

Shree Cement

BSE SENSEX

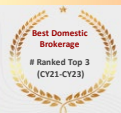
84,673

S&P CNX

25,910

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**EXTEL POLL
2025**



Bloomberg	SRCM IN
Equity Shares (m)	36
M.Cap.(INRb)/(USD\$)	956.1 / 10.8
52-Week Range (INR)	32508 / 23821
1, 6, 12 Rel. Per (%)	-11/-20/0
12M Avg Val (INR M)	1005
Free float (%)	37.5

Financial Snapshot (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	194.1	208.0	224.4
EBITDA	46.3	51.8	58.2
Adj. PAT	19.1	20.3	24.4
EBITDA Margin (%)	23.9	24.9	25.9
Adj. EPS (INR)	529	562	677
EPS Gr. (%)	56.7	6.1	20.4
BV/Sh. (INR)	6,238	6,610	7,087

Ratios

Net D:E	-0.2	-0.3	-0.3
RoE (%)	8.7	8.7	9.9
RoCE (%)	9.2	9.2	10.3
Payout (%)	32.0	33.8	29.6

Valuations

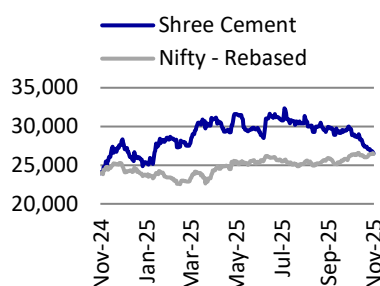
P/E (x)	50.0	47.2	39.2
P/BV (x)	4.2	4.0	3.7
EV/EBITDA(x)	19.0	16.7	14.5
EV/ton (USD)	144	136	127
Div. Yield (%)	0.6	0.7	0.8
FCF Yield (%)	0.9	2.1	2.6

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	30.3	30.3	30.3
DII	35.8	33.4	37.5
FII	20.3	21.2	18.1
Others	13.6	15.2	14.2

FII Includes depository receipts

Stock's performance (one year)



CMP: INR26,500 TP: INR30,030 (+13%) Neutral

Slow growth in core market and limited scale cap upside

Chasing premiumization, losing competitive edge

- Shree Cement (SRCM) has been comparatively slower than its peers in terms of capacity expansion in one of its core markets in the north region, which led to market share loss for SRCM and also risks its pricing strategy over the medium term. SRCM's capacity share in the north region declined to ~22% in FY25 from the peak of ~24% in FY19, and it is further estimated to decline to ~19% by FY28E, given aggressive expansion by peers.
- We estimate the company's capacity CAGR (based on capacity expansion announcements) at ~10% over FY25-28E, outpacing its estimated volume CAGR of ~6% during the same period. Its capacity utilization is trending below the optimum levels, even during the low capex phase (FY26-28), given the lack of regional diversification under new capacity and changes in its marketing strategies (focusing more on value).
- In the past two years, SRCM has taken several initiatives to restructure and strengthen its brand equity to increase realization and premium cement share. So far, its realization follows industry trends (Exhibit 6 & 7). Its premium cement share (as % of trade sales volume) has increased to ~21% in 2QFY26 from ~15% in 2QFY25 and ~9% in 1QFY24, though it is still lower than its peers' share (UTCEM at ~37% and ACEM at ~35% in 2QFY26).
- We estimate a CAGR of ~8%/12%/13% in SRCM's revenue/EBITDA/PAT over FY26-28. We estimate its blended EBITDA/t at INR1,320/INR1,385 for FY27/FY28 vs. INR1,250 for FY26E (avg. EBITDA/t was INR1,205 over FY21-25). The stock trades fairly at 17x/15x FY27E/FY28E EV/EBITDA, given the moderate earnings growth, limited cost-saving levers and low return ratios (RoE/RoCE at ~10% in FY28E). **We reiterate our Neutral rating and value SRCM at 18x Sep'27E EV/EBITDA to arrive at a TP of INR30,030.**

Slower expansion in core market (north) weakens competitive edge

- SRCM has been comparatively slower than its peers in terms of capacity expansion in its core markets in the north region. Its north region capacity CAGR stood at ~2% over FY19-25 vs. peers' range of ~4-10% during the same period. Going forward, the company's capacity CAGR is estimated at ~3% over FY25-28E, significantly lower than its peers' range of ~8-20% during the same period (Exhibit 1 & 2).
- The company's capacity utilization is estimated to be below the optimum level, (~59-63%) even during the low capex phase (FY26-28E), because 1) its recent capacity expansions are largely concentrated at existing plants, restricting its ability to tap new regional markets and diversify its geographic footprint; and 2) due to changes in marketing strategies (focusing more in value). Its expansion strategy appears to be driven more by the anticipation of future demand rather than aligning with the current market needs. A majority of its capacity expansion is aimed at achieving long-term growth rather than immediate market share gains.

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- The company has commissioned a 3.65mtpa clinker line (in Sep'25) and 3.0mtpa cement mill (in Nov'25) in Rajasthan. The 3.65mtpa clinker and 3.0mtpa cement capacity at Kodla, Karnataka (brownfield expansion), is estimated to be commissioned in 3QFY26 end. After these expansions, its domestic grey cement capacity will increase to 68.8mtpa. While the company maintains its capacity target of ~80mtpa by FY28E, this may be achieved by FY29E, depending on the capacity utilization ramp-up and demand trends. Further, it is yet to reveal plant locations of the remaining ~11mtpa capacity additions to reach its targeted 80mtpa capacity.

Limited cost optimization levers; peers bridging efficiency gap

- SRCM has limited opportunities for cost optimization due to several reasons: 1) operating at a higher green power share ~63% (1HFY26) limits any meaningful increase in green power share; 2) with a low capacity utilization (~59-63% over FY26-28E), it is unable to fully leverage operating efficiencies; and 3) recent increase in petcoke prices (Aug-Nov'25), up ~16% YoY and ~10% sequentially, putting pressure on SRCM's cost-reduction measures. However, it is setting up railway sidings for most of the plants to optimize its logistics cost. Currently, its share of rail in outbound logistics stood at ~11%. Management targets to raise this share to ~20%. SRCM expects a saving of INR100/t from the higher rail mix.
- While its peers are targeting cost reductions in the range of INR150-250/t over the next two years, led by various cost-efficiency measures, including increasing green power/AFR share, logistics optimization, upgrade/modification works, and investing in digitization/automation to improve overall plant efficiency.
- In the past two years, the company has taken several initiatives to restructure and strengthen its brand equity for increasing realization and premium cement share. So far, the company's realization follows industry trends (Exhibit 6 & 7). Its premium cement share (as % of trade sales volume) has increased to ~21% in 2QFY26 vs. ~15%/~9% in 2QFY25/1QFY24, which is still lower than its peers' share (UTCEM at ~37% and ACEM at ~35% in 2QFY26). Management expects to maintain its premium share at this level in the coming quarters. We believe that the brand transformation journey will yield results gradually and help to improve EBITDA/t.

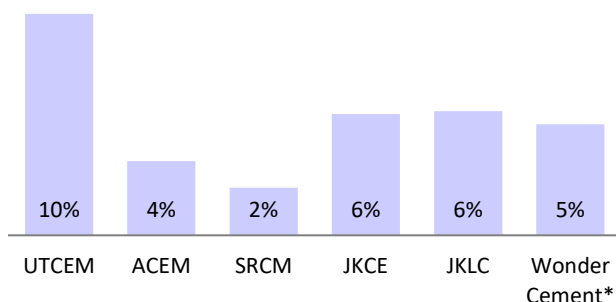
Valuation and view: Valuation discounted vs. historical; maintain Neutral

- We estimate SRCM to report a CAGR of ~8%/12%/13% in revenue/EBITDA/PAT over FY26-28. We estimate EBITDA/t at INR1,320/INR1,385 in FY27/FY28 vs. INR1,250 in FY26 (avg. EBITDA/t at INR1,205 over FY21-25). We estimate the company's cumulative OCF at INR143b over FY26-28 vs. INR111b over FY23-25. Cumulative FCF is estimated at INR53b over FY26-28 vs. INR20b over FY23-25. The company's net cash balance is estimated to increase to ~INR81b by FY28 vs. INR54b in FY25. However, ROE/ROCE at ~10% (each) in FY28E would be lower than the long-term historical average in mid-teens (~15%/14% ROE/ROCE over FY17-22).
- SRCM is trading at 17x/15x FY27E/FY28E EV/EBITDA (vs. its long-term average of 20x). On EV/t, it trades at USD136/USD127 (at a discount to its long-term average of USD200). We continue to believe that low-capacity utilization and limited regional diversification into new capacity addition constrain any capacity-led re-rating in the stock. **We reiterate our Neutral rating** and value SRCM at 18x Sep'27E EV/EBITDA to arrive at a TP of INR30,030.

Story in charts

Exhibit 1: SRCM trails peers in capacity addition in north...

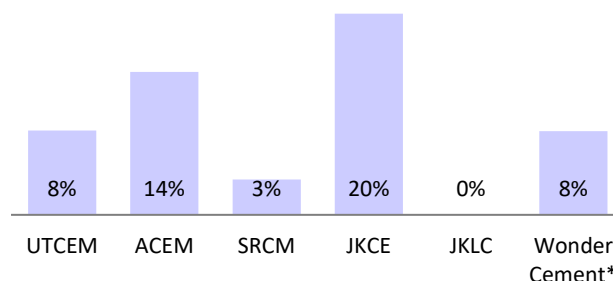
Capacity CAGR (FY19-25) in North



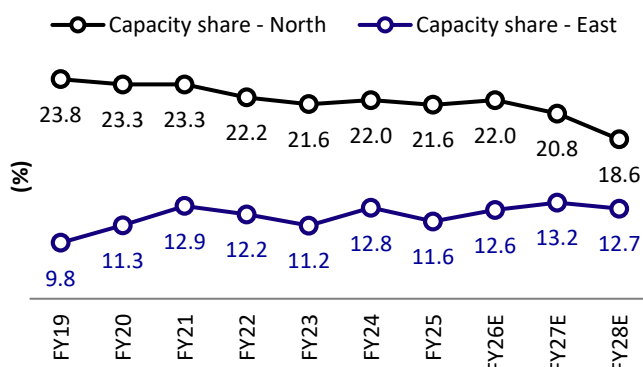
Source: MOFSL, Company; *unlisted company

Exhibit 2: ...and continues to lag despite peers acceleration

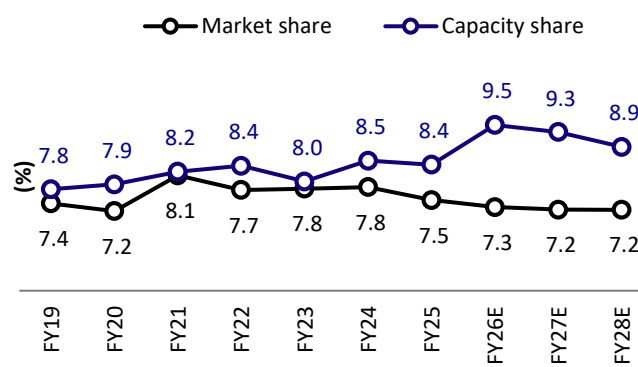
Capacity CAGR (FY25-28E) in North



Source: MOFSL, Company; *unlisted company

Exhibit 3: SRCM capacity share in the north region declining, remains stable in the east region


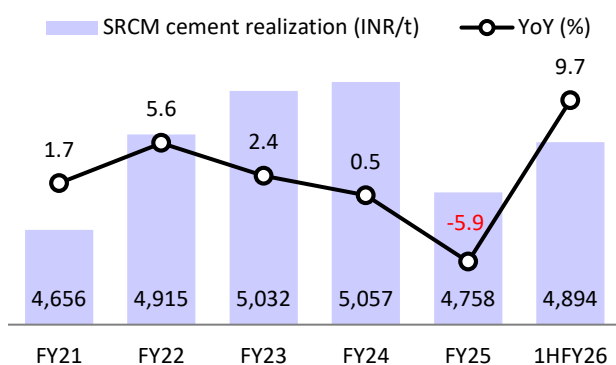
Source: MOFSL, Company

Exhibit 4: SRCM's overall capacity/market share trend in the industry


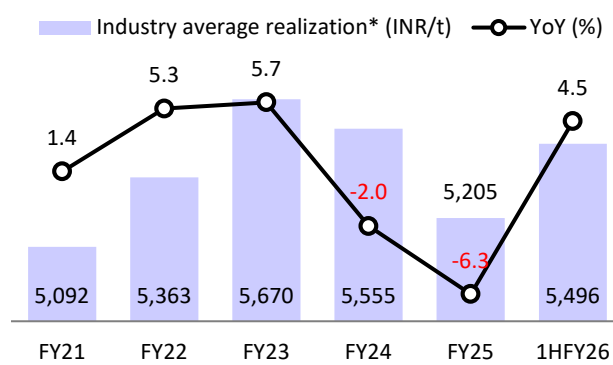
Source: MOFSL, Company

Exhibit 5: SRCM remains leader in variable costs (raw material+energy); we believe it has limited scope of further reduction

As % of revenue	Variable Cost		Freight Cost		Other expenses	
	FY15-20	FY20-25	FY15-20	FY20-25	FY15-20	FY20-25
UTCEM	37	40	23	23	14	13
ACEM (Consol.)	32	38	26	25	19	14
SRCM	29	32	23	22	17	15
JKCE	37	37	21	21	18	17
DALBHARA	34	37	19	21	17	15
TRCL	35	41	21	21	14	12

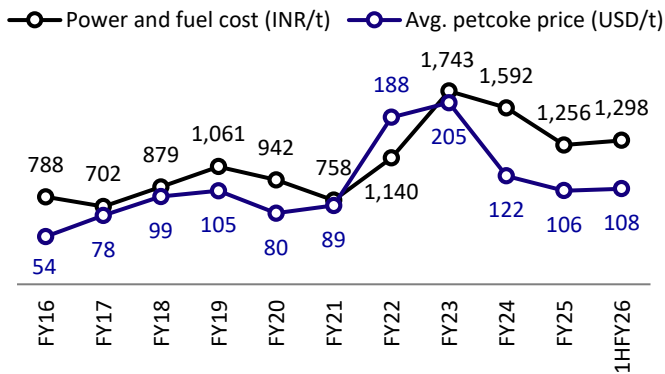
Exhibit 6: SRCM's cement realization trend


Source: MOFSL, Company

Exhibit 7: Industry average realization trend


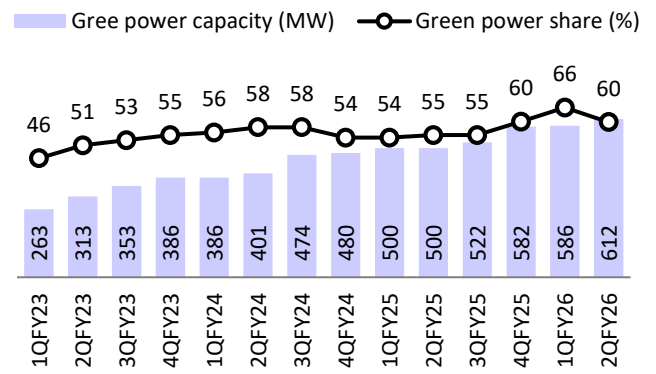
Source: MOFSL, Company; Note: *Industry average is our coverage universe average realization

Exhibit 8: SRCM's fuel consumption cost vs. average imported petcoke price



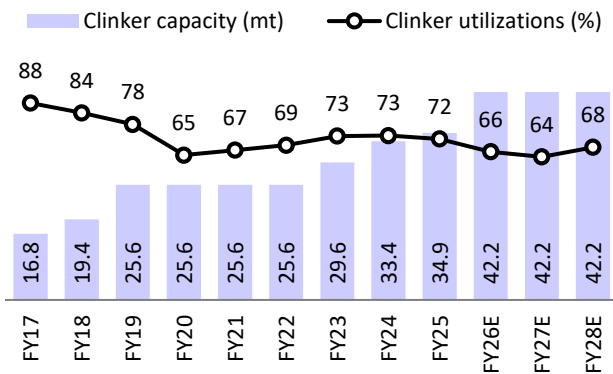
Source: MOFSL, Company

Exhibit 9: SRCM's green power capacity and green power share improved in 9MCY25



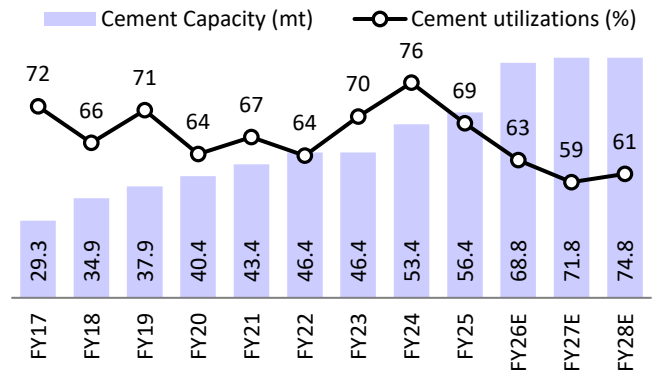
Source: MOFSL, Company

Exhibit 10: SRCM's clinker capacity and utilizations



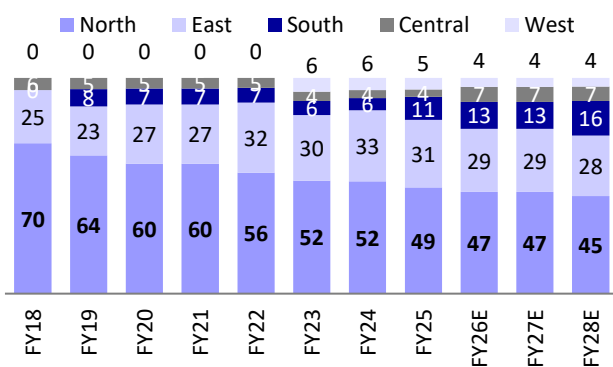
Source: MOFSL, Company

Exhibit 11: Grinding capacity and utilizations



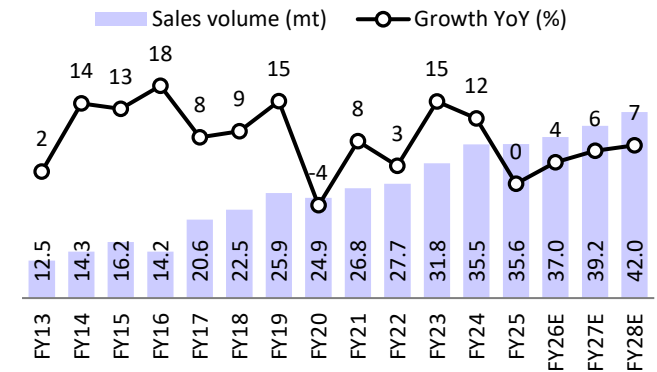
Source: MOFSL, Industry, Company

Exhibit 12: SRCM's regional distribution



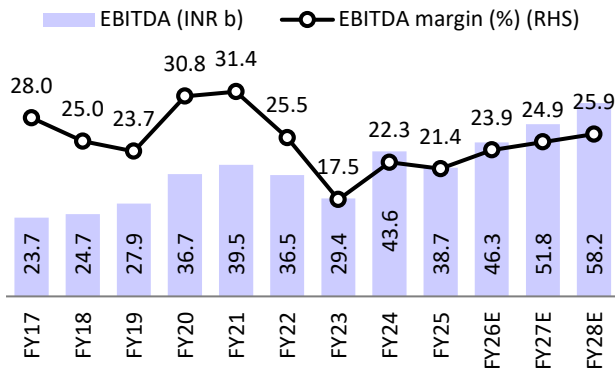
Source: MOFSL, Company;

Exhibit 13: Sales volume and growth



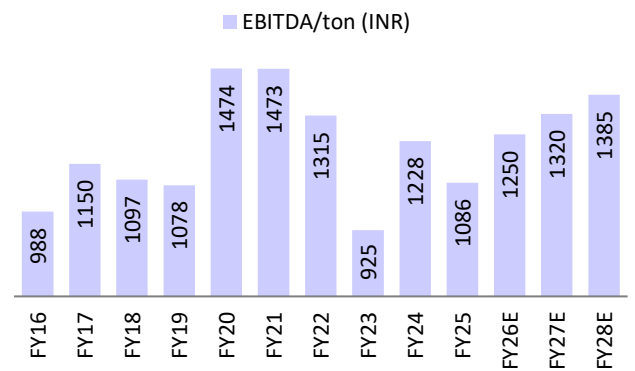
Source: MOFSL, Industry, Company

Exhibit 14: EBITDA to register a CAGR of 12% over FY26-28E



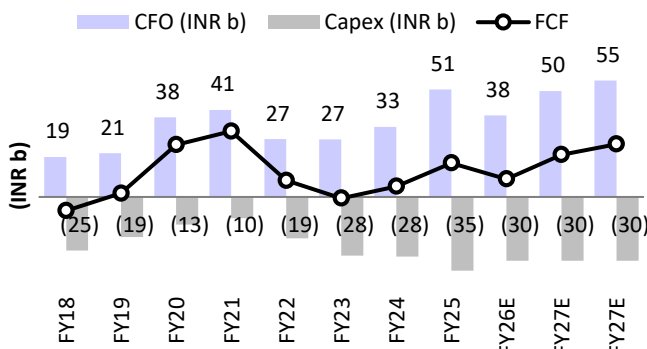
Source: MOFSL, Company

Exhibit 15: Blended EBITDA/t trend



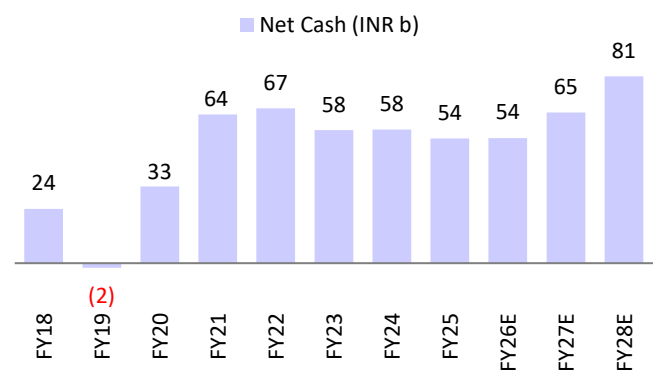
Source: MOFSL, Company

Exhibit 16: Capex stepped up



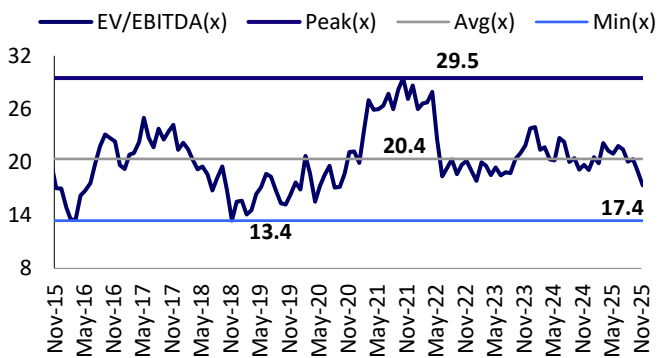
Source: MOFSL, Company

Exhibit 17: Remains a net cash company



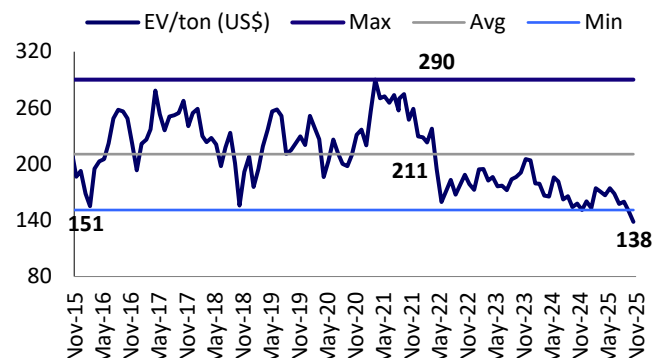
Source: MOFSL, Company

Exhibit 18: One-year forward EV/EBITDA ratio chart



Source: Company, MOFSL

Exhibit 19: One-year forward EV/t chart



Source: Company, MOFSL

Standalone financials and valuations

Income Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	1,26,037	1,43,297	1,68,375	1,95,855	1,80,373	1,94,122	2,08,015	2,24,446
Change (%)	5.6	13.7	17.5	16.3	-7.9	7.6	7.2	7.9
EBITDA	39,547	36,478	29,423	43,635	38,674	46,310	51,772	58,156
Margin (%)	31.4	25.5	17.5	22.3	21.4	23.9	24.9	25.9
Depreciation	11,399	10,365	15,462	16,147	28,080	24,568	28,950	30,259
EBIT	28,148	26,114	13,961	27,489	10,594	21,742	22,822	27,897
Int. and Finance Charges	2,471	2,178	2,689	2,643	2,086	2,020	2,000	2,000
Other Income – Rec.	4,580	5,373	4,315	5,611	5,772	6,194	6,572	7,091
PBT before EO Expense	30,257	29,309	15,586	30,456	14,280	25,916	27,394	32,988
EO Expense/(Income)	0	0	0	0	307	0	0	0
PBT after EO Expense	30,257	29,309	15,586	30,456	13,974	25,916	27,394	32,988
Tax	7,536	4,382	937	5,098	3,199	6,738	7,122	8,577
Deferred Tax	-398	1,161	1,368	674	-1,188	0	0	0
Tax Rate (%)	23.6	18.9	14.8	19.0	14.4	26.0	26.0	26.0
Reported PAT	23,119	23,766	13,281	24,684	11,962	19,178	20,271	24,411
Tax adjustment prior period	-103	-1,045	-1,543	0	307	237	0	0
Adj. PAT for EO items	23,017	22,721	11,739	24,684	12,192	19,104	20,271	24,411
Change (%)	46.6	-1.3	-48.3	110.3	-50.6	56.7	6.1	20.4
Margin (%)	18.3	15.9	7.0	12.6	6.8	9.8	9.7	10.9

Balance Sheet								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	361	361	361	361	361	361	361	361
Other Reserves	1,52,140	1,72,348	1,82,524	2,03,484	2,11,753	2,24,724	2,38,140	2,55,335
Total Reserves	1,52,140	1,72,348	1,82,525	2,03,486	2,11,755	2,24,726	2,38,142	2,55,337
Net Worth	1,52,501	1,72,709	1,82,885	2,03,847	2,12,116	2,25,086	2,38,503	2,55,698
Deferred Liabilities	-7855	-6695	-6686	-5992	-7176	-7176	-7176	-7176
Secured Loan	21,332	20,142	25,392	14,737	8,164	5,946	4,929	3,911
Unsecured Loan	0	0	0	0	0	0	0	0
Total Loans	21,332	20,142	25,392	14,737	8,164	5,946	4,929	3,911
Capital Employed	1,65,978	1,86,155	2,01,592	2,12,591	2,13,104	2,23,857	2,36,256	2,52,434
Gross Block	1,13,644	1,35,229	1,50,803	1,84,610	2,10,682	2,50,682	2,75,682	3,00,682
Less: Accum. Deprn.	71,729	82,014	97,476	1,13,623	1,41,703	1,66,270	1,95,220	2,25,480
Net Fixed Assets	41,916	53,215	53,327	70,987	68,980	84,412	80,462	75,203
Capital WIP	12,836	9,729	23,203	18,328	31,115	21,115	26,115	31,115
Financial investments	83,712	86,014	81,813	69,640	59,849	56,849	66,849	78,849
Strategic Investment	26,794	29,445	34,692	37,113	56,113	56,113	56,113	56,113
Curr. Assets	37,275	49,056	58,467	72,131	54,326	62,934	68,763	78,136
Inventory	14,772	21,614	24,226	31,462	20,754	23,933	25,646	27,671
Account Receivables	4,859	5,957	9,061	9,298	7,805	8,723	9,347	10,085
Cash and Bank Balance	2,098	1,183	1,193	2,971	2,310	3,303	3,287	5,933
Others	15,547	20,303	23,987	28,400	23,457	26,976	30,483	34,445
Curr. Liability and Prov.	36,555	41,304	49,911	55,610	57,281	57,568	62,048	66,984
Account Payables	36,430	41,160	49,756	55,454	57,110	57,398	61,877	66,813
Provisions	125	144	155	156	171	171	171	171
Net Current Assets	721	7,752	8,556	16,522	-2,954	5,366	6,714	11,152
Appl. of Funds	1,65,978	1,86,155	2,01,592	2,12,591	2,13,104	2,23,857	2,36,256	2,52,434

Source: Company, MOFSL

Standalone financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	638	630	325	684	338	529	562	677
Cash EPS	316	287	429	448	778	681	802	839
BV/Share	4,227	4,787	5,069	5,650	5,879	6,238	6,610	7,087
DPS	60.0	90.0	100.0	105.0	110.0	170.0	190.0	200.0
Payout (%)	9.4	13.7	27.2	15.3	33.2	32.0	33.8	29.6
Valuation (x)								
P/E	41.5	42.1	81.5	38.7	78.4	50.0	47.2	39.2
Cash P/E	83.9	92.2	61.8	59.2	34.0	38.9	33.0	31.6
P/BV	6.3	5.5	5.2	4.7	4.5	4.2	4.0	3.7
EV/Sales	7.0	6.1	5.2	4.5	4.8	4.5	4.2	3.8
EV/EBITDA	22.2	24.1	29.7	20.2	22.5	19	17	15
EV/t (USD-Cap)	229	214	213	186	174	144	136	127
Dividend Yield (%)	0.2	0.3	0.4	0.4	0.4	0.6	0.7	0.8
Return Ratios (%)								
RoIC	39.2	33.4	15.1	25.3	8.8	16.6	16.2	20.2
RoE	16.3	14.0	6.6	12.8	5.9	8.7	8.7	9.9
RoCE	14.9	13.9	7.8	12.6	6.4	9.2	9.2	10.3
Working Capital Ratios								
Inventory (Days)	43	55	53	59	42	45	45	45
Debtor (Days)	14	15	20	17	16	16	16	16
Creditor (Days)	106	105	108	103	116	108	109	109
Working Capital Turnover (Days)	2	20	19	31	-6	10	12	18
Leverage Ratio (x)								
Current Ratio	1.0	1.2	1.2	1.3	0.9	1.1	1.1	1.2
Net Debt/Equity ratio	-0.4	-0.4	-0.3	-0.3	-0.3	-0.2	-0.3	-0.3

Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	30,257	29,309	15,586	30,456	13,974	25,916	27,394	32,988
Depreciation	11,399	10,365	15,462	16,147	28,080	24,568	28,950	30,259
Interest and Finance Charges	220	-849	-165	139	270	2,020	2,000	2,000
Direct Taxes Paid	-7,439	-1,959	-3,287	-4,400	-4,282	-6,738	-7,122	-8,577
(Inc.)/Dec. in WC	8,762	-7,321	967	-6,238	16,392	-7,328	-1,364	-1,791
CF from Operations	43,200	29,546	28,563	36,104	54,433	38,438	49,857	54,879
Others	-2,264	-2,317	-1,520	-3,068	-3,803	0	0	0
CF from Operations incl. EO	40,936	27,229	27,043	33,036	50,630	38,438	49,857	54,879
(Inc.)/Dec. in FA	-9,984	-19,483	-27,619	-28,057	-34,655	-30,000	-30,000	-30,000
Free Cash Flow	30,953	7,746	-576	4,979	15,975	8,438	19,857	24,879
(Pur.)/Sale of Investments	-17,791	-77	3,737	14,555	-1,724	3,000	-10,000	-12,000
Others	0	0	0	0	0	0	0	0
CF from Investments	-27,774	-19,559	-23,882	-13,503	-36,379	-27,000	-40,000	-42,000
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	-9,610	-2,707	2,669	-11,961	-8,937	-2,218	-1,018	-1,017
Interest Paid	-2,514	-2,088	-2,574	-2,186	-1,896	-2,020	-2,000	-2,000
Dividend Paid	-22	-3,789	-3,245	-3,790	-3,799	-6,208	-6,855	-7,216
CF from Fin. Activity	-12,146	-8,584	-3,151	-17,937	-14,632	-10,446	-9,873	-10,233
Inc./Dec. in Cash	1,016	-915	11	1,597	-381	993	-16	2,646
Opening Balance	1,081	2,097	1,182	1,374	2,691	2,310	3,303	3,287
Closing Balance	2,097	1,183	1,193	2,971	2,310	3,303	3,287	5,933

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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