

About the Company

Star Cements Ltd is engaged in the manufacturing and selling of cement. The company operates across the North-Eastern and Eastern states of India and is the largest cement manufacturer in North-East India, with an estimated market share of 27%. It currently has a cement grinding capacity of 7.7 mtpa.

Investment Rationale

- **Capacity Expansion To Drive Growth:** The Guwahati 2 MTPA Grinding Unit (Line 2) has ramped up successfully, supporting the company's ongoing volume growth momentum. Additionally, the Silchar Grinding Unit is expected to be commissioned by Q4FY26. These capacity additions will enhance the company's total grinding capacity to 9.7 MTPA from the current 7.7 MTPA, providing a strong foundation for sustained growth. Consequently, the company's volumes are projected to grow at a CAGR of around 12% over FY25–27E.
- **Higher Cement Demand In Northeast And Eastern India:** Cement demand in Eastern and North-Eastern India is expected to witness healthy growth over FY25–28, driven primarily by government-led infrastructure projects and a continued thrust on housing. Overall demand in the Eastern region is projected to grow at a CAGR of 8–9% during this period. Meanwhile, the North-East region, despite relatively limited infrastructure development, is also poised for strong demand growth, having recorded a historical CAGR of 7.5–8.5%.
- **Strong Performance Expected In Q2FY26:** The company is expected to report a robust performance in Q2FY26, with Revenue, EBITDA, and PAT growing by 15%, 76%, and 825% YoY, respectively. EBITDA margin is expected at 21% against 15% reported last year. This strong performance will likely be supported by higher volumes, improved cement pricing, and lower input costs.

Valuation & Recommendation:

- Star Cement has guided for 12-15% volume growth in FY26. With its upcoming capacity expansion, it is well-positioned to capitalise on the rising demand in its operating region, primarily the Northeast. We project SCL will achieve a CAGR of 12%/16% in volume and revenue and a 31%/52% CAGR in EBITDA and PAT over FY25-FY27E.
- **The stock is currently trading at 12.5x/11.5x FY26E/27E EV/EBITDA. We recommend a BUY on the stock with a TP of Rs 288/share, implying an upside potential of 10% from the CMP.**

Financial Summary (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
FY24	2,911	556	295	7.3	29	12	16	16
FY25	3,163	579	169	4.2	62	6	9	19
FY26E	3,849	884	365	9.0	29	12	15	12.5
FY27E	4,274	936	370	8.7	23	10	13	11.5

Duration: 3-6 Months

CMP (Rs)	261
Target Price (Rs)	288
Upside (%)	10%

| Why Star Cement Ltd

- ✓ **Capacity Expansion to Drive Growth**
- ✓ **Improvement in EBITDA Margin**
- ✓ **Robust Cement Demand in the North-East**

| Key risks

- ✓ **Lower Cement Price & Demand**
- ✓ **Higher Input Costs may Impact EBITDA Margins**

MARKET DATA

No. of Shares	40 Cr
Market Cap	Rs 10,578Cr
52-week High / Low	309/172
BSE Code	540575
NSE Code	STARCEMENT

Uttam Kumar Srimal

Sr Research Analyst
uttamkumar.srimal@axissecurities.in

Shikha Doshi

Research Associate
shikha.doshi@axissecurities.in

| OBJECTIVE



Axis Punch is designed to generate solid returns in the short to medium term based on High Conviction Stock Ideas for both investors and traders. This fundamental medium-term product targets a return of 10% plus with an investment horizon of 3 to 6 months. Recommendations under Axis Punch are driven by various business and economic events, company valuations, market direction, or a mix of these factors.

| Axis PUNCH is a strong, research-based idea based on



Events-Based: Our recommendations are based on the following critical factors, providing a comprehensive approach to medium-term investment opportunities:

- **Company-Specific Events:** Recommendations consider significant company-specific events such as new orders, product launches, acquisitions, management changes, and the commissioning of new plants.
- **Commodity Price Fluctuations:** We analyse changes in commodity prices, including metals, cement, chemicals, and pharmaceutical materials.
- **Macro-Economic Events:** Key macroeconomic events such as RBI Monetary Policy, US Fed decisions, inflation rates, GDP figures, budget announcements, and changes in government policies are factored into our recommendations.
- **Sector Developments:** Material developments within sectors, including monthly production and sales numbers in industries like Auto, Cement, and Steel, as well as competitive landscape changes due to business actions or new entrants/exits, are considered.
- **Earnings Surprises:** We identify companies expected to report better-than-anticipated earnings in upcoming quarters.
- **Corporate Actions:** Corporate actions such as mergers and acquisitions, capital raising programs, and regulatory announcements that impact a company or its industry form crucial elements for our recommendations.

Strategic Insights: Benefit from insights based on a blend of critical business events, economic trends, and thorough company valuations.

Informed Decisions: Make well-informed investment decisions backed by the expertise of our dedicated research team.

Medium-term Horizon: Enjoy the medium-term investment strategy, perfectly suited for those looking to optimise returns over 3 to 6 months.

| Why to choose Axis PUNCH



These medium-term recommendations are crafted by the fundamental research team of Axis Securities, ensuring a rigorous analysis of developments around the company. Please note that Axis Punch recommendations may differ from our long-term company recommendations. Key investment rationale and risks are clearly highlighted in stock ideas.

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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 Paré, 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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