AXIS DIRECT

Result Update
27th May, 2026

Star Cement Limited
Cement

BUY
Target Price
300

Beats Estimates On Lower Cost; Maintain BUY

Est. Vs. Actual for Q4FY26: Revenue – BEAT; EBITDA Margin – BEAT; PAT – BEAT

Change in Estimates post Q4FY26 (Abs)

FY27E/FY28E: Revenue: 0%/0%; **EBITDA:** -5%/-4%; **PAT:** -2%/-10%

Recommendation Rationale

- **Capacity Expansion to Fuel Growth:** With the commissioning of the Silchar grinding unit (2 MTPA), the company's total cement manufacturing capacity has increased to 9.7 MTPA, creating significant growth opportunities. Backed by this capacity expansion, SCL is expected to deliver volume growth at a CAGR of 11% over FY25–28E.
- **Strong Q4FY26 Performance:** The company reported a strong consolidated net profit of Rs 148 Cr in Q4FY26, marking a robust 20% YoY increase from Rs 123 Cr in Q4FY25. Consolidated revenue was up 12% YoY to Rs 1,174 Cr, driven by higher cement volumes and improved margins. Furthermore, consolidated EBITDA surged 20% YoY to Rs 315 Cr, with the EBITDA per tonne for the cement division rising by 6% YoY to Rs 1,818. In this backdrop, we expect SCL to report an EBITDA margin in the range of 23-24% and EBITDA/tonne growth of 10% CAGR over FY25-28E. 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 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: Management guided for 10–12% cement volume growth in FY27 despite temporary demand softness in April due to elections in Assam and West Bengal. EBITDA outlook remains healthy at Rs 1,500–1,700/ton for Northeast operations over the next 2–3 years. Near-term margin pressure expected in Q1FY27 from elevated fuel, logistics, and packing costs due to West Asia disruptions and rake shortages.

Current Valuation: 12x FY28E EV/EBITDA (Earlier Valuation: 13.5x FY27E EV/EBITDA)

Current TP: Rs 300/share (Earlier TP: Rs 320/share)

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

Alternative BUY Ideas from our Sector Coverage: UltraTech Cement (TP: Rs 14,000/share), Dalmia Bharat (TP: Rs 2,430/share), Ambuja Cement (TP: Rs 510/share), Birla Corporation (TP: Rs 1,400/share), JK Cements (TP: Rs 6,005/share)

Financial Performance

SCL reported a strong set of numbers for Q4FY26, driven by higher volumes and lower cement production costs YoY. Volume, revenue, EBITDA, and PAT grew by 13%, 12%, 20%, and 20%, respectively, beating expectations across the board. The company delivered an EBITDA margin of 26.8%, an improvement from 25% in the previous year and ahead of estimates. Quarterly volumes reached 1.7 MnTPA, reflecting 13% YoY growth, supported by the ramp-up of new capacity and better EBITDA per tonne of Rs 1,818—up 6% YoY —surpassing expectations of Rs 1,723. Blended realisation per tonne rose to Rs 6,772, flattish QoQ but lower 1.5% YoY. Cost per tonne declined to Rs 4,954, down 4% YoY, driven by lower P/F, Freight and other expenses.

Key Financials (Consolidated)

(Rs Cr)	Q4FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1,174	33%	12%	1,113	5.4%
EBITDA	315	56%	20%	282	12%
EBITDA Margin	26.8%	380bps	180bps	25.4%	150bps
Net Profit	148	102%	20%	131	13%
EPS (Rs)	3.7	102%	20%	3.2	13%

Source: Company, Axis Securities Research

(CMP as of 26th May, 2026)

CMP (Rs)	216
Upside /Downside (%)	39%
High/Low (Rs)	309/197
Market cap (Cr)	8,704
Avg. daily vol. (6m) Shrs.	9,50,000
No. of shares (Cr)	40.4

Shareholding (%)

	Sep-25	Dec-25	Mar-26
Promoter	57.6	57.6	58.1
FIIs	3.0	2.5	2.3
MFs / UTI	4.3	4.3	2.5
Banks / FIs	0.0	0.0	0.0
Others	35.1	35.6	37.1

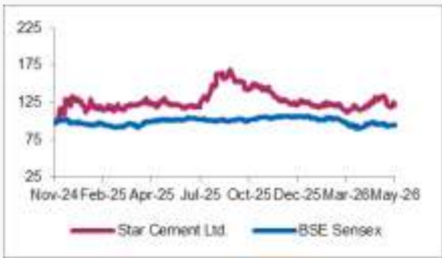
Financial & Valuations

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	3,776	4,200	4,586
EBITDA	936	992	1,071
Net Profit	399	411	427
EPS (Rs)	9.3	10.2	10.6
PER (x)	23	21	20
P/BV (x)	0.9	0.8	0.7
EV/EBITDA (x)	9.8	9.4	8.6
ROE (%)	12	12	11

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	0%	0%
EBITDA	-5%	-4%
PAT	-2%	-10%

Relative Performance



Source: Ace Equity, Axis Securities Research

Results Gallery

Q3FY26
Q2FY26
Q1FY26
Q4FY25

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Outlook

Strong operational and financial performance in Q4FY26, driven by higher cement volumes, better realisations, and improved operating efficiencies. Management commentary remained constructive despite near-term macro and cost headwinds. The company continues to benefit from 1) Strong Northeast franchise, 2) Superior trade penetration, 3) Healthy balance sheet, and 4) Industry-leading EBITDA/ton metrics. While FY27 may witness temporary margin pressure from fuel and logistics inflation, the medium-term growth outlook remains robust, supported by aggressive capacity expansion into North and East India markets. 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 11%/13% in volume and revenue and a 23% /37% CAGR in EBITDA and PAT over FY25-FY28E.

Valuation & Recommendation

The stock is currently trading at 9x/8.5xFY27E/28E EV/EBITDA. **We maintain our BUY recommendation on the stock** with a TP of Rs 300/share, implying an upside potential of 39% from the CMP.

Key Concall Highlights

- **Capacity Expansion:** SCL is looking to set up a 5 mtpa Grinding and 3.3 mtpa Clinker unit in Nimbol, Rajasthan, with a capex of Rs 2,500 Cr, expected commissioning in H1FY29. The company is also setting up a 2 MTPA cement plant in Bihar, expected commissioning in Q1/Q2FY29. Clinker to be sourced from Meghalaya via Silchar rail siding logistics. Bihar grinding unit to have attractive SGST benefit of 300% as per the State's Industrial Policy. Along with the aforesaid expansion, SCL is also setting up a 2-2.5 mtpa Grinding unit in Haryana and a 2 mtpa Jorhat grinding unit with the Umrangso clinker unit. Management reiterated that approvals and land acquisition are progressing, and execution visibility should improve after Oct'26.
- **Building Products:** The company reported FY26 revenue of Rs 43 Cr from AAC blocks and allied products and has set a target of Rs 150 Cr from AAC, RMC and allied products in FY27, with an initial EBITDA margin target of 7–8%.
- **Volume:** Management guided for 10–12% cement volume growth in FY27 over the FY26 base of ~5.3 MT. During the quarter, sales were geographically split at 70% in the North-East and 30% in the East. Cement mix comprised 82% blended cement and 18% OPC. The trade-to-non-trade mix stood at 78%/22%. Premium cement accounted for 15% of trade sales, lower by 2% compared to Q3FY26. Clinker sales expected to remain broadly flat as focus shifts toward higher-margin cement sales.
- **April demand** remained subdued due to elections in Assam and West Bengal. May witnessed an improvement in demand trends. Management expects clearer visibility after Q1FY27 and acknowledged the expansion plans announced by competitors, including Ambuja Cements, Shree Cement, and JK Lakshmi Cement. However, management believes Northeast remains a relatively small and operationally difficult market. High capex intensity and logistics complexity should encourage pricing discipline. Initial competitive pressure may emerge, but long-term industry rationality is expected. Star Cement highlighted its strong trade network penetration in the Northeast as a key competitive moat. Management believes deep dealer relationships and trade dominance should help defend profitability
- **Pricing:** Improvements in prices were seen during the current quarter across the North-East and Eastern regions. Prices in the Northeast increased by Rs 6–7/bag, while markets outside the region (West Bengal/Bihar) saw hikes of Rs 10/bag. These price increases partially offset input cost inflation. During the quarter, blended realisation stood at Rs 6,772/tonne, down 1.5% YoY but flattish QoQ. Market dynamics will determine prices.
- **Power/Fuel:** Management highlighted near-term pressure from coal availability constraints, rake diversion toward thermal power plants, higher diesel prices, and elevated packing bag costs. Coal cost was increased by Rs 0.10–0.15/GCV. Fuel cost in Q4FY26 stood at 1.24/GCV. Overall cost inflation impact estimated at Rs 250–300/ton during H1 FY27. Q1FY27 EBITDA expected to face pressure, though management expects normalisation by June/Q2. The fuel mix comprised 15% Biomass, 7% Auction Coal, and 78% from FSA. Management indicated Star Cement may be relatively better positioned versus peers on cost inflation. FSA coal linkage remains a key structural advantage. The current green power share stood at 34%.
- **Freight:** The lead distance during the quarter was 220 km, compared to 229 km last quarter previous year. Freight cost per tonne was lower by 4% QoQ at Rs 1,828/tonne on the back of a decline in lead distance. Increase in diesel prices to impact freight cost moving ahead.
- **Capex:** The company has guided for a capex of Rs 600-700 Cr in FY27. For FY28, capex guidance stands at Rs 1,500 Cr. Capex for putting 3 mtpa clinker and 5 MTPA grinding unit in Rajasthan, Haryana, and 2 MTPA in Bihar is estimated at Rs 4,800 Cr.
- **Cash/Incentives:** The company's FY26 subsidy income stood at Rs 184 Cr. FY27 subsidy guidance is at Rs 140–150 Cr. The reduction is mainly due to GST-related changes. Bihar grinding unit expected to receive SGST-linked incentives once approvals are finalised.
- **Debt:** Gross debt stands at Rs 583 Cr, net debt at Rs 200 Cr, and cash and liquid investments at Rs 383 Cr. Increase in non-current investments largely related to liquid mutual fund/bond investments.

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	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Sales	4,200	4,586	4179	4596	0%	0%
EBITDA	992	1,071	1040	1112	-5%	-4%
PAT	414	430	424	480	-2%	-10%

Source: Company, Axis Securities Research

Result Review Q4FY26

(Rs Cr)	Quarterly Performance				
	Q4FY26	Q3FY26	Q4FY25	% Change QoQ	% Change YoY
Net sales	1174	880	1,052	33%	12%
Expenditure	858	678	789	27%	9%
EBITDA	315	202	263	56%	20%
Other income	9	5	5	87%	81%
Interest	13	12	9	6%	47%
Depreciation	99	91	87	8%	13%
PBT	213	104	171	104%	24%
Tax	60	24	48	146%	24%
Adjusted PAT	148	73	123	102%	20%
EBITDA margin (%)	26.8%	23.0%	25.0%	380bps	180bps
EPS (Rs)	3.66	1.82	3.05	102%	20%

Source: Company, Axis Securities Research

Volume/Realisation/ Cost Analyses

	Quarterly Performance				
	Q4FY26	Q3FY26	Q4FY25	% Change QoQ	% Change YoY
Volume/mnt	1.73	1.30	1.53	34%	13%
Réalisation/tonne (Rs)	6772	6790	6,867	0%	-1.4%
Cost/tonne (Rs)	4954	5228	5,153	-5%	-4%
Raw material/tonne (Rs)	991	923	676	7%	47%
Staff Cost/tonne (Rs)	398	540	392	-26%	2%
Power & Fuel/tonne (Rs)	910	971	1,194	-6%	-24%
Freight/tonne (Rs)	1848	1934	2,004	-4%	-8%
Other Expenses /tonne (Rs)	806	861	887	-6%	-9%
EBITDA/tonne (Rs)	**1818**	**1562**	**1,715**	16%	6%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26	FY27E	FY28E
Net sales	3163	3776	4200	4586
Other operating income	0	0	0	0
Total income	3163	3776	4200	4586
Raw Material	519	496	557	612
Power & Fuel	529	558	604	664
Freight & forwarding	828	1035	1202	1321
Employee benefit expenses	247	277	295	313
Other Expenses	461	474	550	605
EBITDA	**579**	**936**	**992**	**1071**
Other income	11	19	19	9
PBIDT	589	955	1011	1080
Depreciation	332	365	400	420
Interest & Fin Chg.	32	46	52	79
E/o income / (Expense)	0	0	0	0
Pre-tax profit	226	544	559	581
Tax provision	57	142	145	151
RPAT	169	402	414	430
Minority Interests	0.0	-3.0	-3.0	-3.0
Associates	0	0	0	0
APAT after EO item	**169**	**399**	**411**	**427**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26	FY27E	FY28E
Total assets	4107	4647	5386	5837
Net Block	2628	2689	3129	3626
CWIP	220	95	95	95
Investments	0	0	0	0
Wkg. cap. (excl cash)	413	450	504	552
Cash / Bank balance	52	125	336	213
Misc. Assets	79	129	132	135
Capital employed	4107	4647	5386	5837
Equity capital	40	40	40	40
Reserves	2839	3151	3557	3979
Minority Interests	0	-3	-3	-3
Borrowings	390	586	886	886
DefTax Liabilities	0	0	0	0
Other Liabilities and Provision	84	87	91	94

Source: Company, Axis Securities Research

Cash Flow **(Rs Cr)**

Y/E March	FY25	FY26	FY27E	FY28E
Profit before tax	226	544	559	581
Depreciation	327	358	400	420
Interest Expenses	32	46	52	79
Non-operating/ EO item	7	-1	-19	-9
Change in W/C	-50	-30	-54	-48
Income Tax	69	109	145	151
Operating Cash Flow	473	808	792	872
Capital Expenditure	-581	-493	-840	-917
Investments	0	-100	0	0
Others	13	-250	19	9
Investing Cash Flow	-568	-842	-821	-908
Borrowings	242	288	300	0
Interest Expenses	-29	-48	-52	-79
Dividend paid	0	-81	-8	-8
Others	0	0	0	0
Financing Cash Flow	213	159	240	-87
Change in Cash	118	125	211	-123
Opening Cash	48	165	291	502
Closing Cash	165	291	502	379

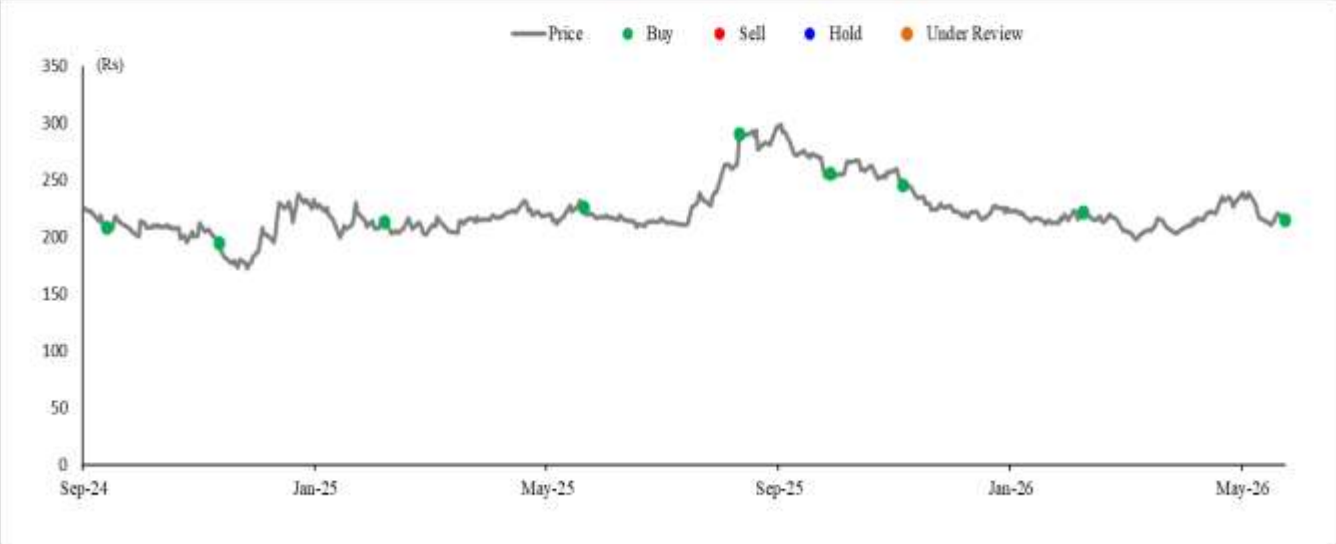
Source: Company, Axis Securities Research

Ratio Analysis **(%)**

Y/E March	FY25	FY26	FY27E	FY28E
Operational Ratios				
Sales growth	9%	19%	11%	9%
OPM	18.3%	24.8%	23.6%	23.4%
Op. profit growth	4%	62%	6%	8%
COGS / Net sales	59%	55%	56%	57%
Overheads/Net sales	22%	20%	20%	20%
Depreciation / G. block	9%	8%	8%	7%
Efficiency Ratios				
Total Asset Turnover (x)	0.77	0.81	0.78	0.79
Sales/Gross block (x)	0.86	0.89	0.83	0.76
Sales/Net block(x)	1.21	1.41	1.34	1.27
Working capital/Sales (x)	0.03	0.04	0.05	0.06
Valuation Ratios				
P/E	52	23	21	20
P/BV (x)	1.0	0.9	0.8	0.7
EV/EBITDA (x)	15.7	9.8	9.4	8.6
EV/Sales (x)	2.9	2.4	2.2	2.0
EV/Tonne $ (x)	125	101	102	100
Return Ratios				
ROE	6	12	12	11
ROCE	9	17	15	14
ROIC	9	18	16	15
Leverage Ratios				
Debt/equity (x)	0.14	0.18	0.25	0.22
Net debt/ Equity (x)	0.12	0.14	0.15	0.17
Interest Coverage ratio (x)	8	13	12	8
Cash Flow Ratios				
OCF/Sales	0.09	0.20	0.19	0.19
OCF/EBITDA	0.51	0.82	0.80	0.81
OCF/Capital Employed	0.09	0.21	0.18	0.18
FCF/Sales	-0.17	-0.11	-0.20	-0.20
Payout ratio (Div/NP)	4.8	2.1	1.9	1.9
AEPS (Rs)	4.2	9.3	10.2	10.6
AEPS Growth	-42.8	122.8	9.2	4.0
CEPS (Rs)	12	19	20	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
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
10-Feb-26	BUY	320	Result Update
27-May-26	BUY	300	Result Update

Source: Axis Securities Research

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Ratings	**Expected absolute returns over 12 – 18 months**
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.