RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 29,833 | ⮝ 4%

SHREE CEMENT | Cement | 29 October 2025

Operationally healthy with green shoots for improvement

- **SRCM revenue grew by 15.5% YoY (-13% QoQ) helped by healthy realisation gain of ~11% YoY (-1.6%QoQ), offset volume weakness**
- **Total costs inflated by 6%/5% YoY/QoQ to Rs 4,364/t, due to surge in other expenses by16% YoY. EBITDA margins jump on a low base**
- **Maintain FY26E/FY27E/FY28E EBITDA/PAT estimates. Maintain HOLD; TP revised to Rs29,833 (Rs 28,874) on rollover**

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Revenue surges on the back of pricing: SRCM revenue grew by 15.5% YoY (-13% QoQ), helped by healthy realisation gain of ~11% YoY (-1.6%QoQ). Share of premium product went up to 21% vs 15% of trade sales in Q2FY25. Volumes rose only by ~4% YoY (-11.6% QoQ) and were muted YoY given the heavy monsoon in the key North region. GST cut (18%) was fully passed through.

Margin expansion led by realisation: Total costs inflated by 6%/5% YoY/QoQ to Rs 4,364/t, largely due to surge in other expenses by 16% YoY (flat QoQ) owing to maintenance of kilns. This was offset by flat fuel costs YoY (+2.6% QoQ) at Rs 1,314/t as green power share jumped to 63% from 54.8% YoY (capacity at 612 MW at Q2FY26 end). Logistic cost added 1.5% YoY (-1.6% QoQ) and was largely under check. Opex cost was also hit by non-recurring expenses, having an EBITDA/ton impact of Rs30/tn. Effectively, EBITDA rose by 43.7% YoY (-31% QoQ) at Rs 8.5bn, as EBITDA margin improved by 389bps to 19.8% YoY (vs 24.8% QoQ) on a lower base. The EBITDA/tn came at Rs 1,076 vs Rs780/tn YoY.

Capacity ramp-up on track: SRCM commissioned 3.65mnt clinker capacity at Jaitaran (Rajasthan) and will be backed by 3mnt cement mill in H2FY26. Kodla (Karnataka) 3mnt integrated unit is in the final stage of commissioning (Q3FY26). Post-completion, the capacity will reach 68.8mnt by FY26-end. RMC scaled to 24 plants (entered East via Raipur); targeting 50 by FY26-end. SRCM remains committed to reach 80mnt by FY28.

Earnings maintained; retain HOLD: We retain our EBITDA/PAT estimates for FY26/FY27/FY28 with revenue/EBITDA CAGR estimates at 17%/19% over FY25-FY28E. SRCM delivers a better opex albeit at a lower capacity utilisation (hovering ~ mid 60-65%) and that remains a key concern. We retain HOLD rating, valuing SRCM at 15x (unchanged) Sep 2027 EV/EBITDA, as SRCM gaining size (79mnt) without any meaningful dent in operating efficiencies and margins will likely continue. Further, the UAE operations turning earnings accretive is a key positive. We revise our TP at to Rs29,833 (earlier Rs28,874) for roll forward to September 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 28,585
Market cap	US$ 11.7bn
Free float	37%
3M ADV	US$ 10.2mn
52wk high/low	Rs 32,490/Rs 23,500
Promoter/FPI/DII	63%/13%/12%

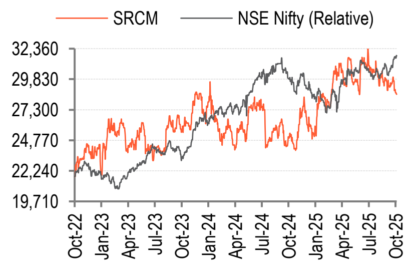
Source: NSE | Price as of 28 Oct 2025

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	541.5	682.5
Adj. ROAE (%)	5.8	8.5	10.4
Adj. P/E (x)	86.2	56.0	42.9
EV/EBITDA (x)	24.2	19.6	16.0
Adj. EPS growth (%)	(51.5)	54.0	30.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Conference Call Key Takeaways

Volumes & realisation

Total sales volume stood at 7.9mnt, up 4.1% YoY but down 11.6% QoQ due to heavy monsoon in North India. Industry growth was in the 3-5% range in Q2FY25. Trade sales were at 70% vs 71% QoQ and blended cement sales were at 68% vs 70% QoQ. Premium products rose to 21% of trade sales (vs. 15% in Q2FY25; 17.7% in Q1FY26). Cement realisation improved to Rs 5,440/t, up 10.9% YoY from Rs 4,904/t, but flattish QoQ. During Q2FY26, there was one-off impact of Rs 30/t, EBITDA/t was at Rs 1,076 (up 38% YoY from Rs 780/t; down 21.6% QoQ from Rs 1,373/t). For the whole year, management targets 37-38mnt in sales volume.

Operating margins

EBITDA grew 43.7% YoY to Rs 8.5bn (down 30.7% QoQ). Green power share at 63% in Q2FY26 vs 54.8% YoY and AFR at 2.3% vs 1.5% YoY; fuel cost rose to Rs 1.66/kcal vs Rs 1.59/kcal. Pet-coke portion in fuel mix was 66% and 44% was coal and alternate material. Lead distance fell to 441km vs 451km QoQ. Rail share in freight mix is currently at 11% with plans to increase to 20%. Overall efficiency gains in logistics are expected to generate ~Rs 100/t savings. Other opex was elevated due to higher repair & maintenance in Q2FY26.

Capacity expansion

SRCM commissioned 3.65mnt clinker capacity at Jaitaran (Rajasthan) and will be backed by 3mnt cement mill in H2FY26. Kodla (Karnataka) 3mnt integrated unit is in final stage of commissioning (Q3FY26). Post-completion, capacity will reach 68.8mnt by FY26-end. RMC scaled to 24 plants (entered East via Raipur); targeting 50 by FY26-end. SRCM remains committed to reach 80mnt by FY28. Capex for FY26 remains ~Rs 30bn.

Green energy

Green power capacity increased to 612 MW with commissioning of 20 MW solar plant in Chitrakoot, Uttar Pradesh. Green power share was at 63% in H1FY26. All plants remain Zero Liquid Discharge; water positivity > 8x, expected to improve further with good monsoons.

Other key points

RMC plants scaled to 24 foraying into East India with Raipur plant. Commissioned India's first solar-powered RMC plant in Jaipur.

UAE operations delivered best-ever quarter: volume +34% YoY to 1.31mnt, revenue increased by 50% YoY, EBITDA up by 158% YoY to AED 52.5mn.

GST cut from 28% to 18% fully passed on.

Fig 1 – Key metrics

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Q2FY26E	Deviation (%)
Volumes (mn mt)	7.9	7.6	4.1	9.0	(11.6)	7.8	1.0
Cement realisations (Rs/t)	5,440	4,904	10.9	5,528	(1.6)	5,488	(0.9)
Operating costs (Rs/t)	4,364	4,124	5.8	4,155	5.0	4,407	(1.0)
EBITDA/t (Rs)	1,076	1,350	(20.3)	1,373	(21.6)	1,265	(14.9)

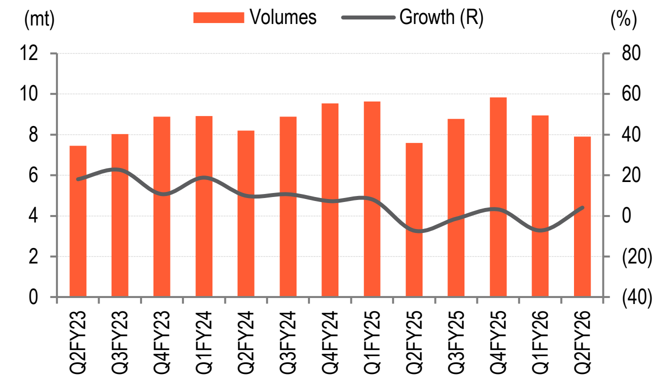
Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Q2FY26E	Deviation (%)
Net Sales	**43,032**	**37,270**	**15.5**	**49,480**	**(13.0)**	**44,404**	**(3.1)**
Expenditure							
Change in stock	(251)	171	(246.8)	(284)	(11.5)	(211)	
Raw material	3,736	3,400	9.9	4,185	(10.7)	3,820	(2.2)
purchased products	1,913	528	262.0	1,698	12.6	1,510	-
Power & fuel	10,397	10,012	3.8	11,461	(9.3)	10,106	2.9
Freight	9,424	8,918	5.7	10,840	(13.1)	9,715	(3.0)
Employee costs	2,570	2,495	3.0	2,545	1.0	2,580	(0.4)
Other exp	6,730	5,820	15.6	6,744	(0.2)	6,981	(3.6)
Total Operating Expenses	**34,519**	**31,345**	**10.1**	**37,189**	**(7.2)**	**34,501**	**0.1**
EBITDA	**8,513**	**5,925**	**43.7**	**12,291**	**(30.7)**	**9,903**	**(14.0)**
EBITDA margin (%)	19.8	15.9	389bps	24.8	(506bps)	22.3	(252bps)
Other Income	1,570	1,776	(11.6)	2,011	(21.9)	1,717	(8.6)
Interest	507	567	(10.5)	446	13.8	449	12.9
Depreciation	5,549	6,687	(17.0)	5,524	0.4	5,651	(1.8)
PBT	4,027	448	799.8	8,331	(51.7)	5,520	(27.0)
Non-recurring items	0	0	-	0	-	0	-
PBT (after non recurring items)	4,027	448	799.8	8,331	(51.7)	5,520	(27.0)
Tax	(1,256)	484	(359.6)	(2,146)	(41.5)	(1,380)	(9.0)
Reported PAT	2,771	931	197.6	6,185	(55.2)	4,140	(33.1)
Adjusted PAT	**2,771**	**931**	**197.6**	**6,185**	**(55.2)**	**4,140**	**(33.1)**
NPM (%)	6.4	2.5	394bps	12.5	(606bps)	9.3	(288bps)
Adjusted EPS (Rs)	**74.7**	**25.1**	**197.6**	**166.7**	**(55.2)**	**111.6**	**(33.1)**

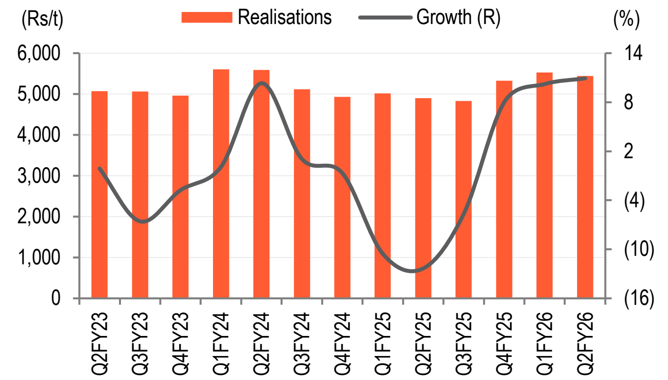
Source: Company, BOBCAPS Research

Fig 3 – Volume growth remains muted as focus stayed on realisations



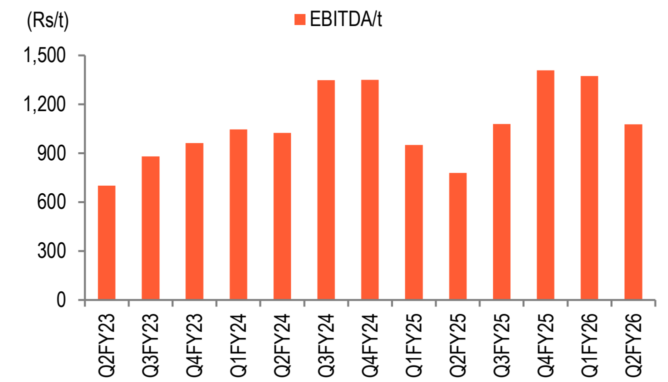
Source: Company, BOBCAPS Research

Fig 4 – Triggered by limited volume gains, realisations spike sharply YoY in a weak quarter



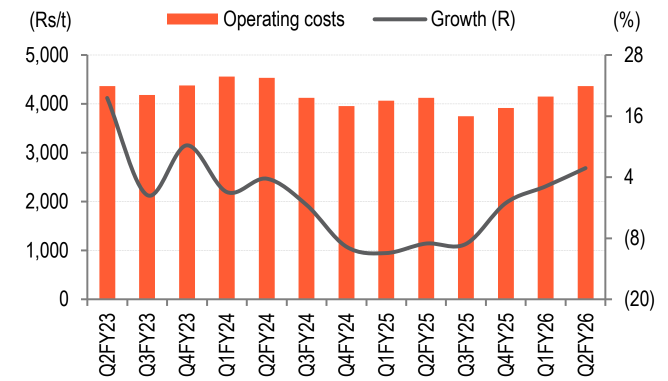
Source: Company, BOBCAPS Research

Fig 5 – Cost savings hit by higher opex and non-recurring expenses impacting EBITDA/tn by Rs30



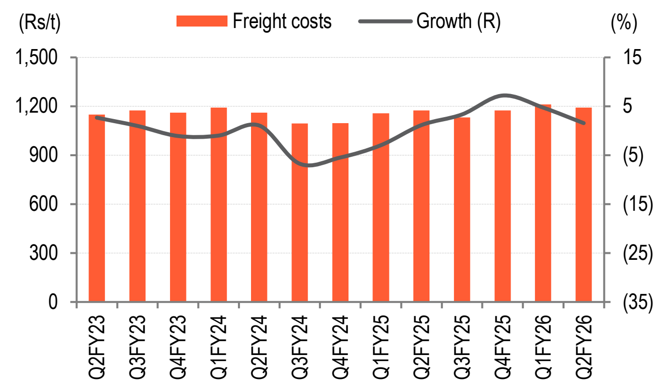
Source: Company, BOBCAPS Research

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



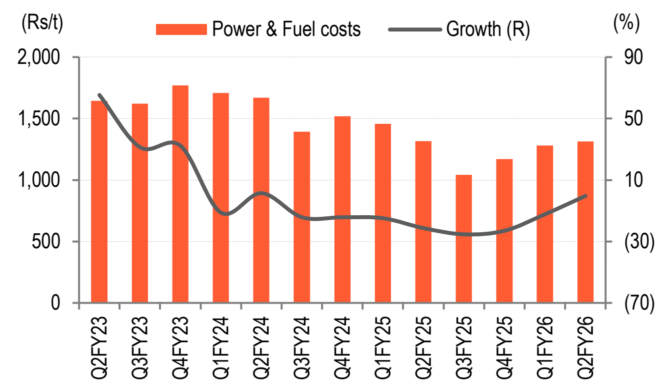
Source: Company, BOBCAPS Research

Fig 7 – QoQ cost inflation was muted, thanks to lower lead distance and higher railway contribution



Source: Company, BOBCAPS Research

Fig 8 – Power cost savings will be helped by higher green energy usage



Source: Company, BOBCAPS Research

Valuation Methodology

We retain our EBITDA/PAT estimates for FY26/FY27/FY28 with Revenue/EBITDA CAGR estimates at 17%/19% over FY25-FY28E. SRCM's delivers a better opex albeit at a lower capacity utilisation (hovering ~ mid 60-65%) and remains a concern, offset by better earrings.

Considering the growth and margins scenario, we feel cost saving levers will be handy, contributed by green power and railway sidings operational. 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.

SRCM's UAE operations recorded revenue of AED 231.8 mn — a growth of 50% YoY — while operational EBITDA jumping from AED 20.34 mn to AED 52.53 mn, up by 158% YoY. Total sale volume also jumped from 0.98 mnt to 1.3mnt, up by an impressive 34% YoY and remains key highlight of the quarter.

We retain HOLD rating, 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 Rs29,833 (earlier Rs28,874) for roll forward to September 2027 while valuing the stock at 15x FY27E EV/EBITDA and Rs10.5bn/mnt replacement cost.

Fig 9 – 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

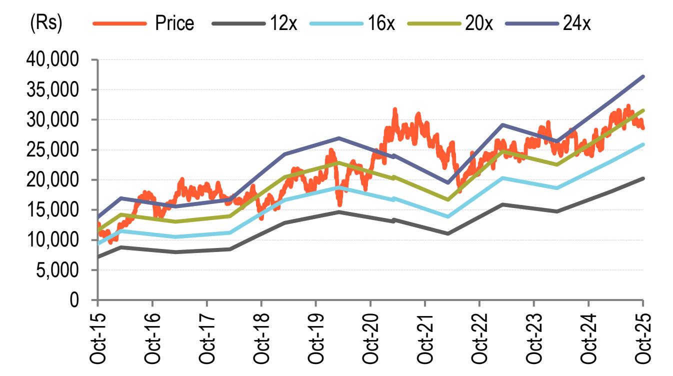
Source: Company, BOBCAPS Research

Fig 10 – Valuation summary

(Rs mn)	Sep 2027E
Target EV/EBITDA (x)	15.0
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)	**29,833**
Weighted average shares (mn)	**36.12**

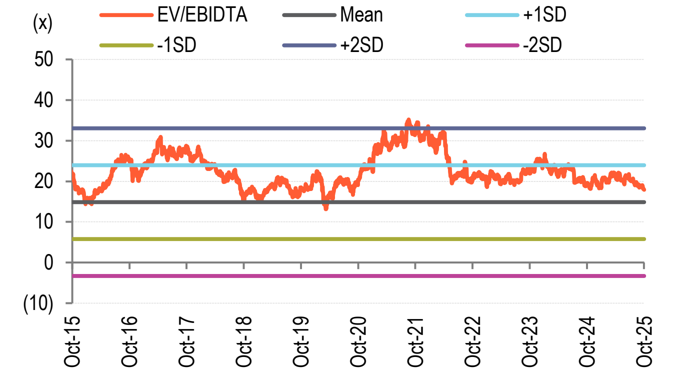
Source: BOBCAPS Research| 1-year forward earnings, rolled forward to September 2027

Fig 11 – EV/EBITDA band: SRCM valuation moderates to align with earnings



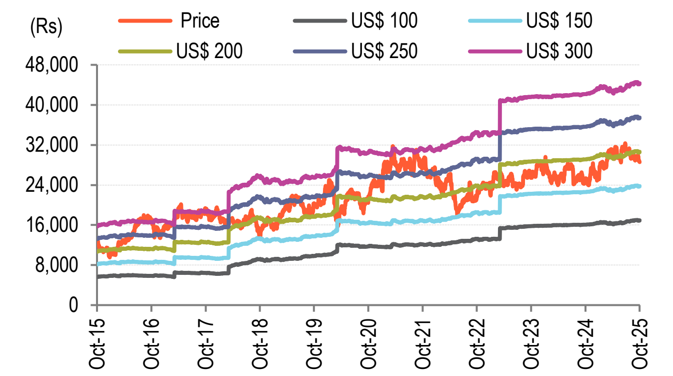
Source: Company, Bloomberg, BOBCAPS Research

Fig 12 – EV/EBITDA 1Y fwd: We continue to value SRCM at 15x EV/EBITDA, near its mean valuation



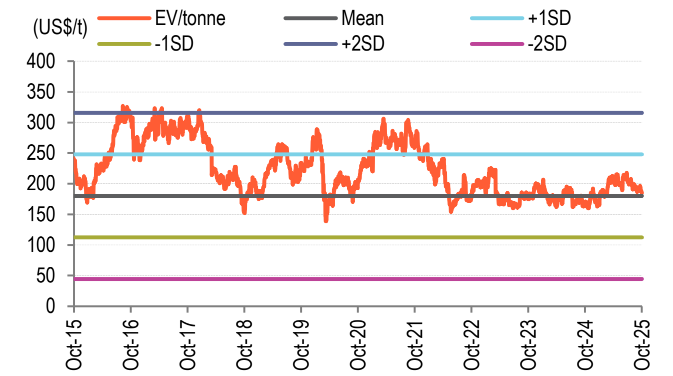
Source: Company, Bloomberg, BOBCAPS Research

Fig 13 – Replacement cost band: Earnings reflect in replacement cost valuations



Source: Company, Bloomberg, BOBCAPS Research

Fig 14 – 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.

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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	5.9	5.2	4.2	3.6	3.1
EV/EBITDA	28.7	24.2	19.6	16.0	13.8
Adjusted P/E	41.8	86.2	56.0	42.9	38.7
P/BV	5.1	4.9	4.6	4.3	4.0

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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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
CIN: **U65999MH1996GOI098009**

Logo:

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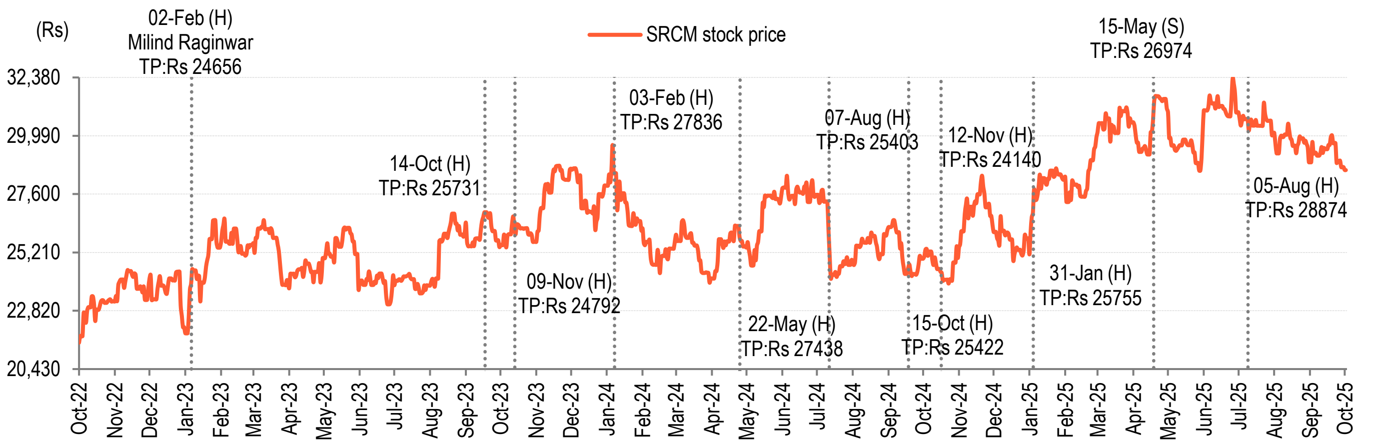
Recommendation scale: Recommendations and Absolute returns (%) over 12 months
BUY – Expected return >+15%
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

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)



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