

Shree Cement

Estimate change	↔
TP change	↕
Rating change	↔

Bloomberg	SRCM IN
Equity Shares (m)	36
M.Cap.(INRb)/(USDb)	1105.7 / 12.6
52-Week Range (INR)	32508 / 23500
1, 6, 12 Rel. Per (%)	1/6/12
12M Avg Val (INR M)	1057

Financial Snapshot (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	195.5	212.4	230.8
EBITDA	49.8	56.6	63.9
Adj. PAT	15.8	19.4	23.3
EBITDA Margin (%)	25.5	26.7	27.7
Cons. Adj. EPS (INR)	439	539	647
EPS Gr. (%)	29.9	22.7	20.1
BV/Sh. (INR)	6,198	6,607	7,123

Ratios

Net D:E	-0.2	-0.3	-0.3
RoE (%)	7.3	8.4	9.4
RoCE (%)	7.7	8.8	9.8
Payout (%)	27.3	24.1	20.1

Valuations

P/E (x)	69.7	56.9	47.3
P/BV (x)	4.9	4.6	4.3
EV/EBITDA(x)	20.7	17.6	15.0
EV/ton (USD)	177	171	165
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	0.0	1.5	2.1

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	62.6	62.6	62.6
DII	14.9	15.3	13.0
FII	10.1	9.7	11.9
Others	12.5	12.4	12.6

FII Includes depository receipts

CMP: INR30,645 TP: INR33,000 (+8%) Neutral

EBITDA in line; premiumization and value focus intact

Reiterates capacity target of 80mtpa by FY28 from 62.8mtpa currently

- Shree Cement's (SRCM) 1QFY26 operating performance was in line with our estimates. EBITDA increased ~34% YoY to INR12.3b and EBITDA/t rose ~44% YoY to INR1,373 (est. INR1,325). OPM surged 5.9pp YoY to ~25%. PAT grew ~95% YoY to INR6.2b (~39% beat), mainly led by lower depreciation and higher other income than our estimates.
- Management noted that industry demand is expected to grow by 6-7% YoY in FY26, aided by strong government capex, rising rural housing demand on a good monsoon, increasing urbanization and industrial activities. In Apr'25, SRCM commissioned capacities at Baloda Bazar, Chhattisgarh (3.4mtpa), and Etah, Uttar Pradesh (3.0mtpa), taking total grinding capacity to 62.8mtpa. It has also reiterated its capacity target of 80mtpa by FY28.
- We largely maintain our earnings estimates. Despite lower depreciation vs. our estimate in 1Q, we maintain our depreciation estimates given the previous guidance. We also introduce FY28 estimates. SRCM trades fairly at 21x/18x FY26E/FY27E EV/EBITDA. **We maintain our Neutral rating with a TP of INR33,000 (based on 18x Jun'27E EV/EBITDA).**

Volumes decline ~7% YoY; blended realization up ~10% YoY/4% QoQ

- Standalone revenue/EBITDA/PAT stood at INR49.5b/INR12.3b/INR6.2b (up 2%/34%/95% YoY and in-line/-5%/+39% vs. estimates) in 1QFY26. Volumes declined ~7% YoY to 9.0mt (4% below estimates). Blended realization grew ~10% YoY (up ~4% QoQ) to INR5,528/t.
- Opex/t increased ~2% YoY/7% QoQ in 1QFY26 (+5% vs. estimate). Variable cost/t declined ~4% YoY. However, other expenses/staff cost/freight costs per ton grew ~13%/12%/5% YoY. OPM surged 5.9pp YoY to ~25%, and EBITDA/t increased ~44% YoY to INR1,373.
- Depreciation/interest costs declined 14%/22% YoY. Other income grew 49% YoY. ETR was at 25.8% vs. 9.4% in 1QFY25.

Highlights from the management commentary

- SRCM's UAE subsidiary, Union Cement Co. (UCC), delivered a robust performance as revenue/EBITDA surged ~19%/397% YoY in 1QFY26. Given the improved performance and healthy demand outlook, SRCM announced a capacity expansion plan of 3.0mtpa for UCC at an investment of AED110m (INR2.6b).
- Share of premium products in trade sales rose to 17.7% vs. 15.6% in 4QFY25, reflecting continued improvement. SRCM's share of green power stood at ~66% vs. ~60% in 4QFY25 of total power consumption, among the highest in the industry. Green power capacity increased to 586 MW in 1Q.
- The company's ongoing integrated cement capacity expansions at Jaitaran, Rajasthan (3.0mtpa), and Kodla, Karnataka (3.0mtpa), are progressing as per schedule. After the commissioning of these plants, SRCM's domestic grinding capacity will increase to 68.8mtpa.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- SRCM's operating performance was in line with our estimates as lower volume and higher opex/t vs. our estimates were offset by higher-than-estimated realization. The company remains focused on pricing and its premiumization strategy; hence, despite higher capacity additions, it reported a volume decline. We estimate that a lower capacity utilization (~60-62% over FY26-28) will lead to lower return ratios (ROE/ROCE at ~9%/10%, post tax, vs. in mid-teens over FY16-24). Further, we are watchful about the company's next leg of capacity expansion (to reach at 80mtpa by FY28).
- We estimate a CAGR of 9%/18%/24% in revenue/EBITDA/PAT over FY25-28. We estimate a volume CAGR of ~7% over FY25-28 and EBITDA/t of INR1,344/INR1,416/INR1,480 in FY26/FY27/FY28 vs. INR1,086 in FY25E. The stock trades fairly at 21x/18x FY26E/FY27E EV/EBITDA. **We maintain our Neutral with a TP of INR33,000 (valuing it at 18x Jun'27E EV/EBITDA).**

Standalone quarterly performance

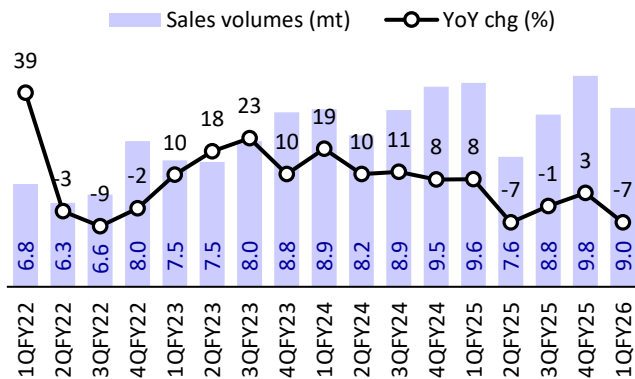
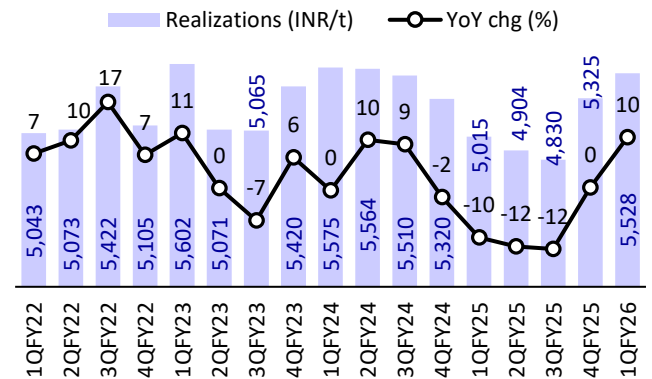
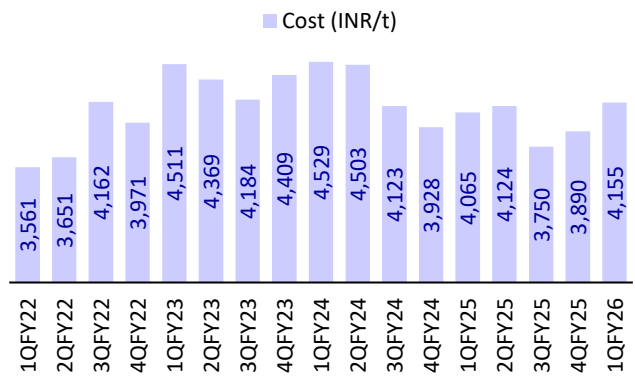
Y/E March	FY25				FY26				FY25	FY26E	(INR b)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			FY26	Var. (%)
Net Sales	48.3	37.3	42.4	52.4	49.5	42.2	49.5	54.3	180.4	195.5	49.5	0
YoY Change (%)	-2.7	-18.3	-13.6	3.3	2.3	13.3	16.8	3.7	-7.5	8.4	2.3	
Total Expenditure	39.2	31.3	32.9	38.3	37.2	32.7	36.7	39.1	141.7	145.7	36.6	2
EBITDA	9.2	5.9	9.5	14.1	12.3	9.5	12.7	15.3	38.7	49.8	12.9	-5
YoY Change (%)	-1.7	-31.9	-23.3	6.4	34.1	60.1	34.6	8.0	-11.4	28.7	40.7	
Margin (%)	19.0	15.9	22.3	26.9	24.8	22.5	25.8	28.1	21.4	25.5	26.1	122
Depreciation	6.4	6.7	7.5	7.5	5.5	8.4	8.9	9.5	28.1	32.3	7.8	-29
Interest	0.6	0.6	0.5	0.4	0.4	0.5	0.5	0.5	2.1	2.0	0.5	-1
Other Income	1.3	1.8	1.1	1.5	2.0	1.4	1.3	1.3	5.8	6.0	1.4	49
PBT before EO Exp.	3.5	0.4	2.6	7.7	8.3	2.0	4.6	6.5	14.3	21.4	6.0	39
Extra-Ord. Expense	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	
PBT	3.5	0.4	2.6	7.4	8.3	2.0	4.6	6.5	14.0	21.4	6.0	39
Tax	0.3	-0.5	0.3	1.9	2.1	0.5	1.2	1.7	2.0	5.6	1.5	
Rate (%)	9.4	-108.1	11.4	25.1	25.8	25.5	25.5	26.8	14.4	26.0	25.5	
Reported PAT	3.2	0.9	2.3	5.6	6.2	1.5	3.4	4.8	12.0	15.8	4.5	39
Tax adjustment prior period	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. PAT	3.2	0.9	2.3	5.8	6.2	1.5	3.4	4.8	12.2	15.8	4.5	39
YoY Change (%)	-45.3	-81.0	-68.8	-12.5	94.7	56.5	49.8	-17.7	-50.6	29.9	40.4	

Quarterly performance

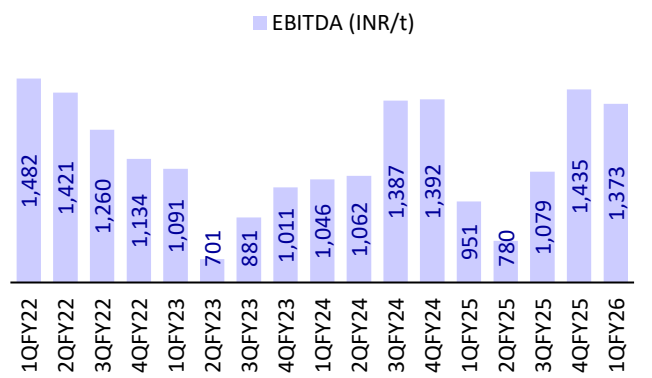
Sales Dispat. (mt)	9.64	7.60	8.77	9.84	8.95	8.06	9.50	10.51	35.85	37.02	9.35	-4
YoY Change (%)	8.1	-7.3	-1.4	3.2	-7.2	6.0	8.4	6.9	0.9	3.3	-3.0	
Realization	5,015	4,904	4,830	5,325	5,528	5,243	5,205	5,166	5,031	5,280	5,292	4
YoY Change (%)	-10.0	-11.9	-12.4	0.1	10.2	6.9	7.8	-3.0	-8.3	5.0	5.5	
Expenditure												
RM Cost	530	539	616	569	626	540	585	506	564	563	590	6
Staff Cost	254	328	270	240	284	325	283	247	270	282	261	9
Power and Fuel	1,458	1,317	1,042	1,172	1,281	1,240	1,200	1,124	1,248	1,207	1,200	7
Freight	1,157	1,173	1,131	1,175	1,211	1,160	1,140	1,145	1,159	1,163	1,165	4
Other Expenses	667	766	691	735	753	800	657	692	712	721	750	0
Total Op. cost	4,065	4,124	3,750	3,890	4,155	4,065	3,865	3,715	3,953	3,936	3,966	5
EBITDA	951	780	1,079	1,435	1,373	1,178	1,341	1,451	1,079	1,344	1,325	4

Source: Company, MOFSL Estimates

Story in charts

Exhibit 1: Sales volume declined 7% YoY

Exhibit 2: Blended realization rose 10% YoY

Exhibit 3: Blended opex/t was up 2% YoY


Source: Company, MOFSL

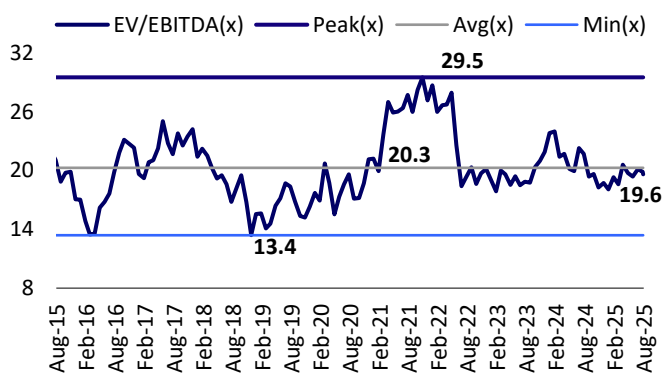
Exhibit 4: EBITDA/t was up 44% YoY


Source: Company, MOFSL

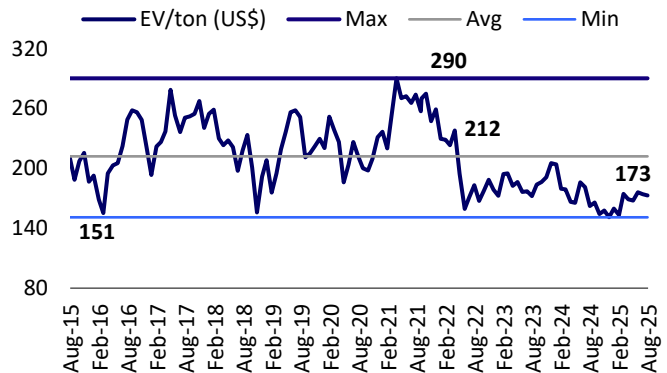
Exhibit 5: Key performance indicators – per ton analysis

INR/t	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)
Blended realization	5,528	5,015	10	5,325	4
RM Cost	626	530	18	569	10
Employee Expenses	284	254	12	240	18
Power, Oil, and Fuel	1,281	1,458	-12	1,172	9
Freight and Handling	1,211	1,157	5	1,175	3
Other Expenses	753	667	13	735	3
Total Expenses	4,155	4,065	2	3,890	7
EBITDA	1,373	951	44	1,435	-4

Source: Company, MOFSL

Exhibit 6: One-year forward EV/EBITDA ratio chart


Source: Company, MOFSL

Exhibit 7: 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	1,95,505	2,12,364	2,30,812
Change (%)	5.6	13.7	17.5	16.3	-7.9	8.4	8.6	8.7
EBITDA	39,547	36,478	29,423	43,635	38,674	49,775	56,633	63,895
Margin (%)	31.4	25.5	17.5	22.3	21.4	25.5	26.7	27.7
Depreciation	11,399	10,365	15,462	16,147	28,080	32,296	34,338	36,880
EBIT	28,148	26,114	13,961	27,489	10,594	17,479	22,294	27,016
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	5,950	5,966	6,517
PBT before EO Expense	30,257	29,309	15,586	30,456	14,280	21,409	26,261	31,532
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	21,409	26,261	31,532
Tax	7,536	4,382	937	5,098	3,199	5,566	6,828	8,198
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	15,843	19,433	23,334
Tax adjustment prior period	-103	-1,045	-1,543	0	307	0	0	0
Adj. PAT for EO items	23,017	22,721	11,739	24,684	12,192	15,843	19,433	23,334
Change (%)	46.6	-1.3	-48.3	110.3	-50.6	29.9	22.7	20.1
Margin (%)	18.3	15.9	7.0	12.6	6.8	8.1	9.2	10.1

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	2,23,266	2,38,009	2,56,652
Total Reserves	1,52,140	1,72,348	1,82,525	2,03,486	2,11,755	2,23,268	2,38,011	2,56,654
Net Worth	1,52,501	1,72,709	1,82,885	2,03,847	2,12,116	2,23,629	2,38,372	2,57,015
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	2,22,400	2,36,124	2,53,751
Gross Block	1,13,644	1,35,229	1,50,803	1,84,610	2,10,682	2,50,682	2,65,682	2,80,682
Less: Accum. Deprn.	71,729	82,014	97,476	1,13,623	1,41,703	1,73,998	2,08,336	2,45,216
Net Fixed Assets	41,916	53,215	53,327	70,987	68,980	76,684	57,346	35,466
Capital WIP	12,836	9,729	23,203	18,328	31,115	26,115	46,115	66,115
Financial investments	83,712	86,014	81,813	69,640	59,849	51,849	59,849	69,849
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	66,621	76,136	90,463
Inventory	14,772	21,614	24,226	31,462	20,754	26,887	29,205	31,742
Account Receivables	4,859	5,957	9,061	9,298	7,805	8,785	9,543	10,372
Cash and Bank Balance	2,098	1,183	1,193	2,971	2,310	3,974	6,906	13,904
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	54,985	59,437	64,258
Account Payables	36,430	41,160	49,756	55,454	57,110	54,814	59,266	64,087
Provisions	125	144	155	156	171	171	171	171
Net Current Assets	721	7,752	8,556	16,522	-2,954	11,636	16,699	26,205
Appl. of Funds	1,65,978	1,86,155	2,01,592	2,12,591	2,13,104	2,22,400	2,36,124	2,53,751

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	439	539	647
Cash EPS	316	287	429	448	778	895	952	1,022
BV/Share	4,227	4,787	5,069	5,650	5,879	6,198	6,607	7,123
DPS	60.0	90.0	100.0	105.0	110.0	120.0	130.0	130.0
Payout (%)	9.4	13.7	27.2	15.3	33.2	27.3	24.1	20.1
Valuation (x)								
P/E	48.0	48.6	94.1	44.8	90.6	69.7	56.9	47.3
Cash P/E	96.9	106.6	71.5	68.4	39.3	34.2	32.2	30.0
P/BV	7.2	6.4	6.0	5.4	5.2	4.9	4.6	4.3
EV/Sales	8.2	7.2	6.1	5.3	5.7	5.3	4.7	4.2
EV/EBITDA	26.0	28.2	34.8	23.6	26.4	21	18	15
EV/t (USD-Cap)	280	262	261	228	214	177	171	165
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Return Ratios (%)								
RoIC	39.2	33.4	15.1	25.3	8.8	13.4	16.9	23.8
RoE	16.3	14.0	6.6	12.8	5.9	7.3	8.4	9.4
RoCE	14.9	13.9	7.8	12.6	6.4	7.7	8.8	9.8
Working Capital Ratios								
Inventory (Days)	43	55	53	59	42	50	50	50
Debtor (Days)	14	15	20	17	16	16	16	16
Creditor (Days)	106	105	108	103	116	102	102	101
Working Capital Turnover (Days)	2	20	19	31	-6	22	29	41
Leverage Ratio (x)								
Current Ratio	1.0	1.2	1.2	1.3	0.9	1.2	1.3	1.4
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	21,409	26,261	31,532
Depreciation	11,399	10,365	15,462	16,147	28,080	32,296	34,338	36,880
Interest and Finance Charges	220	-849	-165	139	270	0	0	0
Direct Taxes Paid	-7,439	-1,959	-3,287	-4,400	-4,282	-5,566	-6,828	-8,198
(Inc.)/Dec. in WC	8,762	-7,321	967	-6,238	16,392	-12,927	-2,131	-2,508
CF from Operations	43,200	29,546	28,563	36,104	54,433	35,212	51,640	57,706
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	35,212	51,640	57,706
(Inc.)/Dec. in FA	-9,984	-19,483	-27,619	-28,057	-34,655	-35,000	-35,000	-35,000
Free Cash Flow	30,953	7,746	-576	4,979	15,975	212	16,640	22,706
(Pur.)/Sale of Investments	-17,791	-77	3,737	14,555	-1,724	8,000	-8,000	-10,000
Others	0	0	0	0	0	0	0	0
CF from Investments	-27,774	-19,559	-23,882	-13,503	-36,379	-27,000	-43,000	-45,000
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	0	0	0
Dividend Paid	-22	-3,789	-3,245	-3,790	-3,799	-4,330	-4,690	-4,690
CF from Fin. Activity	-12,146	-8,584	-3,151	-17,937	-14,632	-6,548	-5,708	-5,708
Inc./Dec. in Cash	1,016	-915	11	1,597	-381	1,664	2,932	6,998
Opening Balance	1,081	2,097	1,182	1,374	2,691	2,310	3,974	6,906
Closing Balance	2,097	1,183	1,193	2,971	2,310	3,974	6,906	13,904

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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