

SHREE CEMENT

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	28,585
12 month price target (INR)	31,120
52 Week High/Low	32,508/23,500
Market cap (INR bn/USD bn)	1,031/11.7
Free float (%)	37.44
Avg. daily value traded (INR mn)	910.6

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	62.56%	62.56%	62.56%
FII	10.34%	10.07%	9.7%
DII	14.40%	14.65%	15.07%
Pledge	0%	0%	0%

FINANCIALS

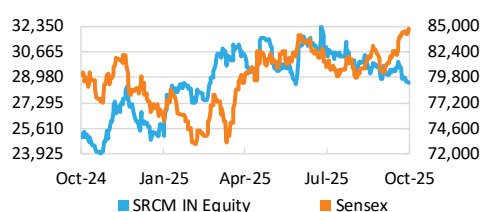
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	1,80,373	2,01,853	2,20,796	2,38,713
EBITDA	38,368	48,361	56,570	61,759
Adjusted profit	11,962	17,124	21,836	22,672
Diluted EPS (INR)	331.5	474.6	605.2	628.4
EPS growth (%)	(51.5)	43.2	27.5	3.8
RoAE (%)	5.8	7.8	9.3	9.0
P/E (x)	86.2	60.2	47.2	45.5
EV/EBITDA (x)	25.2	19.9	17.0	15.4
Dividend yield (%)	0.4	0.4	0.4	0.4

CHANGE IN ESTIMATES

Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	2,01,853	2,20,796	3%	2%
EBITDA	48,361	56,570	2%	-1%
Adjusted profit	17,124	21,836	4%	-2%
Diluted EPS (INR)	474.6	605.2	4%	-2%

PRICE PERFORMANCE



Value over volumes strategy yields result

Shree Cement (SRCM) continued to prioritise realisations over volumes in Q2FY26; volumes improved ~4% YoY whereas blended realisation decreased 1.5% QoQ. EBITDA at INR8.51bn beat our estimates by ~5%. Blended EBITDA/t was INR1,078. SRCM expects to clock volumes of 37–38 MnT in FY26E and its capacity shall touch 69MnT by end-FY26E and 72–75MnT by end-FY28E.

SRCM's capex plan shall help deliver sustained volume growth and cost efficiency measures would allow it to maintain cost leadership in the cement industry. We are revising FY26E EBITDA upwards by 2%; maintain 'HOLD' with a revised TP of INR31,120 (earlier INR30,873) based on 18x Q2FY28E EV/EBITDA.

Volume growth picks up; marginal dip in realisation

Q2FY26 operational performance: (i) Volumes (including clinker sale) improved ~4% YoY (down ~12% QoQ) in Q2FY26. Cement volumes improved 6.8% YoY versus 3–5% growth for the industry. (ii) Blended realisations fell 1.5% QoQ (up ~11% YoY) largely due to SRCM's strategy of focusing on value over volumes. (iii) Power/fuel costs/t rose ~3% QoQ (flat YoY). (iv) Freight costs/t grew ~2% YoY (down 1.5% QoQ); (v) Raw material cost/t rose ~9% QoQ (up ~27% YoY). (vi) Other expenses/t rose ~13% QoQ (up ~11% YoY). (vii) Blended EBITDA/t was INR1,078 (down ~22% QoQ; up 38% YoY). (viii) Premium share improved to 21.1% of trade sales compared with 14.9% in Q2FY25. (ix) UAE volumes posted impressive growth of 34% with sales volumes reaching 1.319MnT. Revenue/EBITDA of UAE operations surged 50%/158% YoY.

Capex programme on track: SRCM commissioned clinker unit of 3.65MnT during the quarter. Work on projects of 3MnT at Jaitaran in Rajasthan (to be commissioned in coming days) and 3MnT at Kodla in Karnataka (final leg of completion) is progressing as per schedule – this will take the capacity to 68.8MnT. SRCM expects to have capacity of 72–75MnT by end-FY27. The plan to reach 80MnT by FY28E can be deferred to FY29E based on demand environment. Capex for FY26E will be INR33bn.

Q2FY26 conference call highlights: i) SRCM expects to clock volumes of 37–38MnT in FY26E. ii) Management reiterated they expect volumes to grow in line/marginally better than industry going ahead; they expect northern and western region to fare better compared with other regions. iii) Savings of INR100/t will accrue from rise in rail share (aim to reach 20% from 11% currently). iv) Green power share was 60% in Q2FY26 and 63.15% in H1FY26—one of the highest in the industry. SRCM is consistently ramping up its green power generation (group) capacity, which was 612.5 MW in Q2FY26. v) It has 24 operational RMC plants and aims to reach 50 plants by end-FY26E.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	43,032	37,270	15.5	49,480	(13.0)
EBITDA	8,513	5,925	43.7	12,291	(30.7)
Adjusted Profit	2,771	931	197.6	6,185	(55.2)
Diluted EPS (INR)	76.8	25.8	197.6	171.4	(55.2)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	1,80,373	2,01,853	2,20,796	2,38,713
Gross profit	1,15,436	1,29,695	1,43,313	1,54,588
Employee costs	9,906	10,377	11,103	11,769
Other expenses	67,162	70,957	75,640	81,059
EBITDA	38,368	48,361	56,570	61,759
Depreciation	28,081	31,198	33,636	38,234
Less: Interest expense	2,086	2,100	2,349	2,249
Add: Other income	5,772	6,342	6,710	7,065
Profit before tax	13,973	21,405	27,295	28,340
Prov for tax	2,011	4,281	5,459	5,668
Less: Other adjustment	0	0	0	0
Reported profit	11,962	17,124	21,836	22,672
Less: Excp.item (net)	0	0	0	0
Adjusted profit	11,962	17,124	21,836	22,672
Diluted shares o/s	36	36	36	36
Adjusted diluted EPS	332	475	605	628
DPS (INR)	110.0	110.0	110.0	110.0
Tax rate (%)	14.4	20.0	20.0	20.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
EBITDA/tonne	1,070	1,307	1,423	1,450
Net Debt/EBITDA	(1.7)	(1.4)	(1.2)	(1.3)
Operating expenses as a % of Rev.	78.7	76.0	74.4	74.1
EBITDA margin (%)	21.3	24.0	25.6	25.9
Net profit margin (%)	6.6	8.5	9.9	9.5
Rev. Growth (% YoY)	(7.4)	11.9	9.4	8.1
EBITDA growth (% YoY)	(12.1)	26.0	17.0	9.2
Adj. profit growth (%)	(51.5)	43.2	27.5	3.8

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.2	7.0	6.8	6.8
10 year yield (%)	6.0	5.3	5.3	5.3
USD/INR (average)	84.5	86.5	85.0	85.0
Volumes (MT)	35.9	37.0	39.8	42.5
Realisation/t	5,031	5,457	5,555	5,606
P&F cost/t	1,248	1,286	1,253	1,248
Freight/t	1,159	1,178	1,159	1,150
RM cost/t	564	665	697	728
Other exp./t	715	741	744	754

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	86.2	60.2	47.2	45.5
Price/BV (x)	4.9	4.6	4.2	3.9
EV/EBITDA (x)	25.2	19.9	17.0	15.4
Dividend yield (%)	0.4	0.4	0.4	0.4

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	361	361	361	361
Reserves	2,11,753	2,24,908	2,42,775	2,61,478
Shareholders funds	2,12,114	2,25,269	2,43,136	2,61,839
Minority interest	0	0	0	0
Borrowings	21,162	27,162	26,162	25,162
Trade payables	12,108	12,621	13,838	15,163
Other liab & prov	32,174	32,174	32,174	32,174
Total liabilities	2,77,559	2,97,226	3,15,310	3,34,339
Net block	61,753	70,555	74,918	74,684
Intangible assets	7,226	7,226	7,226	7,226
Capital WIP	31,115	23,115	25,115	27,115
Total fixed assets	1,00,095	1,00,896	1,07,260	1,09,025
Non current inv	52,862	53,862	54,862	55,862
Cash/cash equivalent	65,411	71,526	73,548	79,269
Sundry debtors	7,805	9,016	9,384	11,172
Loans & advances	1,411	1,411	1,411	1,411
Other assets	13,005	16,005	19,005	22,005
Total assets	2,77,559	2,97,226	3,15,310	3,34,339

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	13,973	21,405	27,295	28,340
Add: Depreciation	28,081	31,198	33,636	38,234
Interest (net of tax)	(3,686)	(4,242)	(4,361)	(4,816)
Others	(4,129)	(5,934)	(6,859)	(6,825)
Less: Changes in WC	16,392	(3,238)	(2,481)	(4,217)
Operating cash flow	50,630	39,189	47,230	50,716
Less: Capex	(34,655)	(32,000)	(40,000)	(40,000)
Free cash flow	15,975	7,189	7,230	10,716

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	5.8	7.8	9.3	9.0
RoCE (%)	7.0	9.8	11.5	11.1
Inventory days	147	116	125	126
Receivable days	17	15	15	16
Payable days	64	63	62	63
Working cap (% sales)	(0.7)	3.4	5.2	7.4
Gross debt/equity (x)	0.1	0.1	0.1	0.1
Net debt/equity (x)	-0.5	-0.4	-0.4	-0.4
Interest coverage (x)	4.9	8.2	9.8	10.5

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(51.5)	43.2	27.5	3.8
RoE (%)	5.8	7.8	9.3	9.0
EBITDA growth (%)	(12.1)	26.0	17.0	9.2
Payout ratio (%)	33.2	23.2	18.2	17.5

Exhibit 1: Quarterly financial snapshot (INR mn)

INR mn	Q2FY26	Q2FY25	% change	Q1FY26	% change	FY26E	FY27E
Sales volume (mt)	7.90	7.60	3.9	8.95	(11.7)	37.0	39.8
Clinker sale (mt)	0.10	0.31	(67.7)	0.10	-	-	-
Cement realisation per tonne (INR)	4,843	4,445	9.0	4,914	(1.5)	5,457	5,555
Net Sales	43,032	37,270	15.5	49,480	(13.0)	2,01,853	2,20,796
Raw material	5,398	4,099	31.7	5,599	(3.6)	24,600	27,688
Staff cost	2,570	2,495	3.0	2,545	1.0	10,377	11,103
Power & Fuel	10,397	10,012	3.8	11,461	(9.3)	47,558	49,795
Freight & Selling expenses	9,424	8,918	5.7	10,840	(13.1)	43,559	46,053
Other expenditure	6,730	5,820	15.6	6,744	(0.2)	27,398	29,588
Total expenditure	34,519	31,345	10.1	37,189	(7.2)	1,53,492	1,64,226
EBITDA	8,513	5,925	43.7	12,291	(30.7)	48,361	56,570
Interest	507	567	(10.5)	446	13.8	2,100	2,349
Depreciation	5,549	6,687	(17.0)	5,524	0.4	31,198	33,636
EBIT	2,458	(1,328)	(285.0)	6,321	(61.1)	15,063	20,584
Other Income	1,570	1,776	(11.6)	2,011	(21.9)	6,342	6,710
PBT before exceptional items	4,027	448	799.8	8,331	(51.7)	21,405	27,295
Exceptional items	-	-	NA	-	NA	-	-
Profit Before Tax	4,027	448	NA	8,331	NA	21,405	27,295
Less: Provision for Tax	1,256	(484)	-	2,146	-	4,281	5,459
Reported Profit	2,771	931	197.6	6,185	(55.2)	17,124	21,836
Adjusted Profit	2,771	931	197.6	6,185	(55.2)	17,124	21,836
Equity capital (FV INR 10)	361	361		361		361	361
No. of shares (mn)	36.1	36.1		36.1		36.1	36.1
EPS (INR)	76.8	25.8	197.6	171.4	(55.2)	474.6	605.2
Diluted PE (x)						60.2	47.2
EV/EBITDA (x)						19.9	17.0
ROAE (%)						7.8	9.3
As % of net revenues	0.1	0.1	0.1	0.1	0.1		
Raw material	12.5	11.0		11.3		12.2	12.5
Staff expenses	6.0	6.7		5.1		5.1	5.0
Power & fuel	24.2	26.9		23.2		23.6	22.6
Freight outward	21.9	23.9		21.9		21.6	20.9
Other expenses	15.6	15.6		13.6		13.6	13.4
EBITDA	19.8	15.9		24.8		24.0	25.6
Net profit	6.4	2.5		12.5		8.5	9.9
Tax rate	31.2	(108.1)		25.8		20	20

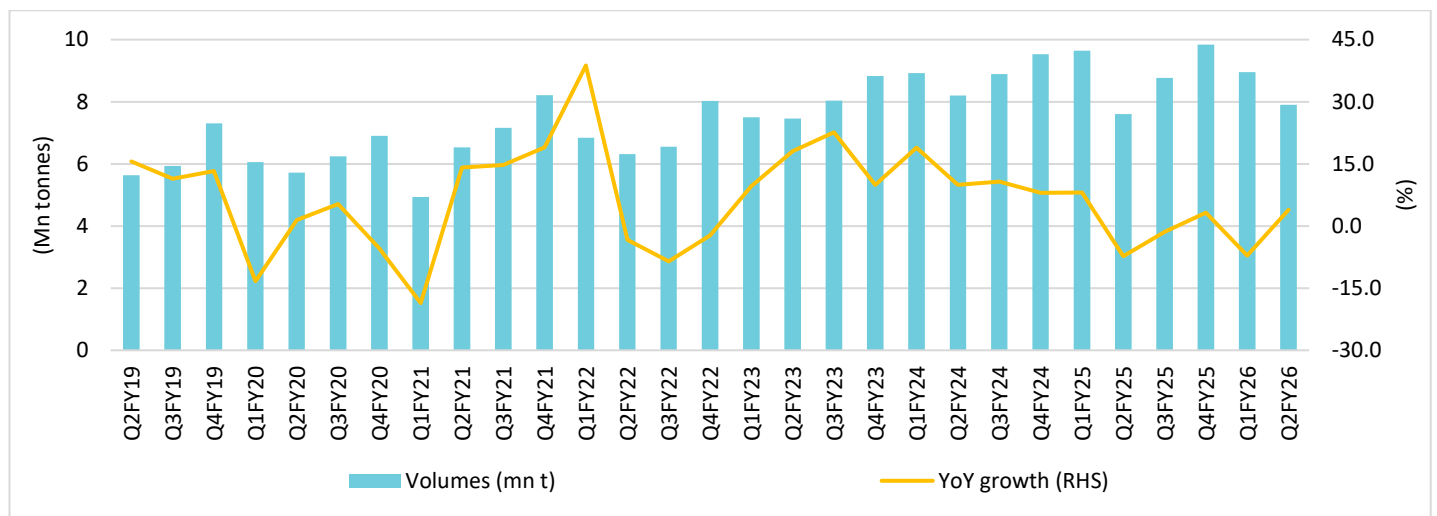
Source: Company, Nuvama Research

Exhibit 2: Per tonne analysis

(INR/tonne)	Q2FY26	Q2FY25	% change	Q1FY26	% change
Realisation	5,447	4,904	11.1	5,528	(1.5)
Raw material	683	539	26.7	626	9.2
Power	1,316	1,317	(0.1)	1,281	2.8
Freight	1,193	1,173	1.7	1,211	(1.5)
Staff	325	328	(0.9)	284	14.4
Others	852	766	11.2	753	13.1
Total cost	4,369	4,124	5.9	4,155	5.2
EBITDA	1,078	780	38.2	1,373	(21.5)

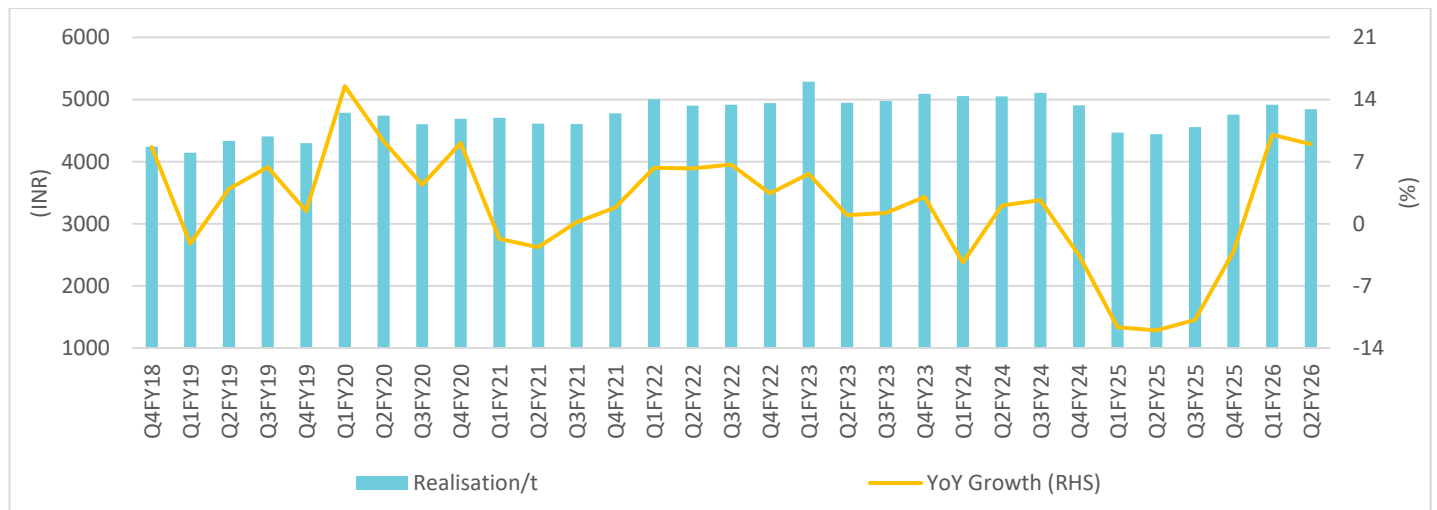
Source: Company, Nuvama Research

Exhibit 3: Volumes (including clinker sale) improve ~4% YoY



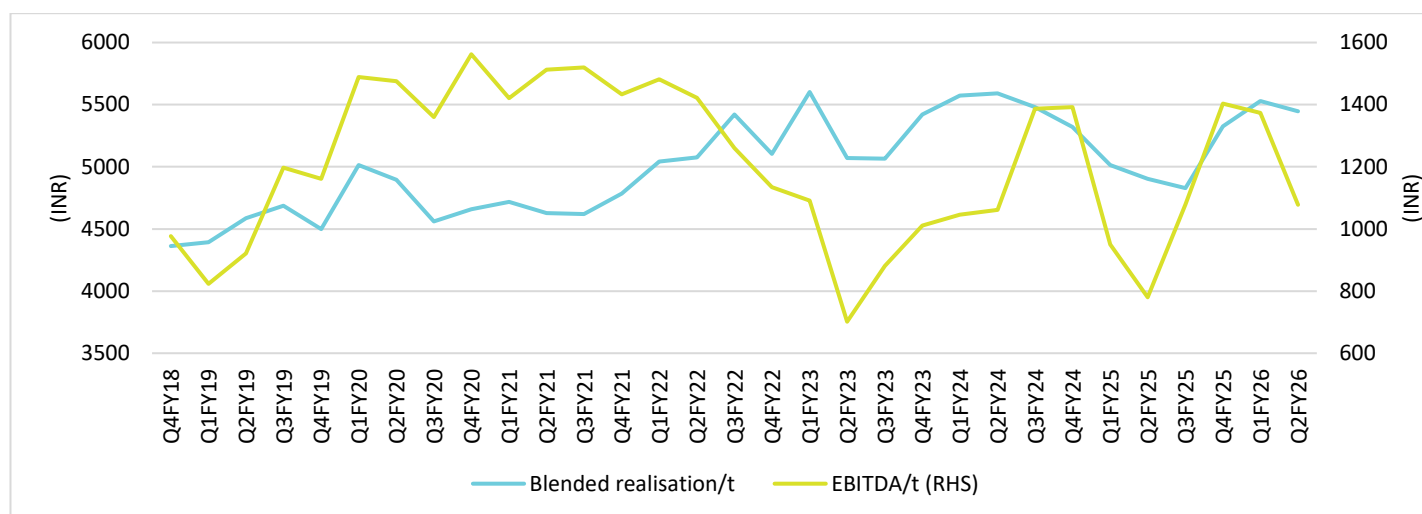
Source: Company, Nuvama Research

Exhibit 4: Blended realisations rises ~9% YoY



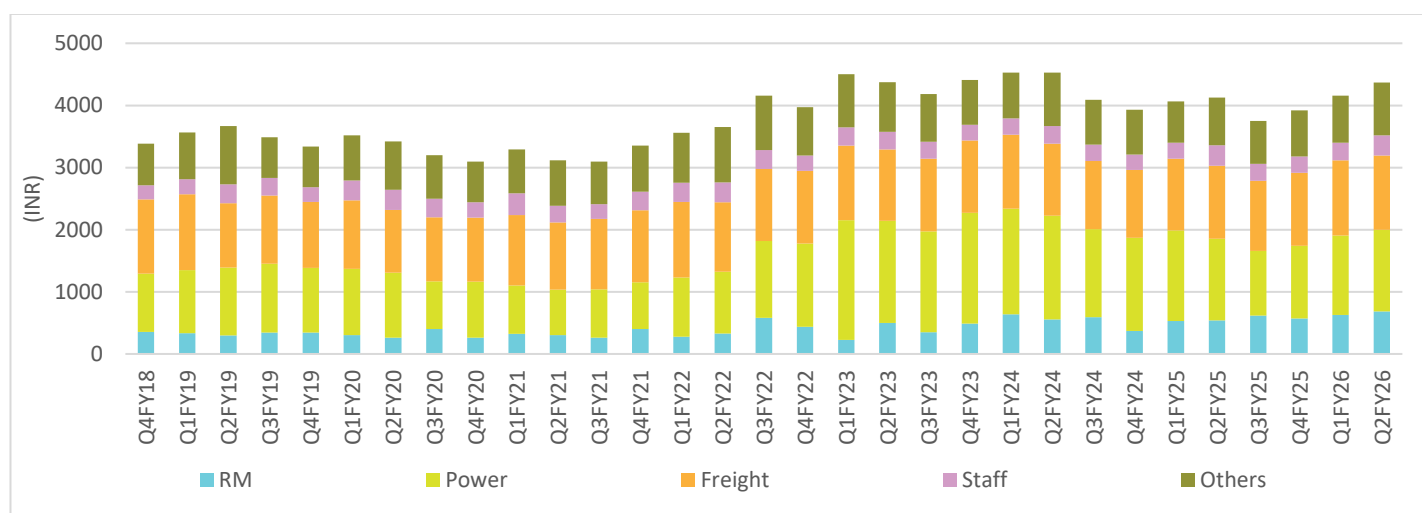
Source: Company, Nuvama Research

Exhibit 5: Blended realisations versus EBITDA/t



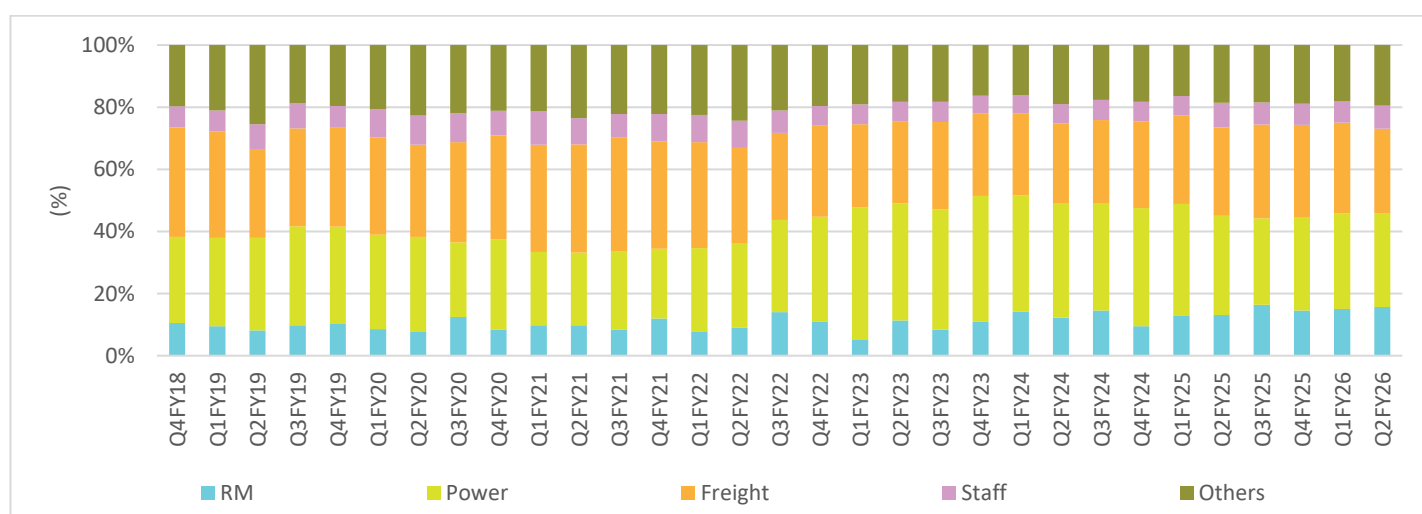
Source: Company, Nuvama Research

Exhibit 6: Opex cost split (absolute terms)



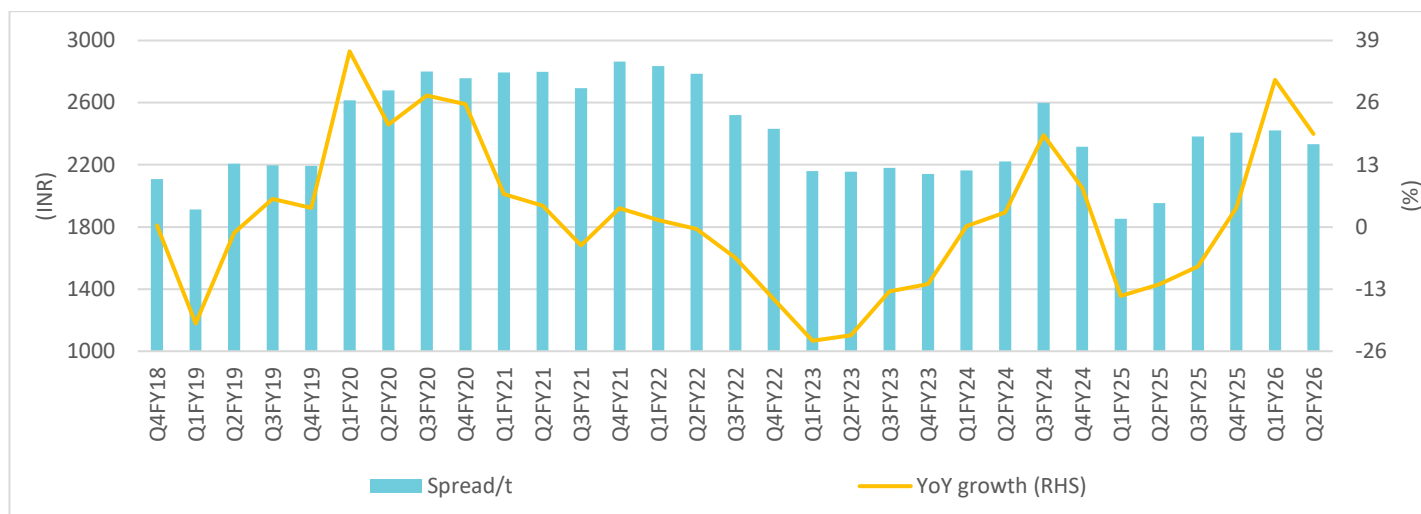
Source: Company, Nuvama Research

Exhibit 7: Opex cost split (% terms)



Source: Company, Nuvama Research

Exhibit 8: Spread/t surged ~19% YoY



Source: Company, Nuvama Research

Q2FY26 conference call: Key takeaways

Demand

SRCM continues to focus on its value over volumes strategy. Cement volumes increased 6.8% YoY compared with industry growth of 3–5% whereas total volumes (including clinker) grew 4% YoY in Q2FY26. Management has guided for volumes of 37–38MnT in FY26E. They expect the northern and western region to fare better as compared with other regions. Management reiterated that they expect SRCM's volumes to grow in line or marginally better compared with industry going ahead.

Realisations

Cement realisations for the company (up 9% YoY) were better than industry with premium share increasing to 21.1% of trade share (aim is to maintain this in coming quarters). Management has passed on entire benefits of GST rationalisation to customers. Current realisations are marginally lower compared with Q2FY26 average prices (adjusted of GST rates) due to demand being soft in Oct-25 due to the festive season.

Cost optimisation

Management has guided that savings of INR100/t will accrue from increasing rail share to 20% from current 11%. Green power share was 60% in Q2FY26.

Capacity expansion

SRCM shall have a capacity of 67MnT by end-FY26E and 72–75MnT by end-FY27E. The intermediate plan to reach 80MnT by FY28E can be deferred to FY29E on the basis of demand environment. Capex for FY26 will be INR33bn.

UAE operations

Demand has been robust in the past one year and hence its subsidiary has announced a plan of increasing its cement capacity by 3MnT at an investment of AED110Mn; this will be funded through internal accruals of the UAE arm.

During the quarter, the operations in UAE recorded revenue of AED231.80mn registering growth of 50% YoY while the operational EBITDA increased from

AED20.34 mn to AED52.53 mn (up 158% YoY). Total sale volume also jumped from 0.987MnT to 1.319MnT, recording an impressive growth of 34%.

RMC business: Management reiterated its plan to have 40 plants by end-FY26 from the current 24 plants.

Other operational updates

Trade share was 70% (71% in Q1FY26)

Blended cement was 68% (70% in Q1FY26)

Lead distance was 441km (451km in Q1FY26)

Fuel cost was INR1.66/kcal (INR1.59/kcal in Q1FY26). It expects to see the cost in a similar range or marginally decline in coming quarter.

Company Description

Shree Cement Limited (SRCM), incorporated in 1979, is the third-largest cement group in India. Its domestic capacity is spread majorly in East, North and South India. The company sells cement under the brand name of Roofon, Bangur Power, Bangur Cement and Rockstrong. SRCM earns revenue from cement, power generation and now is diversifying into RMC segment.

Investment Theme

SRCM is the most efficient cement player given i) its cost competitiveness (both operating and capex); ii) historic high RoE versus peers and iii) strong balance sheet with net cash position. SRCM's ambitious capex plan will help deliver sustained volume growth and allow it to maintain cost leadership in the cement industry. We maintain 'HOLD' on the stock.

Key risks

- Sharp increase in cement demand/prices may lead to earnings upgrade.
- Sharp decline in cost.
- Any large acquisition at attractive valuation trigger upside.

Additional Data

Management

Chairman Emeritus	Shri B.G.Bangur
Chairman	Shri H.M. Bangur
Vice Chairman	Shri Prashant Bangur
MD	Shri Neeraj Akhoury
Auditor	M/s. Gupta & Dua

Holdings – Top 10*

	% Holding		% Holding
Flt Ltd	9.98	Blackrock	0.94
SBI MF	6.24	UTI AMC	0.77
LIC	3.13	Franklin Resour	0.55
ICICI Pru AMC	1.45	Kotak Mahindra	0.50
Vanguard	1.16	Nippon Life Ind	0.49

*Latest public data

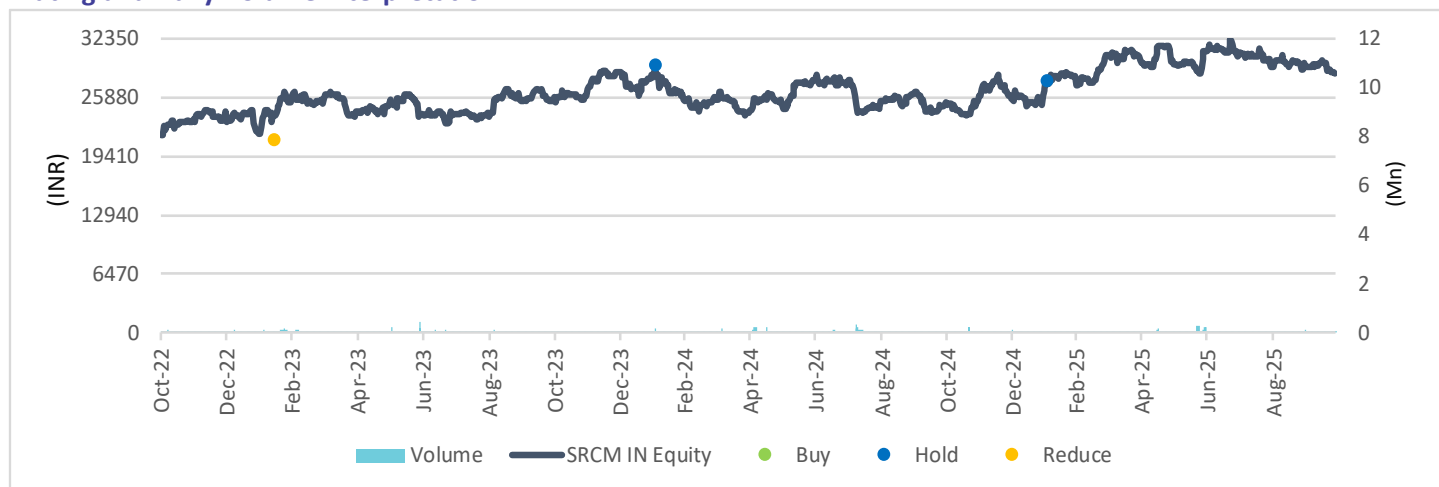
Recent Company Research

Date	Title	Price	Reco
04-Aug-25	Focus on value over volumes ; <i>Result Update</i>	30,645	Hold
14-May-25	All-round beat; <i>Result Update</i>	30,620	Hold
31-Jan-25	Delivering on cost efficiencies; <i>Result Update</i>	25,295	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
19-Oct-25	UltraTech Cement	Bright outlook; <i>Result Update</i>
14-Oct-25	Cement	Capex improves; prices moderate; <i>Sector Update</i>
09-Oct-25	Cement	Prices holding ground amid soft volumes; <i>Sector Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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