

BUY

TP: Rs 342 | ▲ 39%

STAR CEMENT

Cement

07 November 2025

No major surprises; growth path modified, maintain BUY

- Revenues rose ~26% YoY in Q2FY26 on ~11% YoY volume gains, excluding clinker sales, though realisations stayed soft (-3% YoY)
- EBITDA margin jumped to 23% from 15% YoY as cost well controlled, despite soft realisations. EBITDA/tn stays healthy at Rs1,070/tn
- Maintain FY26e/FY27e/FY28e EBITDA upwards; value STRCEM at 11x vs Sep 2027 EV/EBITDA with revised TP of Rs342 (Rs333)

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Healthy volume gains drive revenue: STRCEM's revenues rose ~26% YoY (-11% QoQ) to Rs 8.1bn in Q2FY26. Cement volumes added 11% YoY (-12% QoQ) at 1.07mt, with total volumes at 1.17mt including clinker sales. Net realisations fell marginally by ~3% YoY (adjusted for incentives of Rs 550mn) but stayed flattish QoQ at Rs 6,376/t. North East contributed 0.76mt (71% of total) vs 0.75mt YoY and East was 0.31mt vs 0.21mt YoY.

Overall cost under check: Overall cost fell by ~5% YoY to Rs 5,284/t, driven by the absence of clinker purchases impacting raw material costs. Energy costs fell 5% YoY (+5% QoQ) to Rs 1,137/t, aided by the falling fuel costs from coal purchases. However, logistic costs rose 12% YoY to Rs 1,229/t (vs Rs 1,091/t YoY) due to in-house clinker movement affecting inter-unit logistics for split grinding units in Assam. Other expenditures were managed well, rising 13% YoY slower than volume growth.

EBITDA doubles with margin expansion: Effectively, EBITDA nearly doubled YoY to ~Rs 1.9bn, with EBITDA margin expanding sharply to 23% from ~15% YoY (down QoQ from 25%). EBITDA/t remained healthy at ~Rs 1,070 (vs Rs 977 YoY).

Strategic shift in capex: Management has updated capex guidance to Rs 7.1-7.2bn for FY26 (Rs 2.1bn in H1YF26). Silchar GU (2mt) is on track for going on stream by Q3FY26. However, Jorhat may be postponed and replaced by 2mnt Bihar GU. In Rajasthan, Nimbol will be the priority over Jaisalmer for a more central location. Resolution for Rs 15bn fundraise passed.

Growth prospects though modified stay intact; value at 11x; maintain BUY: We maintain our FY26e/FY27e/FY28e EBITDA estimates, factoring in healthy growth with capacity addition plans, market leadership, regional diversification and strong regional presence. Our Revenue/EBITDA/PAT 3Y CAGR is at 19%/46%/32%, given the healthy topline growth and cost-saving initiatives. We assign an 11x Sep 2027, EV/EBITDA and revise TP to Rs 342 (Rs333 earlier) to factor in healthy growth visibility, no. 1 position and regional diversification. Our TP implies replacement cost valuation is in line with the industry average of Rs 7.5bn/mt. Maintain BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	STRCEM IN/Rs 246
Market cap	US\$ 1.2bn
Free float	33%
3M ADV	US\$ 2.1mn
52wk high/low	Rs 309/Rs 172
Promoter/FPI/DII	67%/1%/6%

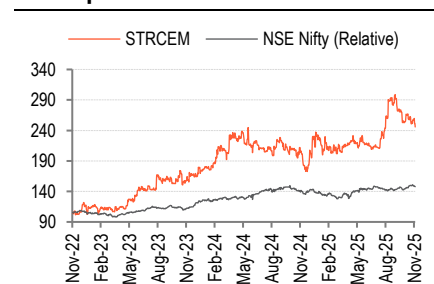
Source: NSE | Price as of 6 Nov 2025

Key financials

Y/E 31 Mar	FY25A	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	8.5	10.7
Adj. ROAE (%)	6.0	10.4	13.3
Adj. P/E (x)	61.0	32.3	22.4
EV/EBITDA (x)	18.1	12.7	9.4
Adj. EPS growth (%)	(42.6)	89.1	44.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings Call Highlights

Parameter	Q2FY26	Q1FY26	Our view
Volume and realisation	Cement sales volume was 1.07mt vs 0.96mt YoY. North East contributed 0.76mt (71% of total) vs 0.75mt YoY and outside Northeast contributed 0.31mt vs 0.21mt YoY. Clinker sales 0.10mt (vs 0.02mt YoY). STRCEM sold 16% of OPC and 84% of PPC. Premium mix at 13.1% vs ~12% QoQ with target of 18% by FY26-end. Trade sales 80%. Lead distance 230km vs 218km YoY. Current prices are stable vs Q2FY26 average; Northeast up Rs 8/bag QoQ, Bihar/West Bengal stable after Rs 5 decline in Q1FY26. Northeast accounts for ~71% of sales with expected growth ~8-9%. FY26 volume guidance 5.4-5.5mt unchanged	Cement sales volume was ~1.2mt vs 1.15mt YoY. Northeast contributed 0.9mt (73% of total) vs 0.85mt YoY and the outside Northeast contributed 0.33mt vs 0.30mt YoY. Clinker sales 0.074mt. 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 the North East. Current prices are maintaining levels vs Q1FY26 average with a push towards West Bengal and Bihar markets, where prices have risen. North East accounts for 73% of sales with expected growth rate to remain good and clinker to cement ratio was 1.44x.	We expect volumes to be in a healthy recovery mode, given the govt's focus on building up infrastructure in the North East and the resolution of clinkerisation unit issues. Further, with the price softening, overall demand is expected to be healthy from H2FY26 onwards.
Margins	Fuel mix predominantly FSA; fuel cost at Rs 1.25/kcal (vs Rs 1.5/kcal YoY) due to a better fuel mix expected to remain similar in Q3. Share of AFR was at 3-4%. Annual shutdown in Q2FY26 had an impact of Rs 13-14cr, reducing EBITDA/t by ~Rs 100; non-recurring for Q3FY26. Incentives booked in Q2FY26 were Rs 560mn; GST rate cut is expected to impact by Rs 130-150/t annually.	Fuel mix was 79% FSA, 19% from alternative sources and 3% from spot auction, while fuel cost came in at Rs 1.35/kcal and likely to stay 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.	Focus on cost efficiencies will only help guard margins in case of increase in competitive intensity that may put pressure on prices in the interim phase. However, we feel competition will only be in the medium term as STRCEM will continue dominance in the region cost effectively.
Capacity	Clinker production 0.92mt vs 0.66mt YoY. Silchar 2mt GU scheduled for commissioning by Jan-2026. Bihar 2mt GU (Begusarai) land acquired, capex ~Rs 5bn, commissioning targeted by H1FY28. Umrangshu clinker (Assam) land/mines secured, permissions are in progress. Rajasthan: Nimbol and Jaisalmer mines are secured though Nimbol will take priority over Jaisalmer, 3mt clinker + 4mt grinding planned (~Rs 24bn) in 3 years. AAC blocks ramped to 60% utilisation. Revenue Rs 130-140mn in Q2FY26, FY26 target Rs 700-800mn. 32mw solar capacity in Assam land acquired. Northeast market ~14mt, ~8-9% growth, STRCEM ~28% MS.	Clinker production rose to 0.89mt vs 0.69mt YoY driven by Meghalaya plant. AAC block unit started with an expected revenue of 700-800mn in FY26 and 20-30% higher in FY27. Northeast market size 14mt 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.	Capacity expansion is modified with Jorhat postponement and will be replaced by 2mnt Bihar GU. In Rajasthan, Nimbol will be the priority over Jaisalmer for more central location This will help STRCEM stay on the growth trajectory. Additionally, cost saving efforts will only aid in improving earnings.
Capex	H1FY26 capex was at Rs 2.1bn; FY26 guidance ~Rs 7.1-7.2bn (Silchar completion, 32MW solar, land in Umrangshu/Bihar/Jorhat). Bihar GU ~Rs 5bn. Rajasthan 3+4mt ~Rs 24bn split over 3 years. Enabling resolution passed for Rs 15bn fund raise (form TBD).	Capex remains intact with Rs820mn incurred in Q1FY26. 2mt unit in Silchar is expected to be commissioned by Q4FY26 with Rs1.05bn capex till date. 2mt in Jorhat by Q4FY27. Rajasthan expansion: mines have been bought in Nimbol and STRCEM participated in few other auctions and plans to put up 3mt clinker plant and 4mt grinding unit at a budget Rs24bn in 3Y time. Evaluating another plant in Bihar.	STRCEM has managed capex well with the minimum burden on balance sheet. It has targeted growth with new additions in lucrative markets like Assam. Entry in the North markets with capacity plans in Rajasthan in the medium term will increase presence but will be margin-dilutive.

Parameter	Q2FY26	Q1FY26	Our view
Other key points	Net debt ~Rs 3.2bn. Incentives annual run-rate ~Rs 1.8-1.9bn post-GST impact. AAC + construction chemicals + RMC targeted Rs 800-900mn revenue in FY27. EBITDA/t guidance Rs 1,500-1,550. No immediate pricing pressure from Dalmia ramp-up; Ambuja mine won but 2-3 years for plant setup. 18% cement from outside Northeast.	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.	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

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Q2FY26E	Deviation (%)
Volumes (million tonnes)	1.2	1.0	19.6	1.3	(9.6)	1.07	9.3
Cement realisations (Rs/t)	6,376	6,560	(2.8)	6,428	(0.8)	6,424	(0.7)
Operating costs (Rs/t)	5,306	5,583	(5.0)	5,284	0.4	5,501	(3.6)
EBITDA/t (Rs)	1,070	977	9.5	1,144	(6.4)	1,502	(28.7)

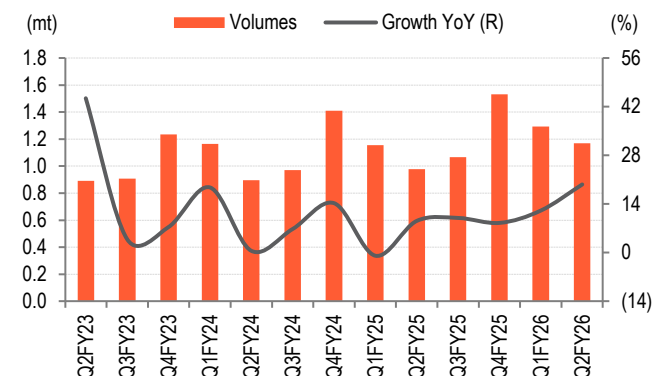
Source: Company, BOBCAPS Research

Fig 3 – Quarterly performance

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Q2FY26E	Deviation (%)
Net Sales	8,109	6,415	26.4	9,120	(11.1)	7,494	8.2
Expenditure							
Change in stock	(177)	(40)	341.2	80	(322.4)	(181)	(2.0)
Raw material	1,766	1,614	9.4	1,089	62.1	903	95.5
Purchased products							
Power & fuel	1,330	1,166	14.1	1,414	(5.9)	1,264	5.2
Freight	1,438	1,067	34.8	2,497	(42.4)	2,221	(35.2)
Employee costs	715	646	10.7	668	7.0	678	5.4
Other exp	1,137	1,008	12.8	1,090	4.3	1,002	13.4
Total Operating Expenses	6,208	5,460	13.7	6,838	(9.2)	5,887	5.5
EBITDA	1,902	956	99.0	2,282	(16.7)	1,607	18.3
EBITDA margin (%)	23.4	14.9	855.3	25.0	(157.3)	21.4	200.4
Other Income	35	16	112.6	18	93.7	45	(22.8)
Interest	111	71	55.5	102	8.9	97	14.1
Depreciation	902	825	9.3	852	5.9	841	7.3
PBT	924	76	1,121.3	1,346	(31.4)	714	29.3
Non-recurring items			0.0		0.0		
PBT (after non recurring items)	924	76	1,121.3	1,346	(31.4)	714	29.3
Tax	(214)	(20)	973.1	(366)	(41.6)	(172)	24.1
Reported PAT	711	57	1,154	982	(27.6)	543	30.9
Adjusted PAT	711	57	1,154	982	(27.6)	543	30.9
NPM (%)	8.8	0.9	788bps	10.8	(200bps)	7.2	152bps
Adjusted EPS (Rs)	1.7	0.1	1,153.7	2.4	(27.6)	1.3	30.9

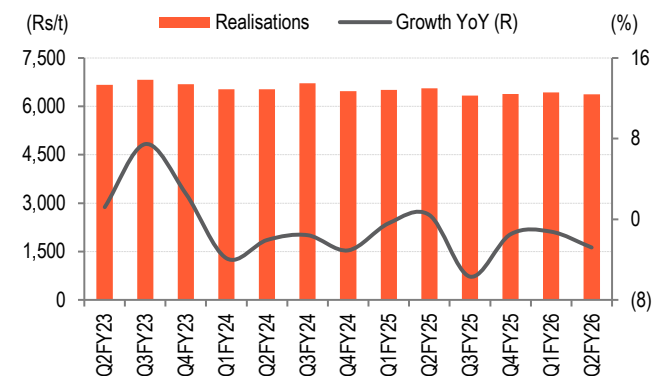
Source: Company, BOBCAPS Research

Fig 4 – Overall demand uptick awaited and expected from H2FY26 and beyond



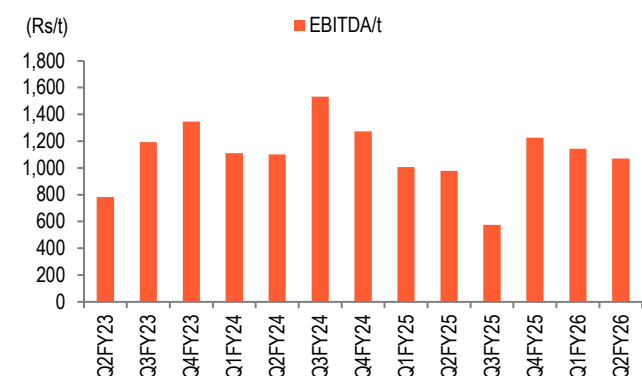
Source: Company, BOBCAPS Research

Fig 5 – Realisations focus dims as cost efficiencies help guard margins and will be continued



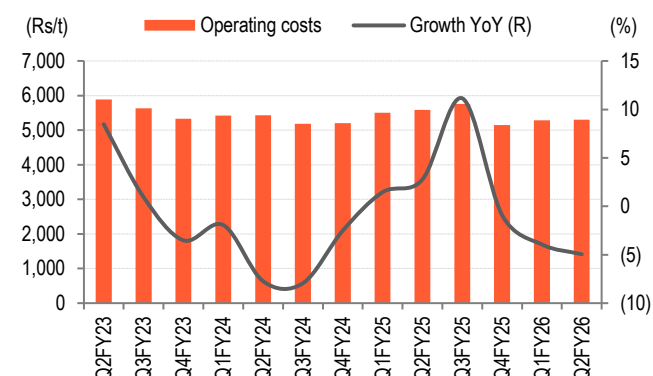
Source: Company, BOBCAPS Research

Fig 6 – EBITDA/t leaves scope for further improvement



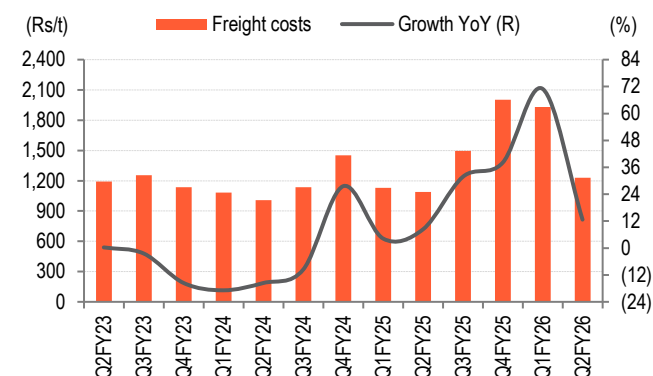
Source: Company, BOBCAPS Research

Fig 7 – Expenses check to drive a better show



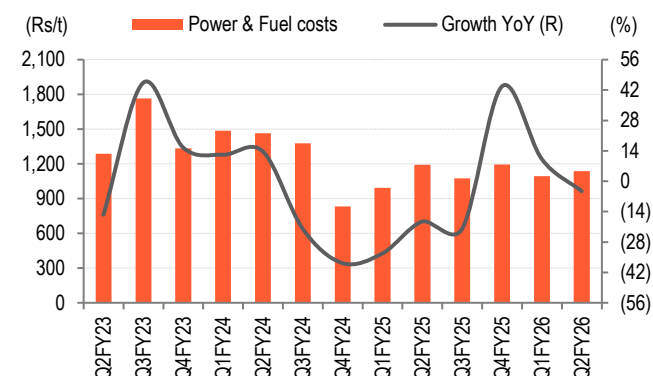
Source: Company, BOBCAPS Research

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 maintain our FY26e/FY27e/FY28e EBITDA estimates, factoring in healthy growth with capacity addition plans, market leadership, regional diversification and strong regional presence. Our Revenue/EBITDA/PAT 3Y CAGR is at 19%/46%/32%, given the healthy topline growth and cost-saving initiatives.

Government's focus on infrastructure in STRCEM's core Northeast India market will boost volumes. Capacity expansion is modified with Jorhat postponement and will be replaced by 2mnt Bihar GU. In Rajasthan, Nimbol will be the priority over Jaisalmer for a more central location. This is following the internal assessment of the demand scenario in respective regions and diversification will help STRCEM stay on the growth trajectory.

We also believe the cost will normalise with the company gaining higher operating leverage as demand recovers in the regions. 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). Despite being in a capex phase, healthy balance sheet management only adds comfort.

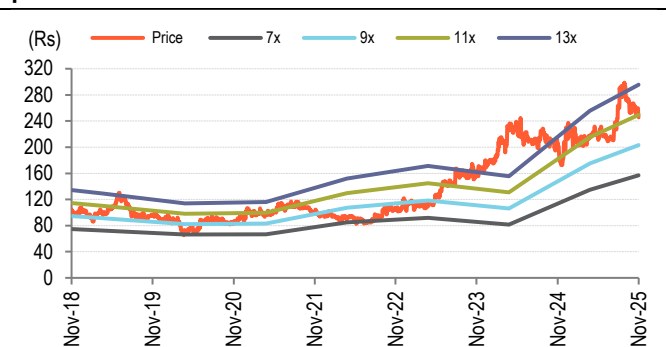
We assign an 11x Sep 2027, EV/EBITDA and revise TP to Rs 342 (Rs333 earlier) to factor in healthy growth visibility, no. 1 position and regional diversification. Our TP implies replacement cost valuation is in line with the industry average of Rs 7.5bn/mt. Maintain BUY.

Fig 10 – Key assumptions

	FY25A	FY26E	FY27E	FY28E
Volumes (mt)	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

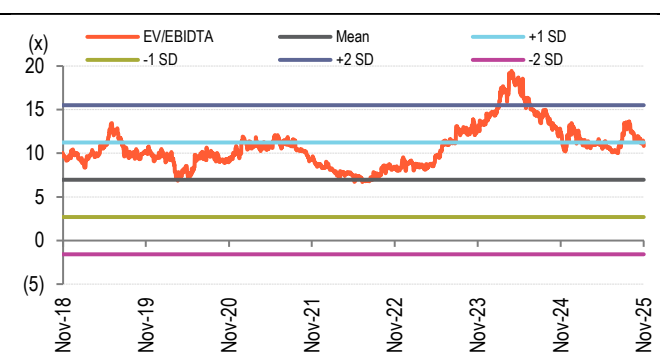
Source: Company, BOBCAPS Research

Fig 11 – EV/EBITDA band: Valuations to follow earnings pace



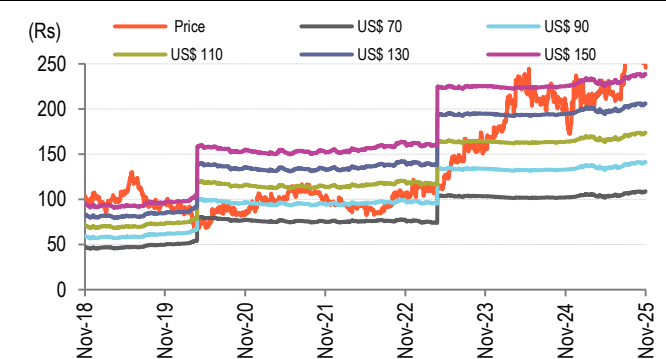
Source: Bloomberg, BOBCAPS Research

Fig 12 – EV/EBITDA 1YF:



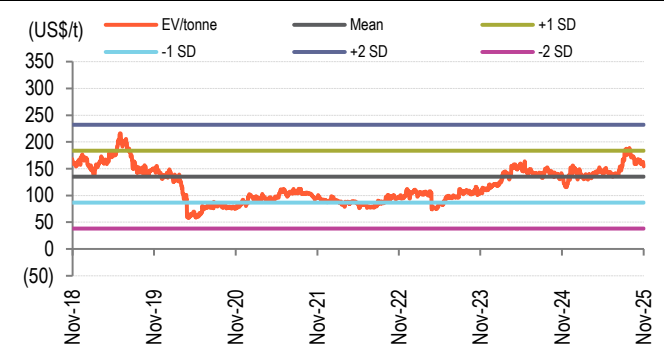
Source: Bloomberg, BOBCAPS Research

Fig 13 – EV/tonne: Replacement cost will stay inflated for efficient companies in the sector



Source: Company, Bloomberg, BOBCAPS Research

Fig 14 – 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	FY25A	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	FY25A	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	FY25A	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	FY25A	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	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.5	3.3	2.8	2.3	1.9
EV/EBITDA	18.0	18.1	12.7	9.4	7.5
Adjusted P/E	35.0	61.0	32.3	22.4	18.3
P/BV	3.8	3.5	3.2	2.8	2.4

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	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	FY25A	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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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

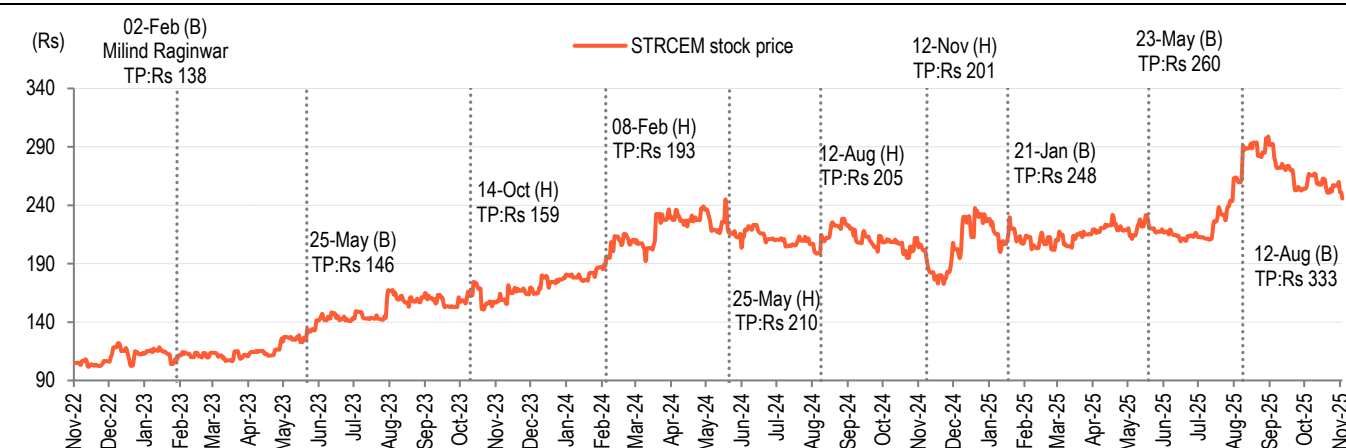
HOLD – Expected return from -6% to +15%

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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