

Star Cement (STRCEM IN)

Stellar performance, repeatedly – its NextGen is the catalyst!

INDIA | CEMENT | Quarterly Update

Top takeaways from Q3FY26

- **Once again, STRCEM's Q3 was a BLOCKBUSTER set!**
- STRCEM now seems to be habituated to report robust numbers. Its Q3 beats us / street estimates despite robust projections and is (again) very comfortably ahead of consensus.
- Absolute EBITDA at Rs2.02 bn is +8%/+12% higher vs. us/street. We were 4% higher than street on EBITDA and despite this numbers are comfortable beat.
- **To our estimates:** Volumes were in-line, blended realisations 1% lower but opex/tonne as well 3% lower. EBITDA/tonne at Rs 1,562 was 8% higher than our estimate of Rs 1,449.
- **Vs. consensus (based on our volume estimates):** Blended realisations were 2% better; opex/tonne in-line and EBITDA/tonne 12% better.
- **Q3 Operating parameters:** Volume growth +21% yoy%, +11% qoq; blended realisations +1% yoy, -2% qoq; opex/tonne -9% yoy, -1% qoq; EBITDA/tonne +60% yoy, -4% qoq.
- STRCEM's board has recommended an interim dividend of Rs1/share.
- All in all, STRCEM remains a rare cement manufacturer in the Indian cement industry to report such a strong set, that too, sustainably on recurring basis. As we see, it's all thanks to its NextGen leader – Mr Tushar Bhajanka.

Our take on results:

- STRCEM's Q3, once again clearly stands out - It is undoubtedly once again industry's best!
- Since the time STRCEM's NextGen has taken charge, we hardly recollect any quarter when STRCEM would have disappointed. Please don't miss reading our **EXCLUSIVE COVERAGE** on Mr Tushar Bhajanka where he talks about how firm decisions by company promoters can change the course of a cement company and how he was able to revive STRCEM, when it was paralysed. [\(Click here\) to read; refer page 4.](#)
- STRCEM remains a rare coverage for us where we have time and again felt the need to upgrade estimates. We upgrade FY26 EBITDA estimates by 8%; being conservative, we maintain estimates for FY27.
- We introduce FY28 and rollover with target EBITDA multiple of 16x. We don't see an EBITDA multiple cut despite the rollover largely backed by our confidence and better visibility for STRCEM to deliver on operating performance front (least risk).
- We maintain Buy with revised PO of Rs375 (vs. Rs360 earlier).

Management call takeaways (we hosted the Q3 call):

- Silchar project to be commissioned towards end of current month (February 2026).
- Capacity guidance at 18-20 mn tns p. a. by FY30. **All future projects equally important.**
- Volume guidance for FY26 remains unchanged at c. 5.5 mn tonnes.
- One-offs of Rs50mn in Q3 on account of political donation (adj. EBITDA/tn at c. Rs1,600).
- Overall, an extremely confident management commentary once again reinstating STRCEM's execution abilities – *as we see, this change is largely driven by STRCEM's NextGen – Mr Tushar Bhajanka (one of the best NextGen's' in our view in the industry).*

Valuation

- At PO, the stock will trade at c.US\$185/tonne FY28 vs. c.115 currently.

(Rs mn)	Q3FY26	Q3FY25	yoy	Q2FY26	qoq	Comments
Net Sales	8,800	7,188	22%	8,109	9%	Commendable performance once again; beats us / consensus
Volumes	1.30	1.07	21%	1.17	11%	
Total Expenditure	6,775	6,145	10%	6,208	9%	
EBITDA	2,025	1,042	94%	1,902	6%	
EBITDA margin	23%	15%		23%		
PAT	797	90	781%	711	12%	
Reported PAT	742	90	720%	711	4%	
Net Realisation/tonne	6,790	6,736	1%	6,925	-2%	
Expense/tonne	5,228	5,759	-9%	5,301	-1%	
EBITDA/tonne	1,562	977	60%	1,624	-4%	

09 February 2026

BUY (Maintain)

CMP RS 222

TARGET RS 375 (+69%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

O/S SHARES (MN) :	404
MARKET CAP (RSBN) :	90
MARKET CAP (USDBN) :	1.0
52 - WK HI/LO (RS) :	309 / 197
LIQUIDITY 3M (USDMN) :	1
PAR VALUE (RS) :	1

SHARE HOLDING PATTERN, %

	Dec 25	Sep 25	Jun 25
PROMOTERS :	57.6	57.6	57.7
DII :	4.5	4.4	4.9
FII :	2.9	3.4	2.6
OTHERS :	35.0	34.7	34.8

KEY FINANCIALS

Rs mn	FY26E	FY27E	FY28E
Net Sales	38.2	43.2	48.9
EBITDA	8.5	9.4	10.4
Net Profit	3.7	4.4	4.4
EPS, Rs	9.1	10.8	11.0
PER, x	24.3	20.5	20.2
EV/EBITDA, x	11.1	10.1	10.1
PBV, x	2.8	2.6	2.3
ROE, %	11.7	12.5	11.5

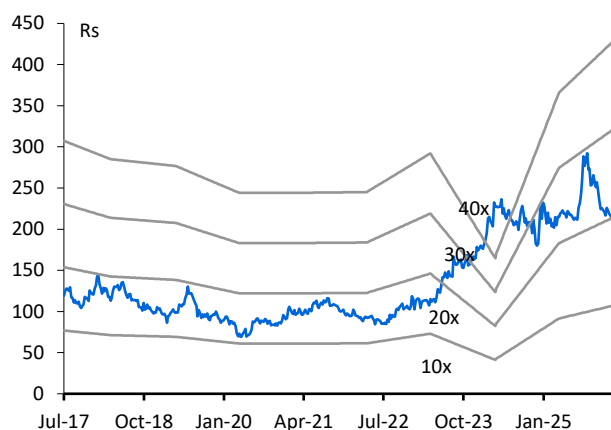
CHANGE IN ESTIMATES

Rs bn	Revised Est.	% Revision		
	FY26E	FY27E	FY26E	FY27E
Revenue	38.2	43.2	0%	0%
EBITDA	8.5	9.4	8%	0%
Core PAT	3.7	4.4	15%	0%
EPS (Rs)	9.1	10.8	15%	0%

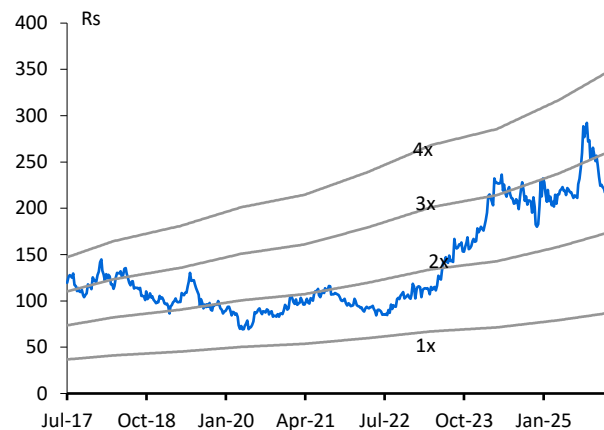
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One-year forward band chart

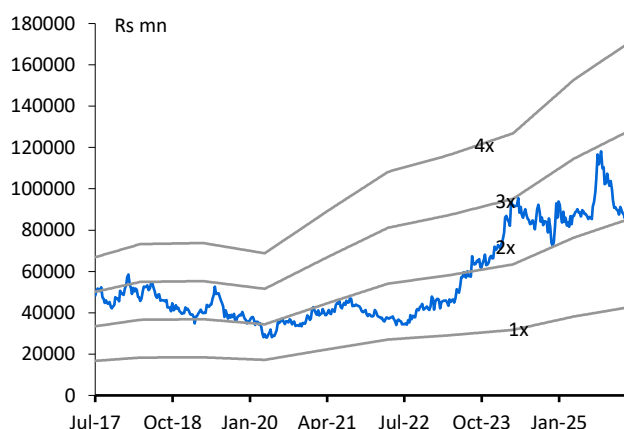
PE band



PBV band



M-cap/sales band



EV/EBIDTA band



EV/sales band



EV/tonne



Source: PhillipCapital India Research Estimates

Coverage Universe

Company	Size	Fw c.EV/tonne (FY27)	Reco/UpSide	
Ambuja Cements	L	110	Buy	37%
UltraTech Cement	L	200	Buy	24%
Shree Cement	L	135	Buy	24%
JK Cement	M	160	Buy	35%
Dalmia Bharat	M	95	Buy	19%
The India Cement Ltd	S	105	Buy	39%
JK Lakshmi Cement Limited	S	60	Buy	58%
Star Cement	S	105	Buy	69%
Mangalam Cement	S	55	Neutral	-4%
HeidelbergCement India Ltd	S	55	Neutral	15%

Source: Company, PhillipCapital India Research (Note: L/M/S = Large/Mid/Small Cap)

Financials

Income Statement

Y/E Mar, Rs mn	FY25	FY26E	FY27E	FY28E
Net sales	31.6	38.2	43.2	48.9
Growth, %	8.7	20.7	13.1	13.1
EBITDA (Core)	5.8	8.5	9.4	10.4
Growth, %	4.0	47.0	10.8	10.6
Margin, %	18.3	22.3	21.8	21.3
Depreciation	3.3	3.3	3.3	3.6
EBIT	2.5	5.2	6.1	6.8
Growth, %	(39.8)	109.2	18.8	11.1
Margin, %	7.8	13.5	14.2	13.9
Interest paid	0.3	0.4	0.4	1.0
Other Income	0.1	0.2	0.1	0.1
Pre tax profit	2.3	4.9	5.8	5.9
Tax provided	0.6	1.2	1.5	1.5
Profit after tax	1.7	3.7	4.4	4.4
Net Profit	1.7	3.7	4.4	4.4
Growth, %	(42.8)	117.8	19.0	1.1
Net Profit (adjusted)	1.7	3.7	4.4	4.4
Wtd avg shares (m)	404.2	404.2	404.2	404.2

Balance Sheet

Y/E Mar, Rs mn	FY25	FY26E	FY27E	FY28E
Cash & bank	0.5	0.5	0.5	0.5
Debtors	2.0	2.7	3.3	4.1
Inventory	4.5	5.9	7.4	9.2
Other current assets	3.4	4.1	4.6	5.2
Total current assets	10.5	13.4	16.1	19.4
Net fixed assets	26.4	28.0	30.2	41.4
Non - current assets	4.1	5.0	5.7	6.4
Total assets	41.1	46.4	52.0	67.2
Non - current liabilities	12.3	14.9	17.0	28.7
Total liabilities	12.3	14.9	17.0	28.7
Paid - up capital	0.4	0.4	0.4	0.4
Reserves & surplus	28.4	31.1	34.6	38.1
Shareholders' equity	28.8	31.5	35.0	38.5
Total equity & liabilities	41.1	46.4	52.0	67.2

Cash Flow

Y/E Mar, Rs mn	FY25	FY26E	FY27E	FY28E
Pre-tax profit	2.3	4.9	5.8	5.9
Depreciation	3.3	3.3	3.3	3.6
Total tax paid	(0.6)	(1.2)	(1.5)	(1.5)
Cash flow from operating activities	5.0	7.0	7.7	8.0
Capital expenditure	(5.3)	(5.0)	(5.5)	(14.8)
Cash flow from investing activities	(8.3)	(7.4)	(8.0)	(18.4)
Free cash flow	(3.1)	(0.1)	0.0	(9.6)
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	2.6	0.9	0.8	10.3
Dividend (incl. tax)	-	(0.9)	(0.9)	(0.9)
Cash flow from financing activities	2.9	0.4	0.3	10.4
Net chg in cash	(0.4)	0.0	0.0	0.0

Valuation Ratios

	FY25	FY26E	FY27E	FY28E
Per Share data				
EPS (INR)	4.2	9.1	10.8	11.0
Growth, %	(42.8)	117.8	19.0	1.1
Book NAV/share (INR)	71.2	78.0	86.6	95.2
FDEPS (INR)	4.2	9.1	10.8	11.0
CEPS (INR)	12.4	17.4	19.0	19.9
CFPS (INR)	12.4	17.4	19.0	19.9
DPS (INR)	-	2.0	2.0	2.0

Return ratios

Return on assets (%)	5.2	9.4	9.8	9.1
Return on equity (%)	5.9	11.7	12.5	11.5
Return on capital employed (%)	6.5	11.7	12.3	11.3
ROIC (%)	6.1	11.2	12.0	10.8

Turnover ratios

Asset turnover (x)	1.2	1.4	1.4	1.2
Sales/Net FA (x)	1.2	1.4	1.4	1.2
Working capital/Sales (x)	3.0	2.9	2.7	2.5
Receivable days	23.0	25.3	27.9	30.6
Inventory days	51.5	56.7	62.3	68.5
Payable days	32.8	34.5	34.3	34.1
Working capital days	121.4	128.0	135.8	144.5

Liquidity ratios

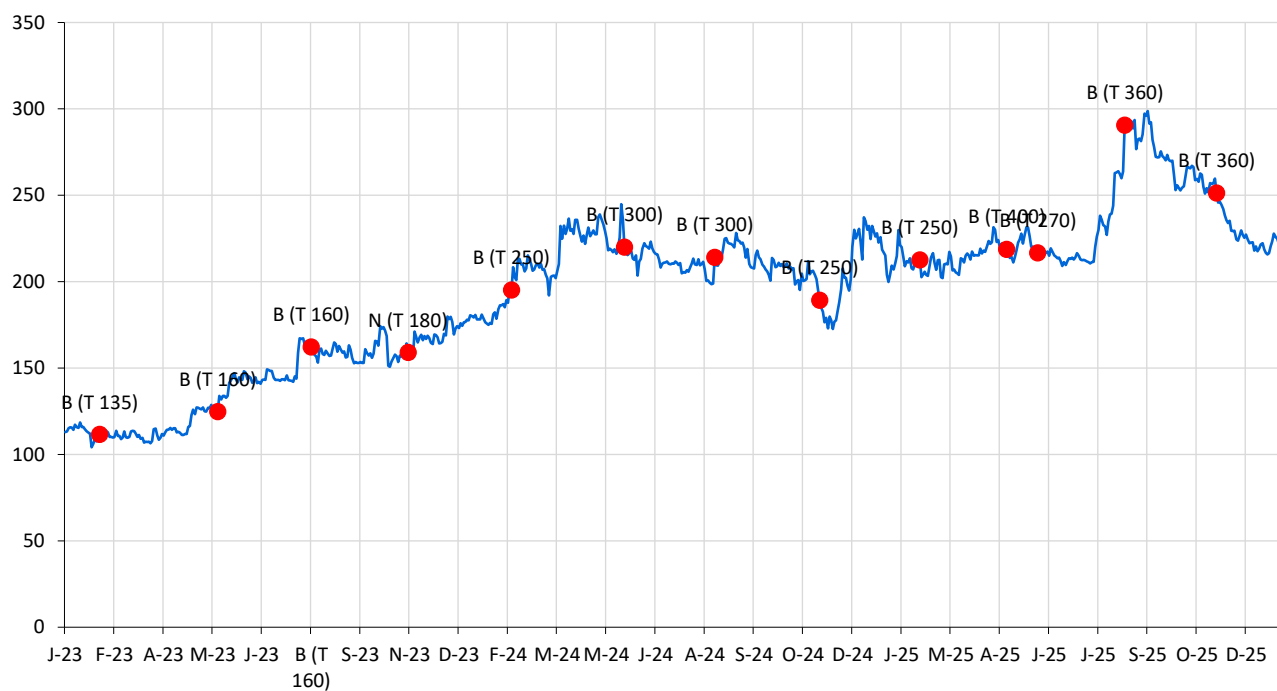
Quick ratio (x)	0.5	0.5	0.5	0.4
Interest cover (x)	7.8	12.1	14.2	6.7
Total debt/Equity (x)	42.7	47.2	48.5	74.6
Net debt/Equity (x)	40.8	45.6	47.0	73.2

Valuation

PER (x)	53.0	24.3	20.5	20.2
PEG (x) yoy growth	(1.2)	0.2	1.1	18.2
Price/Book (x)	3.1	2.8	2.6	2.3
EV/Net sales (x)	3.2	2.7	2.5	2.4
EV/EBITDA (x)	16.1	11.1	10.1	10.1
EV/EBIT (x)	37.8	18.2	15.5	15.4

Source: Company, PhillipCapital India Research

Stock Price, Price Target and Rating History



Source: PhillipCapital India Research

Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

Large cap stocks

Rating	Criteria	Definition
BUY	$\geq +10\%$	Target price is equal to or more than 10% of current market price
NEUTRAL	$-10\% > \text{to} < +10\%$	Target price is less than +10% but more than -10%
SELL	$\leq -10\%$	Target price is less than or equal to -10%.

Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$-15\% > \text{to} < +15\%$	Target price is less than +15% but more than -15%
SELL	$\leq -15\%$	Target price is less than or equal to -15%.

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