

HOLD

TP: Rs 28,874 | ▼ 6%

SHREE CEMENT

Cement

05 August 2025

Operationally healthy, valuations moderate; upgrade to HOLD

- Revenue growth stays soft in a healthy quarter as volume remain weak. Realisation gains offset volume weakness
- Realisation gains offset marginal cost inflation, boosts EBITDA margin to 24.8%, pedalling volume growth in the medium term
- Revise upwards FY26E/FY27E EBITDA/PAT estimates, introduce FY28e. Upgrade to HOLD; TP revised to Rs 28,874 (Rs 26,974) on rollover

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Revenue stays listless as volume growth lacks pace: SRCM reported revenue growth subdued at 2.3% YoY (-5.6% QoQ), as volumes declined by 7.2%/9% YoY/QoQ. The check in volume growth helped realisation gain by 10.2%/3.8% YoY/QoQ, supported by an improvement in the premium product to 17.7% vs 15.6% in Q4FY25.

Cost-saving efforts offer limited margin guard: Operating costs inflated by 2.2%/6.1% YoY/QoQ to Rs 4,155/t as the raw material cost shot up by 48.3%/10% YoY/QoQ. However, fuel costs were lower by 12.1% YoY (9.3% QoQ) to Rs 1,281/t as the green power share jumped further to 65.7% from 54% YoY (capacity at 586 MW at Q1FY26 end). Logistic cost inflated by 4.7%/3.1% YoY/QoQ. EBITDA rose by 34.1% YoY (-11.4% QoQ) at Rs 12.3bn, as EBITDA margin improved markedly by 590bps to 24.8% YoY (vs 26.5% QoQ). Adj. PAT surged 94.7%/10.2% YoY/QoQ on significant increase in other income of 49.4%/33.9% YoY/QoQ.

Capex plans: The ongoing plans of SRCM in Jaitaran, Rajasthan (3 mt) and Kodla, Karnatak (3 mt) are on track and set to increase total cement capacity to 68.8 mt upon commissioning. RMC business network increased to 21 plants with plans to increase it to 50 plants by FY26 end. The company aims to reach to reach capacity of 80 mt by FY28 with Rs 30bn earmarked for capex in FY26.

Earnings upgraded; upgrade to HOLD from SELL earlier: We revise our EBITDA/PAT estimates upwards for FY26/FY27. We introduce FY28 earnings with 13%/11% YoY EBITDA/PAT growth. Our revenue/EBITDA CAGR estimates are 17%/19% over FY25-FY28E. SRCM delivers better opex but at lower capacity utilisation (hovering ~ mid 60-65%) remains a concern, offset by better earnings. We upgrade SRCM to HOLD (SELL earlier), valuing SRCM at 15x (unchanged) 1YF EV/EBITDA, as we feel SRCM gaining size (79mnt) without any meaningful dent in operating efficiencies and margins will continue. However, we feel this still lacks trigger to multiple revision. We revise our TP at to Rs28,874 (earlier Rs 26,974) for roll forward to June 2027 while valuing the stock at 15x FY27E EV/EBITDA and Rs10.5bn/mnt replacement cost.

Key changes

Target	Rating
▲	▲

Ticker/Price	SRCM IN/Rs 30,645
Market cap	US\$ 12.6bn
Free float	37%
3M ADV	US\$ 14.1mn
52wk high/low	Rs 32,490/Rs 23,500
Promoter/FPI/DII	63%/13%/12%

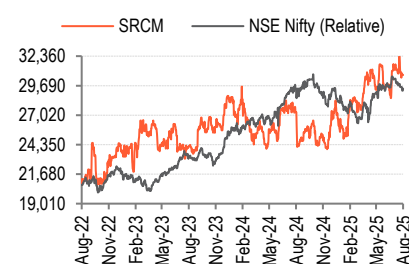
Source: NSE | Price as of 4 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,80,373	2,17,473	2,52,901
EBITDA (Rs mn)	38,368	47,104	57,300
Adj. net profit (Rs mn)	11,962	18,422	24,021
Adj. EPS (Rs)	331.5	510.6	665.8
Consensus EPS (Rs)	331.5	518.3	663.0
Adj. ROAE (%)	5.8	8.5	10.4
Adj. P/E (x)	92.4	60.0	46.0
EV/EBITDA (x)	26.0	25.7	21.2
Adj. EPS growth (%)	(51.5)	54.0	30.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Key metrics

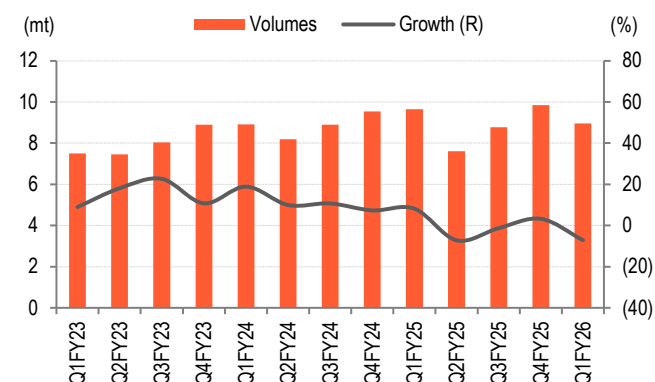
	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	4QFY25E	Deviation (%)
Volumes (mn mt)	9.0	9.6	(7.2)	9.8	(9.0)	9.8	(8.3)
Cement realisations (Rs/t)	5,528	5,015	10.2	5,325	3.8	5,405	2.3
Operating costs (Rs/t)	4,155	4,065	2.2	3,916	6.1	3,910	6.3
EBITDA/t (Rs)	1,373	951	44.4	1,409	(2.6)	1,683	(18.4)

Source: Company, BOBCAPS Research

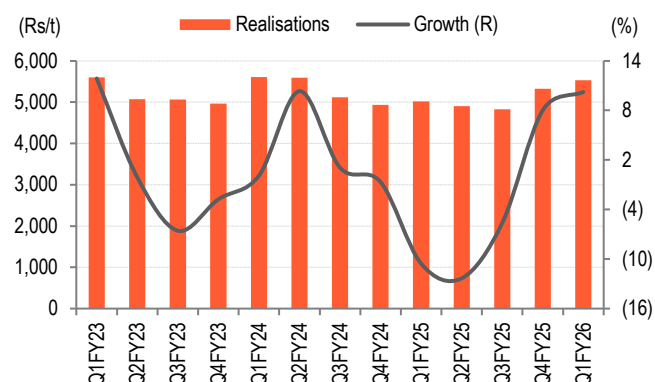
Fig 2 – Quarterly performance

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	4QFY25E	Deviation (%)
Net Sales	49,480	48,347	2.3	52,402	(5.6)	54,591	(9.4)
Expenditure							
Change in stock	(284)	(349)	(18.6)	(414)	(31.4)	(311)	(8.7)
Raw material	4,185	3,723	12.4	4,792	(12.7)	4,870	(14.1)
purchased products	1,698	691	145.7	1,220	39.2	1,010	68.1
Power & fuel	11,461	14,052	(18.4)	11,531	(0.6)	11,371	0.8
Freight	10,840	11,151	(2.8)	11,558	(6.2)	11,566	(6.3)
Employee costs	2,545	2,446	4.0	2,540	0.2	2,550	(0.2)
Other exp	6,744	7,469	(9.7)	7,307	(7.7)	7,111	(5.2)
Total Operating Expenses	37,189	39,183	(5.1)	38,534	(3.5)	38,167	(2.6)
EBITDA	12,291	9,164	34.1	13,867	(11.4)	16,424	(25.2)
EBITDA margin (%)	26.5	26.0	44bps	22.3	411bps	28.4	(197bps)
Other Income	2,011	1,346	49.4	1,501	33.9	1,512	33.0
Interest	446	573	(22.2)	417	6.9	421	5.8
Depreciation	5,524	6,428	(14.1)	7,470	(26.1)	7,510	(26.4)
PBT	8,332	3,509	137.5	7,482	11.4	10,005	(16.7)
Non-recurring items	0	0	-	0	-	0	-
PBT (after non recurring items)	8,332	3,509	137.5	7,482	11.4	10,005	(16.7)
Tax	(2,146)	(331)	548.3	(1,868)	14.9	(2,501)	(14.2)
Reported PAT	6,185	3,177	94.7	5,614	10.2	7,503	(17.6)
Adjusted PAT	6,185	3,177	94.7	5,614	10.2	7,503	(17.6)
NPM (%)	12.5	6.6	593bps	10.7	179bps	13.7	(124bps)
Adjusted EPS (Rs)	166.7	85.6	94.7	151.3	10.2	202.2	(17.6)

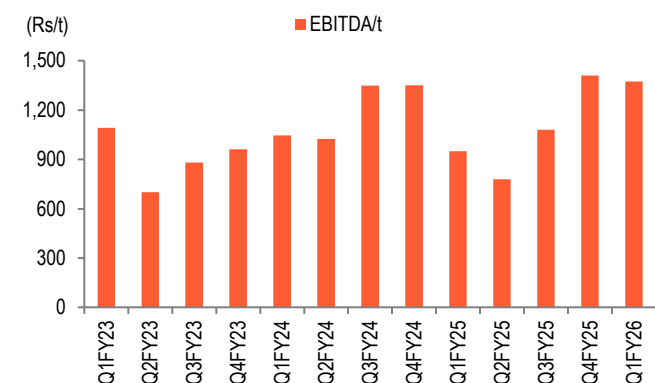
Source: Company, BOBCAPS Research

Fig 3 – Volume growth limited in a healthy quarter

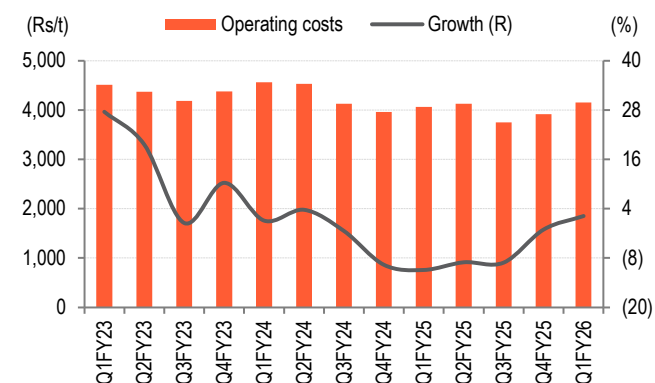
Source: Company, BOBCAPS Research

Fig 4 – Triggered by limited volume gains, realisations spike sharply YoY

Source: Company, BOBCAPS Research

Fig 5 – Cost savings aide healthy EBITDA/t gains

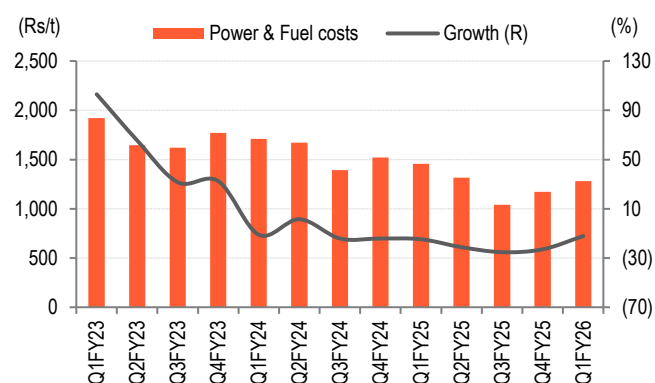
Source: Company, BOBCAPS Research

Fig 6 – Cost efficiencies lever likely to play key role in improving earnings

Source: Company, BOBCAPS Research

Fig 7 – QoQ cost inflation a negative surprise

Source: Company, BOBCAPS Research

Fig 8 – Power cost savings may have limited gains in the medium term

Source: Company, BOBCAPS Research

Valuation Methodology

We revise our EBITDA/PAT estimates upwards for FY26/FY27. We introduce FY28 earnings with 13%/11% YoY EBITDA/PAT growth. Our revenue/EBITDA CAGR estimates are 17%/19% over FY25-FY28E. SRCM's delivers a better opex, but at lower capacity utilisation (hovering ~ mid 60-65%) and remains a concern, offset by better earnings.

In a mix environment of growth and margins scenario, we feel cost saving levers will be handy, contributed by green power and railway sidings operational. The higher EBITDA/tonne remains the highlight only through cost savings in uncertain realisations scenario. Further, incentives are available for certain plants including the Etah GU, though the Guntur facility does not have any incentives.

Hence, we upgrade SRCM to HOLD (SELL earlier), valuing SRCM at 15x (unchanged) 1YF EV/EBITDA, as SRCM is gaining size (79mnt) without any meaningful dent in operating efficiencies and margins will continue. However, we feel this still lacks trigger to multiple revision. We revise our TP at to Rs28,874 (earlier Rs 26,974) for roll forward to June 2027 while valuing the stock at 15x FY27E EV/EBITDA and Rs10.5bn/mnt replacement cost.

Fig 9 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,17,473	2,52,901	2,89,892	2,17,473	2,52,901		0.0	0.0	0.0
EBITDA	47,104	57,300	64,809	45,329	55,205		3.9	3.8	0.0
Adj PAT	18,422	24,021	26,634	17,001	23,818		8.4	0.9	0.0
Adj EPS (Rs)	510.6	665.8	738.2	471.2	660.1		8.4	0.9	0.0

Source: BOBCAPS Research

Fig 10 – Key assumptions

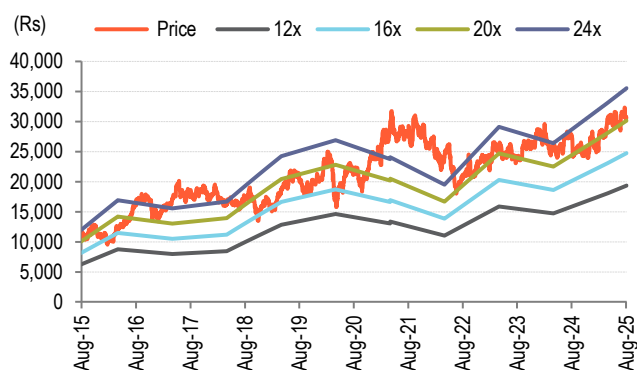
	FY25	FY26E	FY27E	FY28E
Volumes (mt)	37.28	40.63	45.91	51.88
Realisations (Rs/t)	5,257	5,257	5,415	5,496
Operating costs (Rs/t)	4,058	4,102	4,171	4,250
EBITDA/t (Rs)	1,096	1,155	1,244	1,245

Source: Company, BOBCAPS Research

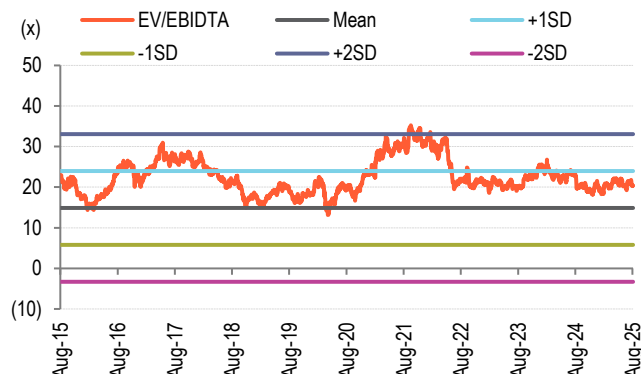
Fig 11 – Valuation summary

(Rs mn)	FY27E
Target EV/EBITDA (x)	15
EBITDA	64,809
Target EV	10,00,650
Total EV	10,00,650
Net debt	(1,46,957)
Target market capitalisation	11,46,848
Target price (Rs/sh)	36.12
Weighted average shares (mn)	28,874

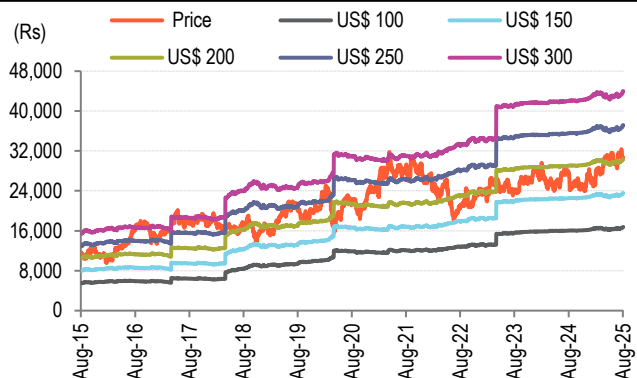
Source: BOBCAPS Research| 1-year forward earnings, rolled forward to June 2027

Fig 12 – EV/EBITDA band: SRCM valuation moderates to align with earnings


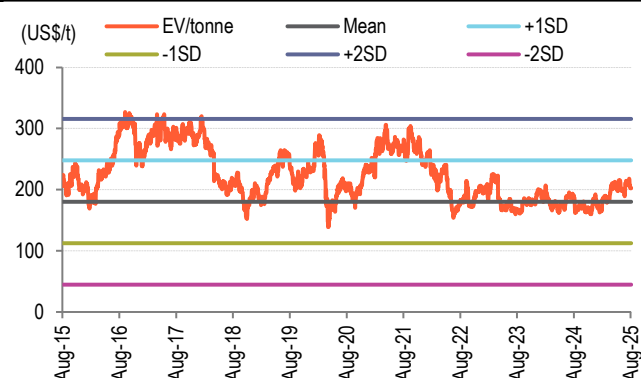
Source: Company, Bloomberg, BOBCAPS Research

Fig 13 – EV/EBITDA 1Y fwd: We continue to value SRCM at 15x EV/EBITDA, near its mean valuation


Source: Company, Bloomberg, BOBCAPS Research

Fig 14 – Replacement cost band: Earnings reflect in replacement cost valuations


Source: Company, Bloomberg, BOBCAPS Research

Fig 15 – Replacement cost band: 1Y fwd reverses to mean chasing earnings


Source: Company, Bloomberg, BOBCAPS Research

Key risks

Key risks to our estimates are:

- Severe competition in northern India can add pricing pressure and a shift in focus back to volume growth may dent realisations and are key downside risks.
- Faster reversal in fuel prices can inflate costs posing a downward risk to our earnings estimates.
- Faster-than-expected demand revival and better realisations represent key upside risks to our estimates.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	1,92,372	1,80,373	2,17,473	2,52,901	2,89,892
EBITDA	39,859	38,368	47,104	57,300	64,809
Depreciation	(16,147)	(28,080)	(30,702)	(33,308)	(36,640)
EBIT	33,100	16,059	25,081	32,865	37,482
Net interest inc./(exp.)	(2,643)	(2,086)	(2,287)	(2,309)	(2,683)
Other inc./(exp.)	9,388	5,772	8,678	8,873	9,313
Exceptional items	0	0	0	0	0
EBT	30,456	13,974	22,794	30,556	34,799
Income taxes	(5,772)	(2,011)	(4,372)	(6,535)	(8,165)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	24,684	11,962	18,422	24,021	26,634
Adjustments	0	0	0	0	0
Adjusted net profit	24,684	11,962	18,422	24,021	26,634

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	12,122	14,331	17,037	19,820	22,723
Other current liabilities	43,332	42,790	40,144	40,539	41,235
Provisions	62	57	57	57	57
Debt funds	14,737	8,165	17,592	20,992	24,392
Other liabilities	(5,887)	(7,061)	(6,880)	(7,448)	(8,067)
Equity capital	361	361	361	361	361
Reserves & surplus	2,03,485	2,11,753	2,23,093	2,40,032	2,59,584
Shareholders' fund	2,03,834	2,12,102	2,23,453	2,40,403	2,59,968
Total liab. and equities	2,68,199	2,70,383	2,91,403	3,14,362	3,40,309
Cash and cash eq.	1,09,725	1,18,273	1,26,417	1,44,569	1,70,589
Accounts receivables	9,298	7,805	9,866	12,001	14,355
Inventories	31,462	20,754	24,966	28,979	33,164
Other current assets	28,400	23,457	23,997	26,396	29,036
Investments	0	0	0	0	0
Net fixed assets	62,429	46,029	27,008	14,429	(1,481)
CWIP	25,564	52,665	77,665	86,415	92,977
Intangible assets	1,321	1,400	1,484	1,573	1,668
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	2,68,199	2,70,384	2,91,402	3,14,362	3,40,308

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	34,027	53,242	42,553	51,391	57,076
Capital expenditures	(27,613)	(38,860)	(36,764)	(29,569)	(27,387)
Change in investments	9,753	(9,210)	(5,727)	(19,241)	(25,802)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(17,861)	(48,070)	(42,491)	(48,810)	(53,189)
Equities issued/Others	(1)	(1)	11	11	13
Debt raised/repaid	(10,655)	(6,572)	9,427	3,400	3,400
Interest expenses	0	0	0	0	0
Dividends paid	(4,433)	(2,649)	(7,082)	(7,082)	(7,082)
Other financing cash flows	701	3,388	0	0	0
Cash flow from financing	(14,388)	(5,834)	2,356	(3,671)	(3,669)
Chg in cash & cash eq.	1,778	(662)	2,418	(1,090)	219
Closing cash & cash eq.	1,09,724	1,18,273	1,26,418	1,44,568	1,70,589

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	684.2	331.5	510.6	665.8	738.2
Adjusted EPS	684.2	331.5	510.6	665.8	738.2
Dividend per share	105.0	167.8	167.8	167.8	167.8
Book value per share	5,649.5	5,878.6	6,193.2	6,663.0	7,205.3

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.3	5.5	5.6	4.8	4.2
EV/EBITDA	25.4	26.0	25.7	21.2	18.9
Adjusted P/E	44.8	92.4	60.0	46.0	41.5
P/BV	5.4	5.2	4.9	4.6	4.3

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	81.0	85.6	80.8	78.6	76.5
Interest burden (PBT/EBIT)	92.0	87.0	90.9	93.0	92.8
EBIT margin (EBIT/Revenue)	17.2	8.9	11.5	13.0	12.9
Asset turnover (Rev./Avg TA)	74.0	67.0	77.4	83.5	88.6
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	12.8	5.8	8.5	10.4	10.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	16.6	(6.2)	20.6	16.3	14.6
EBITDA	56.3	(3.7)	22.8	21.6	13.1
Adjusted EPS	85.9	(51.5)	54.0	30.4	10.9

Profitability & Return ratios (%)

EBITDA margin	20.7	21.3	21.7	22.7	22.4
EBIT margin	17.2	8.9	11.5	13.0	12.9
Adjusted profit margin	12.8	6.6	8.5	9.5	9.2
Adjusted ROAE	12.8	5.8	8.5	10.4	10.6
ROCE	16.0	7.5	11.2	13.5	14.1

Working capital days (days)

Receivables	18	16	17	17	18
Inventory	60	42	42	42	42
Payables	29	37	36	37	37

Ratios (x)

Gross asset turnover	1.1	1.0	1.1	1.2	1.2
Current ratio	3.2	3.0	3.2	3.5	3.9
Net interest coverage ratio	12.5	7.7	11.0	14.2	14.0
Adjusted debt/equity	0.1	0.0	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

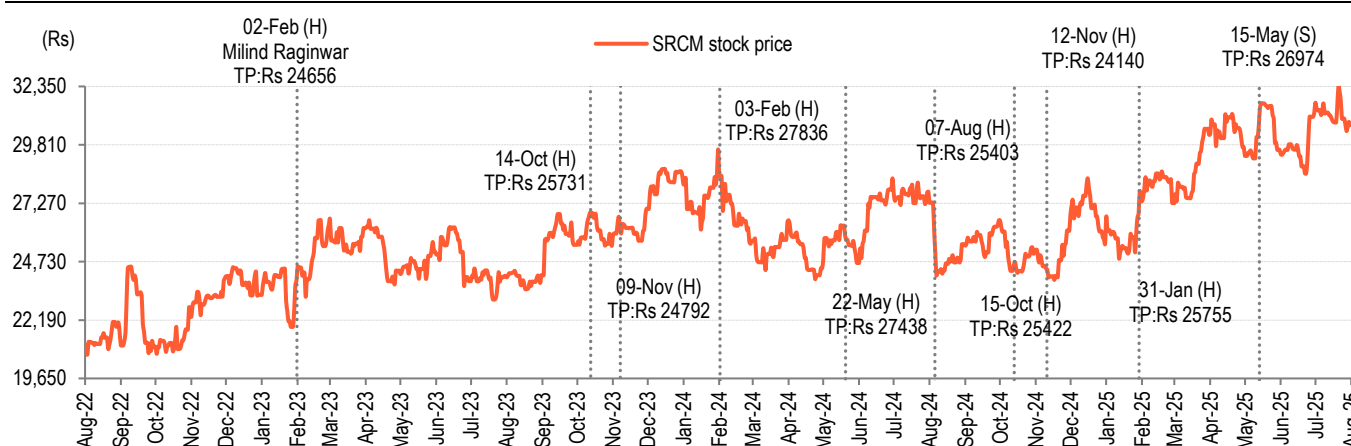
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): SHREE CEMENT (SRCM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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