

Margins disappoint; market-share chase compels downgrade

Cement ▶ Result Update ▶ May 07, 2026

CMP (Rs): 24,975 | TP (Rs): 27,500

We downgrade Shree Cement (SRCM) to ADD from Buy and cut TP by ~5% to Rs27,500 from Rs29,000. SRCM reported standalone EBITDA of Rs12.5bn (down ~9% YoY, but up 36% QoQ), in line with our estimate. However, EBITDA/t for India operations was Rs1,125/t vs our estimate of ~Rs1,200 (standalone), implying subdued profitability at its subsidiary (SCEPL). In a clear departure from its lower-than-industry volume growth, SRCM delivered robust ~9% YoY growth and resultantly gained market share. However, cement realizations bore the brunt, growing at a slow rate of 1.6% QoQ (we expected >2%). Similarly, inflation in freight costs (Rs80/t both YoY and QoQ) explains the need to serve long-lead markets, to regain lost market share. Our view: The management guides to now shift focus on chasing market share vis-à-vis 'value over volume'. We turn slightly cautious on the timing of the strategy, given expectations of a soft demand scenario till 1HFY27 and elevated input-cost levels. We also note the widening profitability gap (~Rs130/t) vs UltraTech Cement (UTCEM) in Q4, despite UTCEM being under ramp-up phase of acquired assets. Hence, we see little merit in valuing SRCM at an equivalent valuation multiple (vs UTCEM) and thereby cut FY28E EV/EBITDA to 17x (18x earlier). We broadly maintain our FY27E/28E EBITDA.

Weak margins; focus shifts to 'volume over value'

SRCM reported standalone revenue of ~Rs56bn, up 8% YoY/28% QoQ, driven by strong ~9% YoY volume growth. Cement realizations were up 1.6% QoQ, but lower than expectations and peers' (reported so far). We see continued pressure on realization, in its fresh pursuit of chasing 'volume over value'. The company guides to achieve volume of ~40mt in FY27, implying 10% YoY growth (vs ~2% in FY26). On the cost front, unit variable costs (standalone operations) grew 9% YoY/6% QoQ as SRCM witnessed cost inflation of i) Rs20-30/t on account of packaging costs, and ii) higher logistics costs owing to longer lead distance. Consequently, EBITDA/t for India operations stood at Rs1,125 vs Rs1,400 in Q4FY25 and Rs1,032 in Q3FY26. Further, SRCM saw improvement in premium sales, at 22% of trade volume in Q4FY26 vs 16% in Q4FY25. PAT stood at Rs5.3bn, down ~4% YoY. Total dividend payout for FY26 stands at Rs150 per share, implying 0.6% yield.

Limited capex program could push net cash above Rs120bn by FY28E

The management provided capex guidance of Rs15bn in FY27. We pencil in capex cash outflow of Rs35bn over FY27-28E, and see cash reserves moving past Rs120bn or ~Rs3,300/sh. We believe this gives SRCM a major advantage over peers for pursuing inorganic expansion, if any. We estimate ~8.5% volume CAGR over FY26-28, and expect SRCM to log EBITDA/t of Rs1,150/Rs1,130/Rs1,225 in FY26/FY27E/FY28E, respectively.

Shree Cement: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	195,855	180,373	193,105	218,336	234,803
EBITDA	43,635	38,368	41,912	44,677	52,452
Adj. PAT	24,684	11,962	17,063	25,035	30,409
Adj. EPS (Rs)	684.2	331.5	472.9	693.9	842.8
EBITDA margin (%)	22.3	21.3	21.7	20.5	22.3
EBITDA growth (%)	48.3	(12.1)	9.2	6.6	17.4
Adj. EPS growth (%)	110.3	(51.5)	42.6	46.7	21.5
RoE (%)	12.8	5.8	7.8	10.7	11.8
RoIC (%)	32.1	12.4	20.0	27.6	32.8
P/E (x)	36.5	75.3	52.8	36.0	29.6
EV/EBITDA (x)	19.3	21.8	19.5	17.9	14.8
P/B (x)	4.4	4.2	4.0	3.7	3.3
FCFF yield (%)	0.6	1.9	2.5	3.3	3.2

Source: Company, Emkay Research

Target Price – 12M	Mar-28
Change in TP (%)	(5.2)
Current Reco.	ADD
Previous Reco.	BUY
Upside/(Downside) (%)	10.1

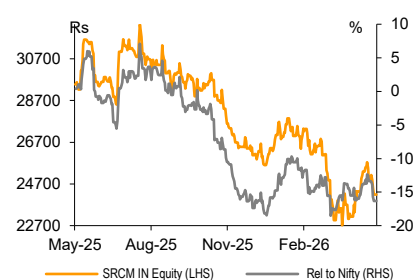
Stock Data	SRCM IN
52-week High (Rs)	32,508
52-week Low (Rs)	22,550
Shares outstanding (mn)	36.1
Market-cap (Rs bn)	901
Market-cap (USD mn)	9,524
Net-debt, FY27E (Rs mn)	(102,921)
ADTV-3M (mn shares)	0.0
ADTV-3M (Rs mn)	850.5
ADTV-3M (USD mn)	9.0
Free float (%)	37.4
Nifty-50	24,330.9
INR/USD	94.6

Shareholding, Mar-26

Promoters (%)	62.5
FPIs/MFs (%)	8.9/16.0

Price Performance

(%)	1M	3M	12M
Absolute	5.4	(8.6)	(15.3)
Rel. to Nifty	(0.5)	(3.5)	(15.1)

1-Year share price trend (Rs)**Harsh Mittal**

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Conference call KTAs

Demand

- The management anticipates industry growth of ~7% in FY27, and guides to outperform the industry by ~100bps, with total volume of 40mt in FY27.
- Capacity utilization in Q4FY26 stood at 66% (vs 56% in Q3), with North/East/South operating at 70%/60%/61%, respectively. FY26 utilization stood at ~60%.
- In Q4FY26, blended cement share was 62% and trade segment accounted for ~64%, with a premium mix of ~22%.

Pricing

- SRCM reported cement realization of Rs4,725/t (vs Rs4,652 in Q3FY26; up 1.6% QoQ)
- For FY26, realizations improved 3.6% from Rs4,569/t in FY25 to Rs4,732/t.
- Pricing gap between SRCM and the market leader has narrowed to Rs15-20/bag (from Rs50/bag) across regions, and the company intends to compress it further.
- SRCM took a Rs25/bag price hike in Apr-26, factoring in Rs150-200/t cost inflation in Q1FY27.

Cost

- Clinker factor in Q4FY26 was 64.8%, against 63.9% in Q3FY26 and 64% in Q4FY25.
- Thermal efficiency improved to 730kcal/kg clinker in Q4FY26 (vs 741kcal/kg in Q3FY26), resulting in fuel costs of Rs1.6/kcal (flat sequentially).
- However, the management expects fuel cost to rise by 10-12% in Q1FY27 (Rs1.76-1.80/kcal) amid the ME crisis.
- Freight cost increased by 17% YoY, as lead distance rose to 457km in Q4 (up ~12km QoQ); the company aims to bring it back to <440km levels.
- Packing cost increased ~Rs20/t in Q4FY26, and is expected to rise further by Rs100/t due to sharp PVC granule price increases.
- For Q1FY27, the management expects cumulative cost inflation of Rs150-200/t vs Q4FY26 level, including fuel, packing bag, and raw material costs.

Capex

- The management guides for capex outflow of ~Rs15bn in FY27, which would be deployed on RMC plant expansion, railway sidings, and preliminary work on Meghalaya.
- The company maintains its long-term target of reaching 80mtpa by FY29, while highlighting further probable delays in capacity expansion, subject to demand-supply dynamics.

Others

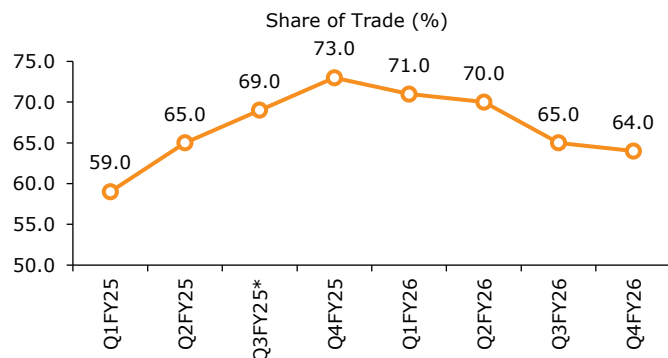
- SRCM maintains >90 days of fuel inventory (vs 60-75 days for peers), so cost impact flows through on weighted average basis.
- Limestone mines in Meghalaya were allocated (not auctioned) by the state government; of the three allocated blocks, the 1st block has ~600mt of limestone reserves.
- The company considers the Meghalaya expansion to be project-viable without incentives.
- Depreciation guidance for FY27 is maintained at Rs16-17bn.
- SRCM has declared a final dividend of Rs70/share, taking the total dividend for FY26 to Rs150/share (Rs80/share interim), ~36% higher YoY (FY25: Rs110/share).
- As of Mar-26, the company holds a net cash position of Rs84bn (Rs67bn in investments and Rs17bn in cash and bank balances).

Exhibit 1: Standalone – Result snapshot

Particulars (Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Emkay est	Var (%)
Volume, including clinker (mt)	10.8	9.9	9.1	8.7	23.2	10.3	4.1
Blended realization (Rs/t)	5,240	5,309	(1.3)	5,053	3.7	5,289	(0.9)
Net sales	56,430	52,402	7.7	44,164	27.8	54,705	3.2
Raw material cost	8,195	5,598	46.4	6,200	32.2	7,344	11.6
Personnel cost	2,619	2,594	1.0	2,763	(5.2)	2,818	(7.1)
Power and fuel cost	12,478	11,531	8.2	9,641	29.4	12,238	2.0
Freight cost	13,487	11,558	16.7	10,244	31.7	12,124	11.2
Other expenses	7,148	7,307	(2.2)	6,151	16.2	7,819	(8.6)
Total expenses	43,927	38,589	13.8	34,999	25.5	42,343	3.7
Adj EBITDA	12,503	13,813	(9.5)	9,165	36.4	12,362	1.1
EBITDA/t (Rs)*	1,125	1,399	(19.6)	1,032	9.0	1,195	(2.9)
Interest	548	417	31.4	577	(5.0)	577	(5.0)
Depreciation	6,377	7,470	(14.6)	5,870	8.6	5,880	8.4
Other income	1,122	1,501	(25.3)	1,266	(11.4)	1,501	(25.3)
Recurring pre-tax income	6,701	7,428	(9.8)	3,985	68.2	7,407	(9.5)
Extraordinary income/(expense)	-	-	NA	(560)	NA	-	NA
Taxation	1,381	1,868	NA	639	NA	1,852	NA
Reported net income	5,320	5,560	(4.3)	2,786	90.9	5,555	(4.2)

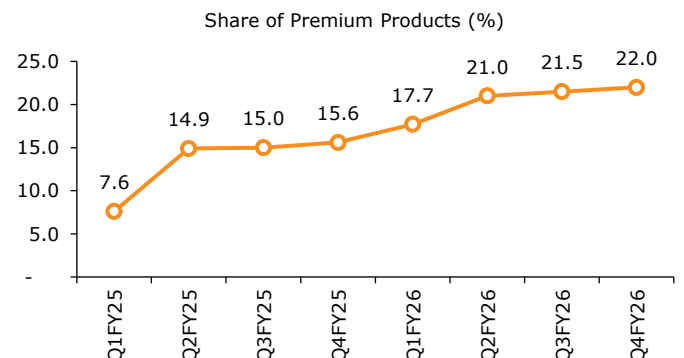
Source: Company, Bloomberg, Emkay Research; Note: *For domestic operations, including Shree Cement East Private Limited (SCEPL)

Exhibit 2: Quarterly trade share



Source: Company, Emkay Research

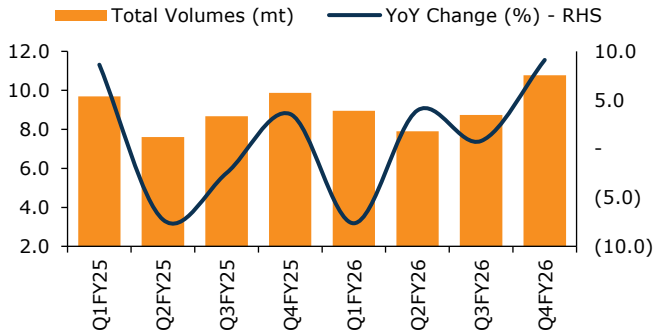
Exhibit 3: Quarterly premium mix



Source: Company, Emkay Research

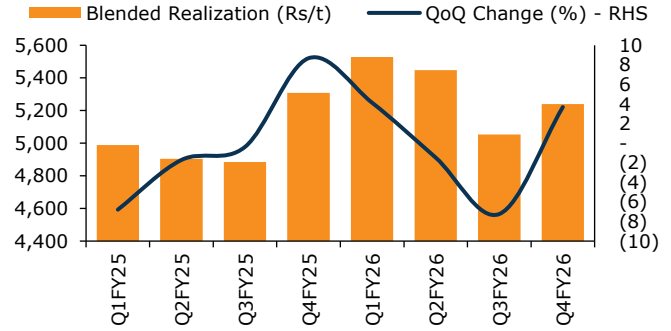
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Exhibit 4: Quarterly volume trend



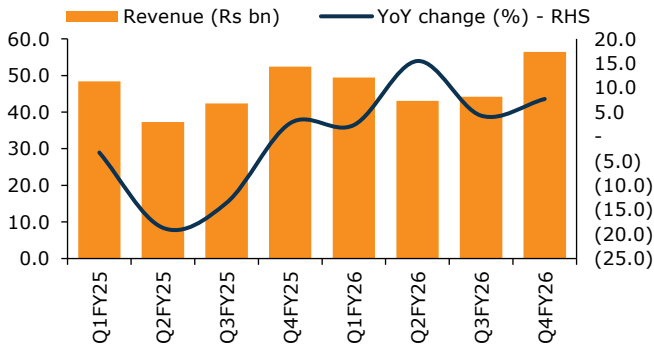
Source: Company, Emkay Research

Exhibit 5: Quarterly blended realization trend



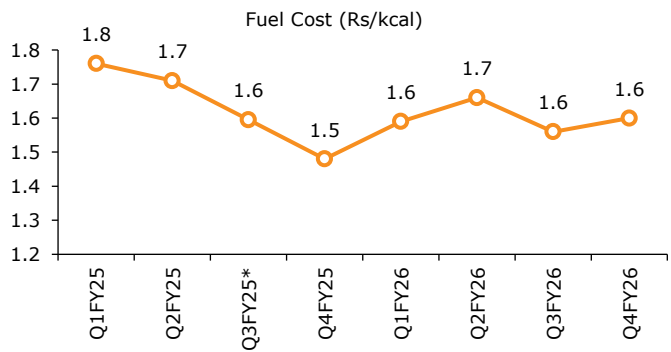
Source: Company, Emkay Research

Exhibit 6: Quarterly revenue trend



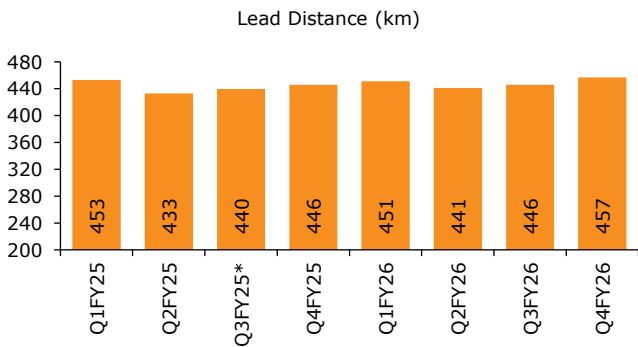
Source: Company, Emkay Research

Exhibit 7: Quarterly fuel cost trend



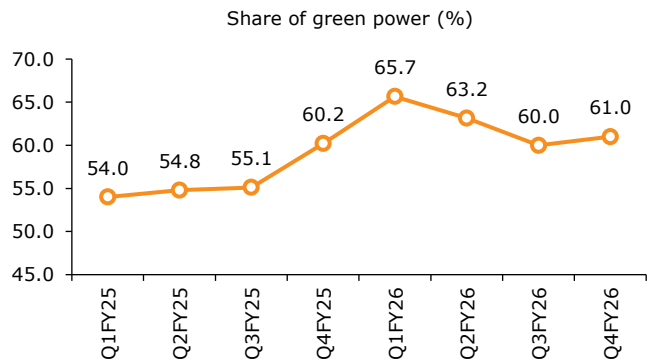
Source: Company, Emkay Research; Note: *Estimated

Exhibit 8: Quarterly lead distance



Source: Company, Emkay Research; Note: *Estimated

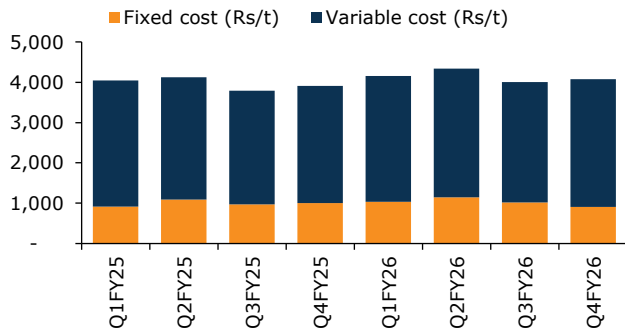
Exhibit 9: Quarterly green power share



Source: Company, Emkay Research

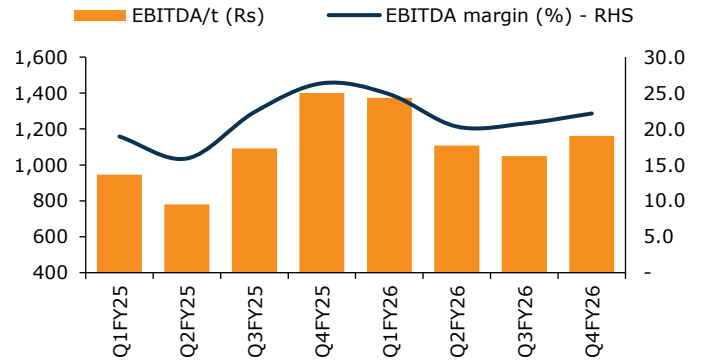
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Exhibit 10: Breakdown of total cost



Source: Company, Emkay Research

Exhibit 11: Quarterly margin trend



Source: Company, Emkay Research

Exhibit 12: Historical quarterly analysis on per-ton basis (standalone)

(Rs/t)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Sales volume (mt)	9.9	9.0	7.9	8.7	10.8
Blended realization	5,309	5,528	5,447	5,053	5,240
Growth QoQ (%)	9.0	3.8	(1.5)	(7.2)	3.7
Raw materials consumed	567	626	683	709	761
Power and fuel cost	1,168	1,281	1,316	1,103	1,159
Freight cost	1,171	1,211	1,193	1,172	1,252
Staff cost	263	284	325	316	243
Other expenses	740	753	822	704	664
Blended EBITDA	1,399	1,373	1,108	1,049	1,161

Source: Company, Emkay Research

Exhibit 13: Per-ton estimate on annual basis (standalone)

(Rs/t)	FY24	FY25	FY26E	FY27E	FY28E
Net sales	5,512	5,038	5,311	5,524	5,488
Raw material cost	515	564	698	761	761
Staff cost	264	277	304	282	279
Power and fuel cost	1,592	1,249	1,210	1,422	1,309
Freight cost	1,135	1,160	1,210	1,210	1,206
Other expenses	778	716	736	718	708
Total operating expenses	4,284	3,967	4,158	4,394	4,262
Blended EBITDA	1,228	1,072	1,153	1,130	1,226

Source: Company, Emkay Research

Exhibit 14: Performance trend and key assumptions

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Capacity (mtpa)	53.4	56.4	69.3	72.3	76.3
Production (mt)	35.5	35.8	36.4	39.5	42.8
Capacity utilization (%)	66.5	63.5	52.5	54.7	56.1
Volume, incl clinker (mt)	35.5	35.8	36.4	39.5	42.8
Growth (%)	11.7	0.7	1.6	8.7	8.2
Blended realization (Rs/t)	5,512	5,038	5,311	5,524	5,488
YoY growth (%)	4.2	(8.6)	5.4	4.0	(0.6)

Source: Company, Emkay Research

Exhibit 15: Valuation snapshot

Particulars (Rs mn)	FY28E
Target EV/EBITDA (x) (A)	17
Total EBITDA (B)	52,452
Enterprise value (C) = (A) x (B)	891,684
Less: Net debt (FY27E) (D)	(102,921)
Market Cap (E) = (C) - (D)	994,605
Shares o/s (mn) (F)	36
Target price (Rs) (G) = (E)/(F)	27,500

Source: Company, Emkay Research

Key risk

- Sharp fall/rise in cement prices/input costs

Exhibit 16: Change in estimates

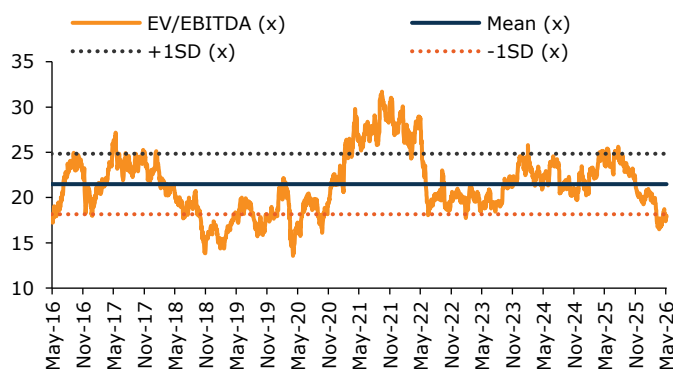
(Rs mn)	FY27E				FY28E			
	Revised	Earlier	Var (%)	YoY (%)	Revised	Earlier	Var (%)	YoY (%)
Revenue	218,336	210,137	3.9	13.1	234,803	224,662	4.5	7.5
EBITDA	44,677	41,807	6.9	6.6	52,452	52,607	(0.3)	17.4
PAT	25,035	21,862	14.5	46.7	30,409	28,634	6.2	21.5

Source: Emkay Research

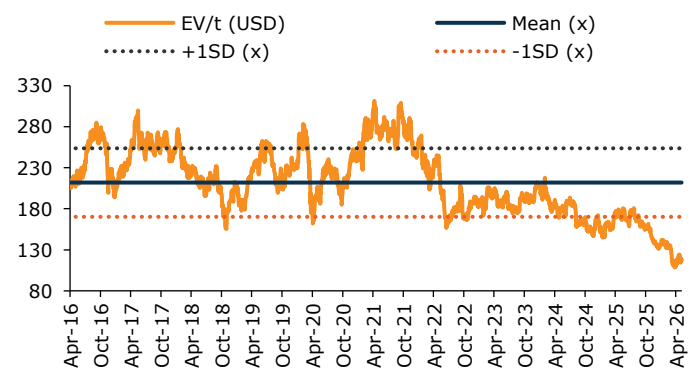
Exhibit 17: Emkay vs consensus

(Rs mn)	FY27E			FY28E		
	Emkay	Consensus	Var (%)	Emkay	Consensus	Var (%)
Revenue	218,336	211,008	3.5	234,803	230,813	1.7
EBITDA	44,677	47,666	(6.3)	52,452	54,343	(3.5)
PAT	25,035	22,022	13.7	30,409	25,915	17.3

Source: Bloomberg, Emkay Research

Exhibit 18: SRCM trades near its -1SD 1YF EV/EBITDA...

Source: Company, Bloomberg, Emkay Research

Exhibit 19: ...and below -1SD, on EV/t basis

Source: Company, Bloomberg, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Shree Cement: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	195,855	180,373	193,105	218,336	234,803
Revenue growth (%)	16.3	(7.9)	7.1	13.1	7.5
EBITDA	43,635	38,368	41,912	44,677	52,452
EBITDA growth (%)	48.3	(12.1)	9.2	6.6	17.4
Depreciation & Amortization	16,147	28,080	23,319	16,882	18,877
EBIT	27,489	10,288	18,593	27,795	33,575
EBIT growth (%)	96.9	(62.6)	80.7	49.5	20.8
Other operating income	-	-	-	-	-
Other income	5,611	5,772	5,968	7,657	9,042
Financial expense	2,643	2,086	2,077	2,071	2,071
PBT	30,456	13,974	22,484	33,380	40,546
Extraordinary items	0	0	0	0	0
Taxes	5,772	2,011	5,422	8,345	10,136
Minority interest	0	0	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	24,684	11,962	17,063	25,035	30,409
PAT growth (%)	91.3	(51.5)	42.6	46.7	21.5
Adjusted PAT	24,684	11,962	17,063	25,035	30,409
Diluted EPS (Rs)	684.2	331.5	472.9	693.9	842.8
Diluted EPS growth (%)	110.3	(51.5)	42.6	46.7	21.5
DPS (Rs)	105.0	110.0	150.0	150.0	150.0
Dividend payout (%)	15.3	33.2	31.7	21.6	17.8
EBITDA margin (%)	22.3	21.3	21.7	20.5	22.3
EBIT margin (%)	14.0	5.7	9.6	12.7	14.3
Effective tax rate (%)	19.0	14.4	24.1	25.0	25.0
NOPLAT (pre-IndAS)	22,279	8,807	14,110	20,846	25,182
Shares outstanding (mn)	36	36	36	36	36

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
PBT (ex-other income)	30,456	13,974	22,484	33,380	40,546
Others (non-cash items)	(5,572)	(5,618)	(5,492)	(2,776)	(3,278)
Taxes paid	(4,400)	(4,282)	(3,304)	(8,345)	(10,136)
Change in NWC	(6,238)	16,392	(4,156)	(43)	(3,180)
Operating cash flow	33,036	50,630	34,929	41,169	44,899
Capital expenditure	(28,057)	(35,141)	(14,094)	(15,000)	(20,000)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	(13,503)	(36,379)	(34,664)	(12,224)	(16,722)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(11,961)	(8,937)	5,732	0	0
Payment of lease liabilities	-	-	-	-	-
Interest paid	(2,186)	(1,896)	(1,913)	(2,071)	(2,071)
Dividend paid (incl tax)	(3,790)	(3,799)	(5,049)	(5,412)	(5,412)
Others	-	-	-	-	-
Financing cash flow	(17,937)	(14,632)	(1,230)	(7,483)	(7,483)
Net chg in Cash	1,597	(381)	(964)	21,462	20,694
OCF	33,036	50,630	34,929	41,169	44,899
Adj. OCF (w/o NWC chg.)	39,274	34,239	39,085	41,212	48,079
FCFF	4,979	15,489	20,835	26,169	24,899
FCFE	2,336	13,404	18,758	24,098	22,827
OCF/EBITDA (%)	75.7	132.0	83.3	92.1	85.6
FCFE/PAT (%)	9.5	112.0	109.9	96.3	75.1
FCFF/NOPLAT (%)	22.3	175.9	147.7	125.5	98.9

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Share capital	361	361	361	361	361
Reserves & Surplus	203,484	211,753	224,755	244,378	269,376
Net worth	203,845	212,114	225,116	244,739	269,737
Minority interests	0	0	0	0	0
Non-current liab. & prov.	(5,992)	(7,176)	(6,636)	(6,636)	(6,636)
Total debt	14,737	8,164	15,932	15,932	15,932
Total liabilities & equity	215,560	216,105	236,644	256,267	281,264
Net tangible fixed assets	62,769	61,753	76,414	69,536	75,660
Net intangible assets	8,218	7,226	7,338	7,338	7,338
Net ROU assets	-	-	-	-	-
Capital WIP	25,502	35,597	15,019	20,019	15,019
Goodwill	-	-	-	-	-
Investments [JV/Associates]	54,558	52,862	63,204	63,204	63,204
Cash & equivalents	55,166	65,411	79,518	100,981	121,674
Current assets (ex-cash)	61,986	47,534	52,819	56,025	58,107
Current Liab. & Prov.	52,639	54,278	57,672	60,836	59,737
NWC (ex-cash)	9,347	(6,744)	(4,854)	(4,811)	(1,631)
Total assets	215,560	216,105	236,644	256,267	281,264
Net debt	(57,874)	(64,777)	(83,991)	(102,921)	(123,615)
Capital employed	215,560	216,105	236,644	256,267	281,264
Invested capital	80,334	62,236	78,902	72,063	81,367
BVPS (Rs)	5,649.8	5,879.0	6,239.4	6,783.2	7,476.1
Net Debt/Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)
Net Debt/EBITDA (x)	(1.3)	(1.7)	(2.0)	(2.3)	(2.4)
Interest coverage (x)	12.5	7.7	11.8	17.1	20.6
RoCE (%)	15.5	7.3	10.6	14.1	15.6

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY24	FY25	FY26	FY27E	FY28E
P/E (x)	36.5	75.3	52.8	36.0	29.6
EV/CE (x)	3.9	3.8	3.4	3.1	2.7
P/B (x)	4.4	4.2	4.0	3.7	3.3
EV/USD	166.9	156.7	124.6	116.7	107.7
EV/EBITDA (x)	19.3	21.8	19.5	17.9	14.8
EV/EBIT(x)	30.7	81.3	43.9	28.7	23.2
EV/IC (x)	10.5	13.4	10.4	11.1	9.6
FCFF yield (%)	0.6	1.9	2.5	3.3	3.2
FCFE yield (%)	0.3	1.5	2.1	2.7	2.5
Dividend yield (%)	0.4	0.4	0.6	0.6	0.6
DuPont-RoE split					
Net profit margin (%)	12.6	6.6	8.8	11.5	13.0
Total asset turnover (x)	0.9	0.8	0.9	0.9	0.9
Assets/Equity (x)	1.1	1.0	1.0	1.0	1.0
RoE (%)	12.8	5.8	7.8	10.7	11.8
DuPont-RoIC					
NOPLAT margin (%)	11.4	4.9	7.3	9.5	10.7
IC turnover (x)	2.8	2.5	2.7	2.9	3.1
RoIC (%)	32.1	12.4	20.0	27.6	32.8
Operating metrics					
Core NWC days	17.4	(13.6)	(9.2)	(8.0)	(2.5)
Total NWC days	17.4	(13.6)	(9.2)	(8.0)	(2.5)
Fixed asset turnover	1.2	0.9	0.9	0.9	0.9
Opex-to-revenue (%)	68.4	67.5	65.1	65.8	63.8

Source: Company, Emkay Research

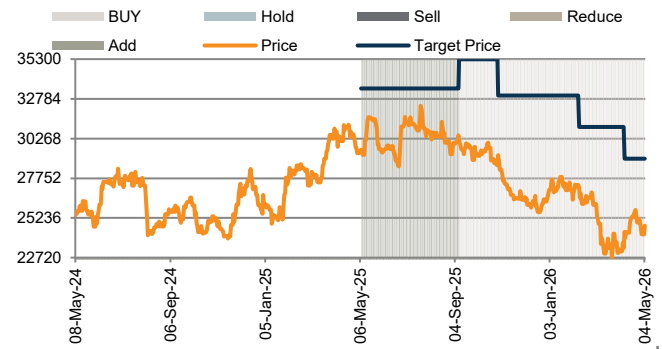
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
20-Apr-26	25,490	29,000	Buy	Harsh Mittal
08-Apr-26	24,360	29,000	Buy	Harsh Mittal
16-Mar-26	23,315	31,000	Buy	Harsh Mittal
04-Mar-26	25,355	31,000	Buy	Harsh Mittal
09-Feb-26	27,145	31,000	Buy	Harsh Mittal
03-Feb-26	27,020	33,000	Buy	Harsh Mittal
14-Jan-26	27,550	33,000	Buy	Harsh Mittal
06-Jan-26	27,670	33,000	Buy	Harsh Mittal
01-Jan-26	26,835	33,000	Buy	Harsh Mittal
02-Dec-25	26,545	33,000	Buy	Harsh Mittal
01-Nov-25	28,310	33,000	Buy	Harsh Mittal
29-Oct-25	29,210	33,000	Buy	Harsh Mittal
08-Oct-25	29,285	35,300	Buy	Harsh Mittal
02-Oct-25	29,295	35,300	Buy	Harsh Mittal
09-Sep-25	30,190	35,300	Buy	Harsh Mittal
31-Aug-25	29,275	33,445	Add	Harsh Mittal
05-Aug-25	30,205	33,445	Add	Harsh Mittal
15-May-25	31,400	33,445	Add	Harsh Mittal
07-May-25	29,570	33,445	Add	Harsh Mittal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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