**	**(30)**	**680**	**1,700**	**3,293**
Closing cash & cash eq.	**973**	**944**	**1,624**	**3,323**	**6,616**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25P	FY26E	FY27E	FY28E
Reported EPS	7.0	4.0	7.6	11.0	13.4
Adjusted EPS	7.0	4.0	7.6	11.0	13.4
Dividend per share	1.0	0.0	0.0	0.0	0.0
Book value per share	64.6	69.7	77.3	88.3	101.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25P	FY26E	FY27E	FY28E
EV/Sales	4.2	3.9	3.2	2.6	2.2
EV/EBITDA	22.0	21.6	14.3	10.6	8.7
Adjusted P/E	41.4	72.2	38.2	26.5	21.7
P/BV	4.5	4.2	3.8	3.3	2.9

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25P	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	69.6	74.8	74.3	73.7	73.6
Interest burden (PBT/EBIT)	97.1	87.7	91.8	93.7	94.1
EBIT margin (EBIT/Revenue)	15.1	8.1	12.3	14.6	15.1
Asset turnover (Rev./Avg TA)	85.8	81.6	85.6	91.4	96.7
Leverage (Avg TA/Avg Equity)	1.3	1.4	1.4	1.4	1.4
Adjusted ROAE	11.5	6.0	10.4	13.3	14.1

Ratio Analysis

Y/E 31 Mar	FY24A	FY25P	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	12.1	9.5	20.2	20.3	18.0
EBITDA	18.5	4.2	44.9	34.1	21.8
Adjusted EPS	18.7	(42.6)	89.1	44.1	22.2
Profitability & Return ratios (%)					
EBITDA margin	19.1	18.3	21.8	24.4	25.2
EBIT margin	14.9	8.1	12.2	14.4	14.9
Adjusted profit margin	10.2	5.3	8.4	10.1	10.4
Adjusted ROAE	11.5	6.0	10.4	13.3	14.1
ROCE	16.5	8.4	13.3	16.8	18.1
Working capital days (days)					
Receivables	19	23	21	21	22
Inventory	42	52	52	51	50
Payables	34	37	37	37	36
Ratios (x)					
Gross asset turnover	1.2	0.8	0.9	0.9	1.0
Current ratio	1.2	1.5	1.3	1.5	2.0
Net interest coverage ratio	34.5	8.1	12.1	15.7	16.9
Adjusted debt/equity	0.0	0.1	0.1	0.1	0.1

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

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BUY – Expected return >+15%

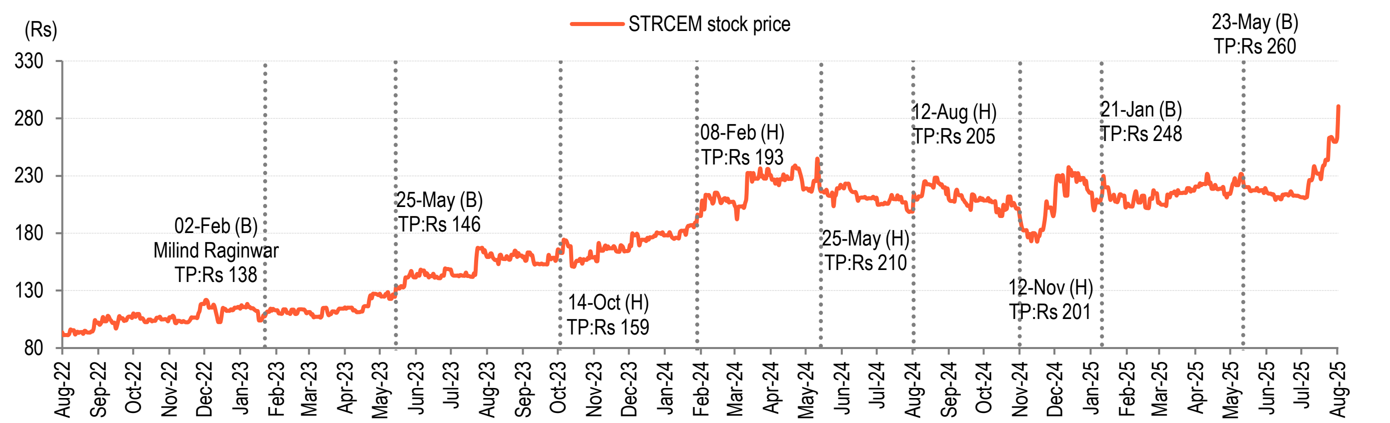
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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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