

HOLD**TP: Rs 28,719 | ▲ 5%****SHREE CEMENT**

| Cement

| 07 February 2026

Chase for realisations over volume continues; Maintain HOLD

- SRCM revenue grew ~4%/3% YoY/QoQ to Rs44.2bn in Q3FY26, driven by better realisations and premium mix; realisation QoQ softens
- Overall cost per tonne rose ~8% YoY to Rs4,068/t (-7% QoQ) amid muted operating leverage; EBITDA/t fell 9% YoY to Rs 985/t
- Revise downwards FY26E/FY27E/FY28E Revenue/EBITDA estimates.

Maintain HOLD; TP revised to Rs28,719 (Rs 29,833) on rollover

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Listless volumes; QoQ realisations tepid: SRCM revenue grew ~4%/3% YoY/QoQ to Rs44.2bn in Q3FY26, driven by better realisations and premium mix, despite flat volumes. Cement realisations remained firm (price gap Rs 15/bag vs Rs 30/bag), aided by a sharp hike in premium products share to 22% of trade sales (vs 15% in Q3FY25) — reflecting continued premiumisation strategy. Volumes were flat YoY at ~8.7mt, limited by the production loss at Baloda Bazar.

Cost pressure from lower volumes: Overall cost per tonne rose ~8% YoY to Rs4,068/t (-7% QoQ) amid muted operating leverage. Raw material (RM) costs (adjusted for fuel) inflated ~9% YoY. Fuel costs remained well controlled at Rs 1.56/kcal, supported by green power share of 60% in Q3FY26 (61% for 9MFY26; capacity 634.5 MW). Logistics cost jumped by 4% YoY, despite lead distance falling to 446 km. Other expenses were checked at 1% YoY higher to Rs6.1 bn.

Margins compressed by cost inflation: EBITDA fell 9% YoY (+1% QoQ) to Rs8.6 bn (including a one-time Rs560mn impact from the new labour code). Effectively, EBITDA/t declined by 9% YoY to Rs 985/t. EBITDA margin contracted 290 bps YoY, reflecting muted volume growth and operating deleverage.

Capacity expansion: SRCM commissioned the 3.0mmtpa Jaitaran cement plant, taking India cement capacity (including subsidiaries) to 65.8mmtpa. The Kodla (Karnataka) 3.0mmtpa integrated unit is nearing completion (Q4FY26).

Earnings revised downwards; retain HOLD: We revise down our Revenue/EBITDA estimates for FY26/FY27/FY28 to factor in lower volume growth. SRCM delivers better opex albeit at a lower capacity utilisation (~ mid 60-65%) and remains a key concern. We retain our HOLD rating, valuing SRCM at 15x Dec 2027 EV/EBITDA, as SRCM gaining size (79mmt) without any meaningful dent in operating efficiencies and sustained margins. Revenue/EBITDA CAGR estimates at 14%/17% over FY25-FY28E. Further, the UAE operations turning earnings accretive, is a key positive. We revise our TP at to Rs28,719 (earlier Rs29,833) for roll forward to Dec 2027, at our target price SRCM is valued at Rs10.5bn/mnt replacement cost.

Key changes

	Target	Rating
Ticker/Price	SRCM IN/Rs 27,330	
Market cap	US\$ 10.9bn	
Free float	37%	
3M ADV	US\$ 9.4mn	
52wk high/low	Rs 32,490/Rs 25,360	
Promoter/FPI/DII	63%/13%/12%	

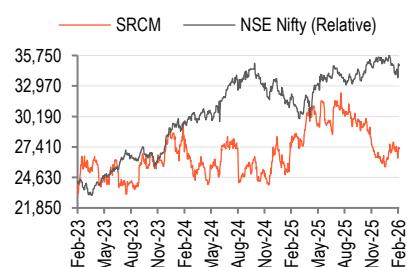
Source: NSE | Price as of 6 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,80,373	2,01,554	2,34,380
EBITDA (Rs mn)	38,368	44,554	54,143
Adj. net profit (Rs mn)	11,962	19,452	22,912
Adj. EPS (Rs)	331.5	539.1	635.0
Consensus EPS (Rs)	331.5	541.5	682.5
Adj. ROAE (%)	5.8	8.9	9.9
Adj. P/E (x)	82.4	50.7	43.0
EV/EBITDA (x)	23.0	19.7	16.2
Adj. EPS growth (%)	(51.5)	62.6	17.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Conference Call Key Takeaways

Volumes & realisations

Total sales volume came at 8.7mnt, (impacted by the production disruption at Baloda Bazar, Chhattisgarh). Demand revived from December (3.3mn vs 2.7mn in November); January growth was in line with that in December. Trade sales were at 65%, blended cement at 65%. Premium products rose further to 22% of trade volume (vs 15% YoY; 21% in Q2FY26). Cement realisation was Rs 4,652/t (vs Rs 4,554/t), but softened QoQ on a blended basis, due to higher non-trade/infra mix. SRCM has managed to reduce price gap to competitors from Rs 30/bag to Rs 15/bag. Management guides Q4FY26 volume at 9.0–9.5mnt; full-year target remains 37–38mt.

Operating margins

Green power share was ~60% in Q3FY26 (61% for 9MFY26) with fuel cost at an industry-low of Rs 1.56/kcal. Fuel mix was 76% in pet-coke, 6% coal and 18% AFR. Lead distance in Q3FY26 was 446km. Road Rail share remains 88:12. Employee cost was elevated given the one-time employee benefit obligation of Rs560mn, due to the new labour code.

Capacity expansion

Commissioned 3.0mtpa cement line at Jaitaran integrated plant during the quarter; total India cement capacity now 65.8 MTPA. Kodla (Karnataka) 3.0mtpa integrated unit in final phase; expected commissioning in the current quarter (Q4FY26), post which the capacity will reach 68.8mtpa by FY26-end. RMC network expanded to 25 plants (revenue Rs 710mn in Q3FY26, 45% captive cement consumption); targeting 45 plants by Sep'26. Management reiterated its plan to ramp up capacity to 80mtpa by FY28.

Capex

Capex for FY26 is likely to be ~Rs 20bn with ~Rs15bn already spent and the balance Rs5bn to be spent in Q4FY26. FY27 capex guidance ~Rs 5bn (mainly RMC expansion + railway sidings) with may be revised if new expansion plans gain pace. SRCM remains net debt-free, with ~Rs 60bn cash on the balance sheet, providing significant financial flexibility.

Green energy

Green power share was at 60% in Q3FY26 (61% for 9MFY26); total green power capacity stood at 634.5 MW, of which solar is 314 MW, WHR 265 MW and wind 56 MW.

Other key points

Expect industry growth of 7.5–8% in FY27; SRCM to grow in line with the industry over time. Value-over-volume strategy continues to deliver pricing gains; price gap vs key competitors narrowed from Rs30/bag to Rs15/bag since Oct'24. Management target to reduce the gap further, will likely boost profitability.

Fig 1 – Key metrics

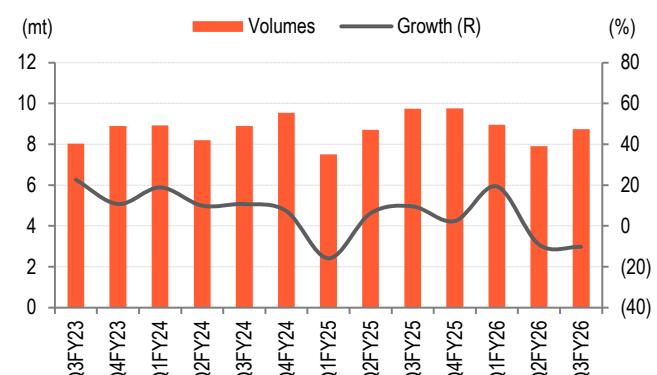
	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Deviation (%)
Volumes (mn mt)	8.7	8.8	(0.3)	7.9	10.5	9.6	(9.4)
Cement realisations (Rs/t)	5,053	4,830	4.6	5,440	(7.1)	5,168	(2.2)
Operating costs (Rs/t)	4,068	3,750	8.5	4,364	(6.8)	4,271	(4.7)
EBITDA/t (Rs)	985	1,350	(27.1)	1,076	(8.5)	1,071	(8.1)

Source: Company, BOBCAPS Research

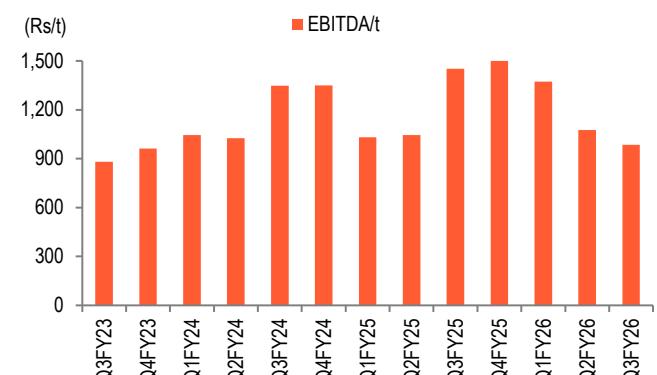
Fig 2 – Quarterly performance

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Deviation (%)
Net Sales	44,164	42,355	4.3	43,032	2.6	51,529	(14.3)
Expenditure							
Change in stock	65	1,023	(93.6)	(251)	(126.0)	674	
Raw material	3,893	3,713	4.9	3,736	4.2	4,746	(18.0)
purchased products	2,241	669	235.0	1,913	17.2	2,312	-
Power & fuel	9,641	9,134	5.6	10,397	(7.3)	12,792	(24.6)
Freight	10,244	9,918	3.3	9,424	8.7	11,683	(12.3)
Employee costs	3,323	2,371	40.1	2,570	29.3	2,599	27.8
Other exp	6,151	6,062	1.5	6,730	(8.6)	6,393	(3.8)
Total Operating Expenses	35,559	32,889	8.1	34,519	3.0	41,199	(13.7)
EBITDA	8,605	9,466	(9.1)	8,513	1.1	10,331	(16.7)
EBITDA margin (%)	19.5	22.3	(286bps)	19.8	(30bps)	20.0	(56bps)
Other Income	1,266	1,149	10.2	1,570	(19.3)	1,219	3.9
Interest	577	529	9.1	507	13.7	484	19.1
Depreciation	5,870	7,496	(21.7)	5,549	5.8	5,519	6.4
PBT	3,425	2,590	32.2	4,027	(15.0)	5,547	(38.3)
Non-recurring items	0	0	-	0	-	0	-
PBT (after non recurring items)	3,425	2,590	32.2	4,027	(15.0)	5,547	(38.3)
Tax	(639)	(296)	115.9	(1,256)	(49.1)	(1,387)	(53.9)
Reported PAT	2,786	2,294	21.4	2,771	0.5	4,160	(33.0)
Adjusted PAT	2,786	2,294	21.4	2,771	0.5	4,160	(33.0)
NPM (%)	6.3	5.4	89bps	6.4	(13bps)	8.1	(176bps)
Adjusted EPS (Rs)	73.1	61.8	18.3	74.7	(2.1)	112.1	(34.8)

Source: Company, BOBCAPS Research

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


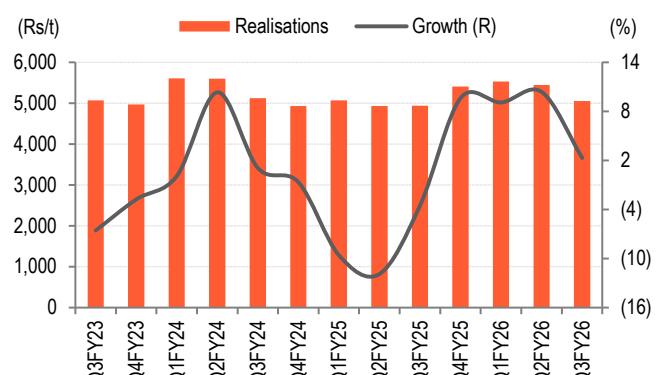
Source: Company, BOBCAPS Research

Fig 5 – Cost saving efforts guard margins as realization soften QoQ


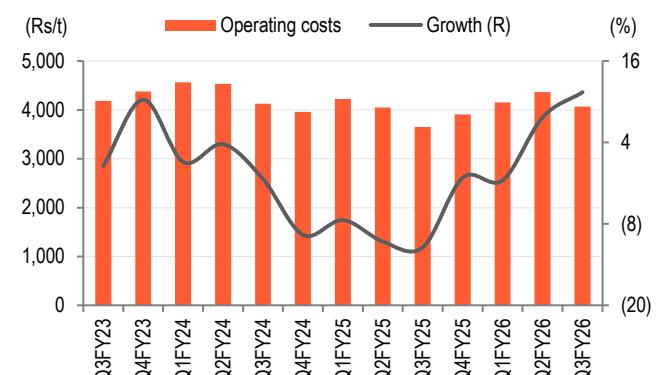
Source: Company, BOBCAPS Research

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

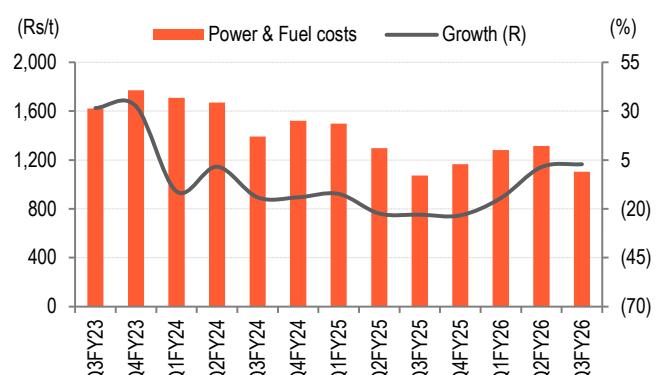

Source: Company, BOBCAPS Research

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


Source: Company, BOBCAPS Research

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


Source: Company, BOBCAPS Research

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


Source: Company, BOBCAPS Research

Valuation Methodology

We revise our Revenue/EBITDA estimates downwards for FY26/FY27/FY28 to factor in the lower volume growth. SRCM delivers a better opex albeit at a lower capacity utilisation (~ mid 60-65%) and remains a key concern.

Considering the growth and margins scenario, we feel the 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.

We retain our HOLD rating, valuing SRCM at 15x Dec'27 EV/EBITDA, as SRCM gaining size (79mmt) without any meaningful dent in operating efficiencies and sustained margins. The revised Revenue/EBITDA CAGR estimates are at 14%/17% over FY25-FY28E. Further, the UAE operations turning earnings accretive, is a key positive. We revise down our TP at to Rs28,719 (earlier Rs29,833) for roll forward to Dec 2027, at our TP, SRCM is valued at Rs10.5bn/mmt replacement cost.

Fig 9 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E*	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,01,554	2,34,380	2,68,653	2,17,473	2,52,901	2,89,892	(7.3)	(7.3)	(7.3)
EBITDA	44,554	54,143	61,302	47,104	57,300	64,809	(5.4)	(5.5)	(5.4)
Adj PAT	19,452	22,912	25,297	18,422	24,021	26,634	5.6	(4.6)	(5.0)
Adj EPS (Rs)	539.1	635.0	701.1	510.6	665.8	738.2	5.6	(4.6)	(5.0)

Source: BOBCAPS Research

Fig 10 – Key assumptions

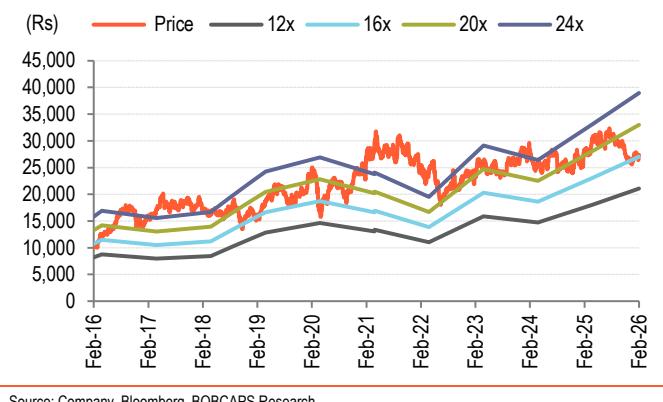
	FY25	FY26E	FY27E	FY28E
Volumes (mt)	37.28	37.28	42.12	47.60
Realisations (Rs/t)	5,257	5,309	5,469	5,551
Operating costs (Rs/t)	4,058	4,119	4,188	4,267
EBITDA/t (Rs)	1,096	1,190	1,281	1,284

Source: Company, BOBCAPS Research

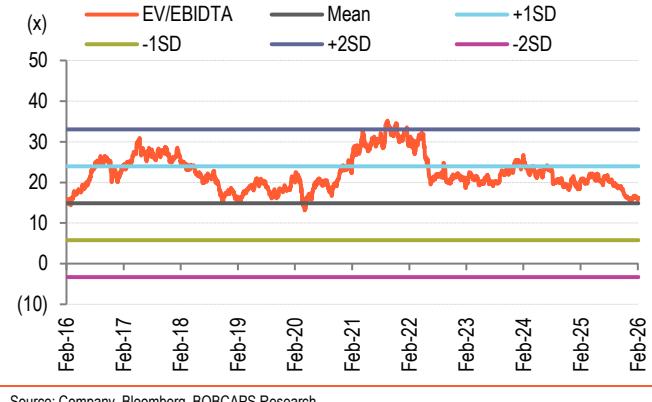
Fig 11 – Valuation summary

(Rs mn)	Dec 2027E
Target EV/EBITDA (x)	15.0
EBITDA	61,302
Target EV	9,34,858
Total EV	9,34,858
Net debt	(1,34,002)
Target market capitalisation	10,68,860
Target price (Rs/sh)	28,719
Weighted average shares (mn)	36.12

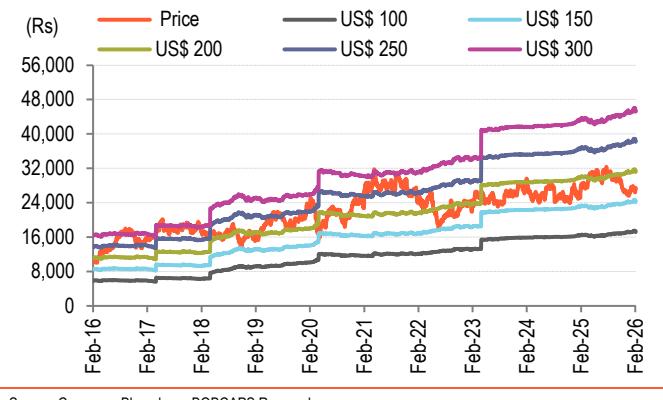
Source: BOBCAPS Research| 1-year forward earnings, rolled forward to December 2027

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


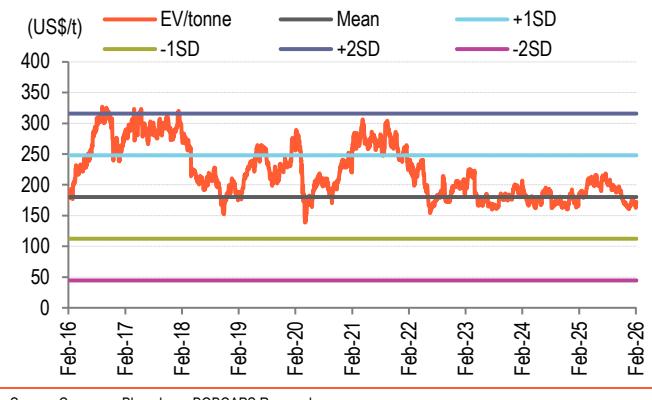
Source: Company, Bloomberg, BOBCAPS Research

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:

- Severe competition in northern India can add pricing pressure; 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	2,01,554	2,34,380	2,68,653
EBITDA	39,859	38,368	44,554	54,143	61,302
Depreciation	(16,147)	(28,080)	(26,864)	(29,145)	(32,060)
EBIT	33,100	16,059	26,368	33,871	38,555
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	24,081	31,562	35,872
Income taxes	(5,772)	(2,011)	(4,629)	(8,650)	(10,575)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	24,684	11,962	19,452	22,912	25,297
Adjustments	0	0	0	0	0
Adjusted net profit	24,684	11,962	19,452	22,912	25,297

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	12,122	14,331	15,792	18,371	21,061
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	2,24,123	2,39,953	2,58,169
Shareholders' fund	2,03,834	2,12,102	2,24,483	2,40,324	2,58,553
Total liab. and equities	2,68,199	2,70,384	2,91,188	3,12,835	3,37,231
Cash and cash eq.	1,09,725	1,18,273	1,24,910	1,38,031	1,58,394
Accounts receivables	9,298	7,805	9,145	11,125	13,308
Inventories	31,462	20,754	23,142	26,865	30,747
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	30,845	22,430	11,101
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	2,91,188	3,12,835	3,37,231

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	34,027	53,242	41,045	46,360	51,420
Capital expenditures	(27,613)	(38,860)	(36,764)	(29,569)	(27,387)
Change in investments	9,753	(9,210)	(5,727)	(13,545)	(21,102)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(17,861)	(48,070)	(42,491)	(43,114)	(48,489)
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)	911	(424)	(738)
Closing cash & cash eq.	1,09,724	1,18,273	1,24,911	1,38,030	1,58,395

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	684.2	331.5	539.1	635.0	701.1
Adjusted EPS	684.2	331.5	539.1	635.0	701.1
Dividend per share	105.0	167.8	167.8	167.8	167.8
Book value per share	5,649.5	5,878.6	6,221.8	6,660.8	7,166.1

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.7	4.9	4.4	3.7	3.2
EV/EBITDA	27.5	23.0	19.7	16.2	14.0
Adjusted P/E	39.9	82.4	50.7	43.0	39.0
P/BV	4.8	4.6	4.4	4.1	3.8

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	81.0	85.6	80.8	72.6	70.5
Interest burden (PBT/EBIT)	92.0	87.0	91.3	93.2	93.0
EBIT margin (EBIT/Revenue)	17.2	8.9	13.1	14.5	14.4
Asset turnover (Rev./Avg TA)	74.0	67.0	71.8	77.6	82.7
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	12.8	5.8	8.9	9.9	10.1

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	16.6	(6.2)	11.7	16.3	14.6
EBITDA	56.3	(3.7)	16.1	21.5	13.2
Adjusted EPS	85.9	(51.5)	62.6	17.8	10.4
Profitability & Return ratios (%)					
EBITDA margin	20.7	21.3	22.1	23.1	22.8
EBIT margin	17.2	8.9	13.1	14.5	14.4
Adjusted profit margin	12.8	6.6	9.7	9.8	9.4
Adjusted ROAE	12.8	5.8	8.9	9.9	10.1
ROCE	16.0	7.5	11.8	13.9	14.6
Working capital days (days)					
Receivables	18	16	17	17	18
Inventory	60	42	42	42	42
Payables	29	37	37	37	37
Ratios (x)					
Gross asset turnover	1.1	1.0	1.0	1.1	1.1
Current ratio	3.2	3.0	3.2	3.4	3.7
Net interest coverage ratio	12.5	7.7	11.5	14.7	14.4
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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Brand Name: **BOBCAPS**

Trade Name: www.barodaetrade.com

CIN: U65999MH1996GOI098009



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

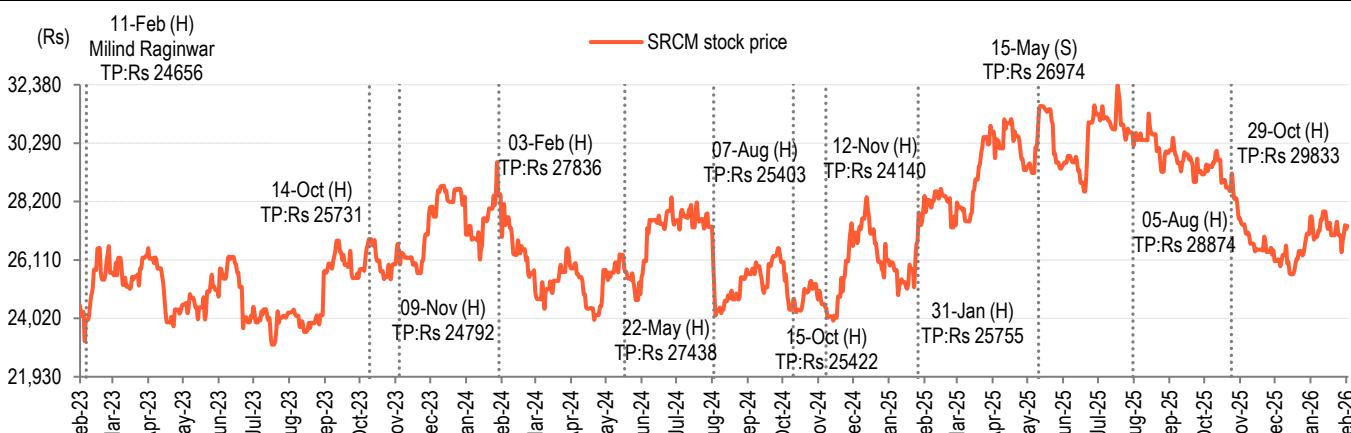
HOLD – Expected return from -6% to +15%

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)



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

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