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India | Equity Research | Company Update

Shree Cement

Cement

Less bulk-more buck; echoes channel-check

Shree Cement's (SRCM) FY26 playbook, as articulated by Chairman Mr H M Bangur in a recent media interview ([Link](#)), seems decisive and leaves little room for ambiguity. Prioritising 'value over volume', SRCM has guided: 1) 2–3% volume growth vs. 7–8% estimated for industry; 2) a target EBITDA/t of INR 1,400 – being broadly at par with Q4FY25 (FY25 stood INR 1,070/t). The volume guidance corroborates our channel-check findings viz., SRCM restraining its volume-push and focussing not just on higher pricing, but also on narrowing the gap with larger peers. Further, cash-rich SRCM has hinted at a special reward for shareholders in year 2025 (incidentally marks SRCM's 40th anniversary since commencing operations). By and large, the company's stance (value over volume) is in sync with our Dec'24 [sector upgrade](#) hypothesis of a pronounced tapering in industry-wide competitive intensity. The improving margin outlook for the sector keeps us as enthused as before; maintain **BUY** with an unchanged TP of INR 35,330.

Crystal-clear FY26 strategy

Key takeaways from the media interview: 1) Aiming for 2–3% volume growth in FY26 (3–4%, if demand is supportive) vs. industry estimate of 7–8%. 2) Expects FY26 EBITDA/t of ~INR 1,400 (broadly at par with Q4FY25). 3) Expects to outpace peers with ~6% YoY realisation growth in FY26 (implying 9% revenue growth). 4) While industry demand has been soft in Q1FY26 (so far) owing to the heat-wave and early onset of monsoon, SRCM expects the good rains to drive rural as well as urban demand recovery. 5) Not hopeful of inorganic growth given their continual stance of conservative bids for potential M&A. 6) May consider rewarding shareholders in 2025 (considerations being high dividend, buyback among others), basis cash-rich balance-sheet.

Our channel-checks corroborate 'value over volume' stance

Our recent channel-checks indicate SRCM not pushing volumes at the cost of prices, rather the company is attempting to narrow its pricing gap with large peers. For instance, in several markets of north-India, the price gap (to A category players) has been tempered to INR 20–25/bag vs. INR 30–35 in the past; and attempts are being made to narrow this further. While the 2–4% volume growth guidance is lower than our 7% estimate, we are hopeful of high profitability offsetting the impact. Hence, our estimates remain unchanged. SRCM's stance (of value over volume) resonates with our hypothesis around easing competitive intensity driving margin expansion. Given the improving outlook, we continue to value SRCM at 19x FY27E EV/EBITDA and maintain **BUY** with a TP of INR 35,330.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	1,95,855	1,80,373	2,01,565	2,20,175
EBITDA	43,635	38,368	55,231	62,402
EBITDA (%)	22.3	21.3	27.4	28.3
Net Profit	24,684	11,962	23,065	28,968
EPS (INR)	684.2	331.5	639.3	802.9
EPS % Chg YoY	110.3	(51.5)	92.8	25.6
P/E (x)	43.4	89.5	46.4	37.0
EV/EBITDA (x)	23.2	26.5	18.2	15.9
RoCE (%)	10.4	4.0	8.6	9.9
RoE (%)	12.8	5.8	10.4	11.9

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Market Data

Market Cap (INR)	1,071bn
Market Cap (USD)	12,527mn
Bloomberg Code	SRCM IN
Reuters Code	SHCM.BO
52-week Range (INR)	31,925 /23,500
Free Float (%)	37.0
ADTV-3M (mn) (USD)	13.1

Price Performance (%)	3m	6m	12m
Absolute	7.8	9.0	7.8
Relative to Sensex	(2.5)	8.5	1.2

ESG Score	2023	2024	Change
ESG score	66.2	66.4	0.2
Environment	56.3	57.3	1.0
Social	62.7	67.4	4.7
Governance	72.4	74.3	1.9

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

15-05-2025: [Q4FY25 results review](#)

31-01-2025: [Q3FY25 results review](#)

Key takeaways from the media interview

- SRCM realised incentives of ~INR 1bn in FY25, majorly from the states of Rajasthan and Uttar Pradesh. The company does not have any production unit in West Bengal (WB); hence, is unaffected by the recent announcement of the incentive scheme being withdrawn by the government of WB.
- Management foresees early and good monsoon as a sign of healthy rural and urban demand revival in coming quarters, even as volumes stood a little subdued in Apr/May'25 owing to the heat wave, Indo-Pak border tensions (in north India) and the early onset of monsoons.
- SRCM shall prioritise value over volumes in FY26; volumes expected to grow ~2–3% (vs. its estimate of 7–8% industry growth). If demand stays supportive, volume can grow 3–4% too.
- It expects realisations to rise ~6% and overall topline to increase ~9%. With the price hikes and cost optimisation efficiencies kicking in, it expects an EBITDA/t of ~INR 1,400 for FY26.
- **Capex update:** SRCM commissioned the Chhattisgarh grinding unit a few months back (Apr'25); over the next six months, it is planning to commission two clinkerisation units of 3mtpa each, in Karnataka and Rajasthan.
- As such, the organic expansions are targeted to scale overall capacity to 80mtpa by FY30 (or a year prior) and ~100mtpa by FY33/FY34. Post reaching the 80mtpa milestone, the company may broadly look to add 5mtpa of new capacity each year.
- SRCM has ~INR 55bn of net cash in books, which should help it reach the desired capacity targets sans leverage.
- The company is not very hopeful of inorganic growth given their continual stance of conservative bids for potential M&A opportunities.
- SRCM is contemplating rewarding its shareholders in FY26 (possibly high dividends and/or share buy-back being among other considerations).

Exhibit 1: Per tonne estimate – annual (standalone)

(INR/t)	FY23	FY24	FY25	FY26E	FY27E
Cement realisation	4,986	5,058	4,705	4,963	5,090
Raw material consumed	396	515	564	556	567
Staff costs	272	264	276	270	280
Power & fuel	1,467	1,160	983	912	913
Freight	1,173	1,135	1,159	1,150	1,168
Others	783	799	715	704	707
Total operating expenses	4,092	3,873	3,697	3,592	3,635
Cement EBITDA	894	1,185	1,008	1,371	1,456

Source: I-Sec research, Company data

Exhibit 2: Performance trend and key assumptions (standalone)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Cement capacity (mpta)	46.4	53.4	56.4	68.8	71.8
Cement sales volumes (mt)	31.8	35.5	35.9	38.5	41.2
Capacity utilisation (%)	69	67	64	56	57
Volume growth (%)	14.7	11.7	0.9	7.4	7.0
Cement realisation blended (INR/t)	4,986	5,058	4,705	4,963	5,090
Growth (%)	(0.4)	1.5	(7.0)	5.5	2.6

Source: I-Sec research, Company data

Exhibit 3: Valuation based on 19x Mar'27E EV/E

Particulars (INR mn)	FY27E
EV/EBITDA multiple for cement (x)	19.0
EBITDA	63,600
Total EV (INR mn)	12,08,403
Less: Net Debt (INR Mn)	(66,295)
Derived Mcap (INR mn)	12,74,698
Shares o/s (mn)	36.1
Value per share (INR)	35,330
Potential upside (%)	19.0

Source: I-Sec research, Company data

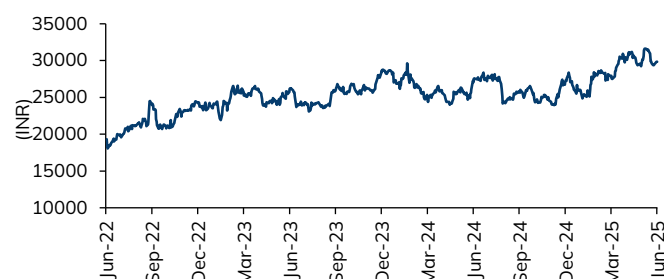
Key risks

Sharp fall in cement prices and/or major surge in fuel prices are key downside risks.

Exhibit 4: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	62.6	62.6	62.6
Institutional investors	24.5	24.6	25.0
MFs and other	9.2	9.9	10.2
Banks/ FIs	0.0	0.1	0.3
Insurance Cos.	4.9	4.8	4.7
FII's	10.4	9.9	9.8
Others	12.9	12.8	12.4

Source: Bloomberg, I-Sec research

Exhibit 5: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 6: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	1,95,855	1,80,373	2,01,565	2,20,175
Operating Expenses	1,33,903	1,21,798	1,24,934	1,34,417
EBITDA	43,635	38,368	55,231	62,402
EBITDA Margin (%)	22.3	21.3	27.4	28.3
Depreciation & Amortization	16,147	28,080	30,598	31,498
EBIT	27,489	10,288	24,633	30,904
Interest expenditure	2,643	2,086	1,592	1,587
Other Non-operating Income	5,611	5,772	5,789	6,893
Recurring PBT	30,456	13,974	28,831	36,210
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	5,772	2,011	5,766	7,242
PAT	24,684	11,962	23,065	28,968
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	24,684	11,962	23,065	28,968
Net Income (Adjusted)	24,684	11,962	23,065	28,968

Source Company data, I-Sec research

Exhibit 7: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	1,17,151	1,12,498	1,27,444	1,44,070
of which cash & cash eqv.	55,166	64,593	76,486	90,575
Total Current Liabilities & Provisions	52,639	52,702	53,355	53,883
Net Current Assets	64,512	59,795	74,089	90,187
Investments	54,558	52,860	52,860	52,860
Net Fixed Assets	70,987	69,967	94,369	1,07,871
ROU Assets	-	-	-	-
Capital Work-in-Progress	25,502	33,172	13,172	8,172
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	2,15,560	2,15,795	2,34,491	2,59,090
Liabilities				
Borrowings	14,737	8,158	7,758	7,358
Deferred Tax Liability	(5,992)	(7,172)	(7,172)	(7,172)
provisions	-	-	-	-
other Liabilities	2,971	2,971	2,971	2,971
Equity Share Capital	361	361	361	361
Reserves & Surplus	2,03,484	2,11,478	2,30,573	2,55,572
Total Net Worth	2,03,845	2,11,838	2,30,934	2,55,933
Minority Interest	-	-	-	-
Total Liabilities	2,15,560	2,15,795	2,34,491	2,59,090

Source Company data, I-Sec research

Exhibit 8: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	48,347	37,270	42,355	52,402
% growth (YOY)	(3.3)	(18.7)	(13.6)	2.7
EBITDA	9,164	5,925	9,466	13,813
Margin %	19.0	15.9	22.3	26.4
Other Income	1,346	1,776	1,149	1,501
Extraordinaries	-	-	-	-
Adjusted Net Profit	3,177	931	2,294	5,560

Source Company data, I-Sec research

Exhibit 9: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	43,674	41,563	58,436	66,218
Working Capital Changes	(10,638)	4,245	(8,167)	(9,251)
Capital Commitments	(28,057)	(34,730)	(35,000)	(40,000)
Free Cashflow	4,979	11,077	15,269	16,968
Other investing cashflow	14,555	(6,631)	65,684	3,077
Cashflow from Investing Activities	(13,503)	(41,361)	30,684	(36,923)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(3,790)	(3,969)	(3,969)	(3,969)
Others	(14,147)	(1,956)	(1,992)	(1,987)
Cash flow from Financing Activities	(17,937)	(5,925)	(5,960)	(5,956)
Chg. in Cash & Bank balance	1,597	(1,479)	74,993	14,089
Closing cash & balance	2,971	1,493	76,486	90,575

Source Company data, I-Sec research

Exhibit 10: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	684.2	331.5	639.3	802.9
Adjusted EPS (Diluted)	684.2	331.5	639.3	802.9
Cash EPS	1,131.7	1,109.8	1,487.3	1,675.9
Dividend per share (DPS)	105.0	110.0	110.0	110.0
Book Value per share (BV)	5,649.8	5,871.4	6,400.6	7,093.5
Dividend Payout (%)	15.3	33.2	17.2	13.7
Growth (%)				
Net Sales	16.3	(7.9)	11.7	9.2
EBITDA	48.3	(12.1)	44.0	13.0
EPS (INR)	110.3	(51.5)	92.8	25.6
Valuation Ratios (x)				
P/E	43.4	89.5	46.4	37.0
P/CEPS	26.2	26.8	20.0	17.7
P/BV	5.3	5.1	4.6	4.2
EV / EBITDA	23.2	26.5	18.2	15.9
EV / te (USD)	229.6	212.2	171.8	169.4
Dividend Yield (%)	0.4	0.4	0.4	0.4
Operating Ratios				
Gross Profit Margins (%)	90.6	88.8	89.4	89.4
EBITDA Margins (%)	22.3	21.3	27.4	28.3
Effective Tax Rate (%)	19.0	14.4	20.0	20.0
Net Profit Margins (%)	12.6	6.6	11.4	13.2
NWC / Total Assets (%)	29.9	27.7	31.6	34.8
Net Debt / Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)
Net Debt / EBITDA (x)	(2.2)	(2.8)	(2.2)	(2.2)
Profitability Ratios				
RoCE (%) (Post Tax)	10.4	4.0	8.6	9.9
RoE (%)	12.8	5.8	10.4	11.9
RoIC (%)	15.9	8.6	15.3	18.1
Fixed Asset Turnover (x)	3.2	2.6	2.5	2.2
Inventory Turnover Days	79	51	58	59
Receivables Days	19	15	16	15
Payables Days	27	27	29	29

Source Company data, I-Sec research

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