

SELL**TP: Rs 26,974 | ▼ 12%****SHREE CEMENT**

Cement

15 May 2025

Operationally healthy, growth moderates; downgrade to SELL

- Revenue growth stays soft in a healthy quarter as realisations stay weak. Volume gains below par with industry
- Cost savings of ~1% YoY boosts EBITDA margin to 26.5%, but cost levers limited in the medium term
- Retain FY26E/FY27E EBITDA/PAT estimates. Downgrade to SELL; TP revised to Rs26,974 (Rs 25,755) as valuations spike ahead of earnings

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Revenue stays listless as volume growth lacks pace: SRCM's revenue grew 3%/24% YoY/QoQ driven by volume growth. Volumes were at 9.84mnt up only by 3%/12% YoY/QoQ. Despite the muted growth the realisation softened by 1% YoY. There was an increase in the premium product mix to 15.6% which in turn lead to an support to the realisations.

Cost-saving efforts offer limited margin guard: Operating cost improved marginally to Rs 3,916/t declining by 1% YoY driven by lower fuel cost due to increase in green energy. Fuel costs fell to Rs 1.48/kcal (from Rs 1.82/kcal in Q4FY24) while the green power share increased to 60.2% from 56% YoY. Logistic cost inflated by 7%/4% YoY/QoQ as the lead distance increased to 445km (vs 435km YoY). EBITDA was higher by 4.5% YoY at Rs 13.8bn (+46.5% QoQ) while EBITDA margin was 26.5% flat YoY (vs 22.3% QoQ). However, adj. PAT declined by 15% YoY on one-off costs (VRS, ECL provision).

Capex plans: In Q1FY26, SRCM commissioned a 3mn tonnes cement grinding unit in Etah, Uttar Pradesh, and a 3.4mn tonnes unit in Baloda Bazar, Chhattisgarh, raising total cement capacity to 62.8mn tonnes. Recent Jaisalmer limestone mine award and Gujarat evaluations have strengthened resource security for future expansions. SRCM has earmarked Rs 30bn capex for FY26.

Earnings maintained; downgrade to SELL as valuations far ahead of earnings:

We maintain our EBITDA/PAT estimates for FY26/FY27. Strong leg of capacity addition by cement companies, including SRCM, leading to excess supply in FY26 may keep price hikes at bay. Our revenue/EBITDA CAGR estimates are 10%/11% over FY24-FY27E. SRCM's strength of higher volume share with better opex matrix has recently seen a drift. SRCM's delivers a better opex, but at lower capacity utilisation (hovering ~ mid 60%). We downgrade SRCM to SELL, valuing SRCM at 15x (unchanged) 1YF EV/EBITDA, as we feel SRCM gaining size (79mnt) without any meaningful dent in operating efficiencies and margins, is already rewarded. We revise our TP at to Rs26,974 (earlier Rs 25,755) for roll forward while valuing the stock at 15x FY26E EV/EBITDA and Rs10.5bn/mnt replacement cost.

Key changes

Target	Rating
▲	▼

Ticker/Price	SRCM IN/Rs 30,620
Market cap	US\$ 13.0bn
Free float	37%
3M ADV	US\$ 12.1mn
52wk high/low	Rs 31,385/Rs 23,500
Promoter/FPI/DII	63%/13%/12%

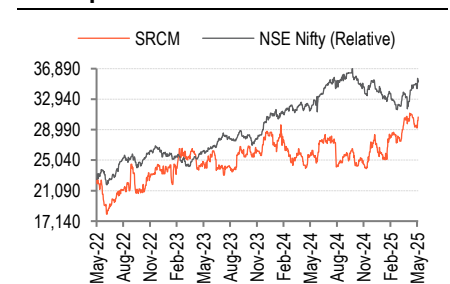
Source: NSE | Price as of 14 May 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	1,80,373	2,17,473	2,52,901
EBITDA (Rs mn)	38,368	45,329	55,205
Adj. net profit (Rs mn)	11,962	17,001	23,818
Adj. EPS (Rs)	331.5	471.2	660.1
Consensus EPS (Rs)	331.5	536.1	667.0
Adj. ROAE (%)	5.8	7.8	10.3
Adj. P/E (x)	92.4	65.0	46.4
EV/EBITDA (x)	25.9	26.6	22.0
Adj. EPS growth (%)	(51.5)	42.1	40.1

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Fig 1 – Key metrics

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	4QFY25E	Deviation (%)
Volumes (mn mt)	9.8	9.5	3.2	8.8	12.2	9.7	1.0
Cement realisations (Rs/t)	5,325	4,930	8.0	4,830	10.3	4,940	7.8
Operating costs (Rs/t)	3,916	3,958	(1.1)	3,750	4.4	3,653	7.2
EBITDA/t (Rs)	1,409	1,350	4.4	1,079	30.6	1,451	(2.9)

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	4QFY25E	Deviation (%)
Net Sales	52,402	51,010	2.7	42,355	23.7	49,711	5.4
Expenditure							
Change in stock	(414)	(1,072)	(61.4)	1,023	(140.4)	(621)	
Raw material	4,792	4,176	14.8	3,713	29.1	4,198	14.2
purchased products	1,220	504	142.1	669	82.3	811	-
Power & fuel	11,531	14,490	(20.4)	9,134	26.2	10,451	10.3
Freight	11,558	10,451	10.6	9,918	16.5	11,113	4.0
Employee costs	2,540	2,352	8.0	2,371	7.1	2,410	5.4
Other exp	7,307	6,838	6.9	6,062	20.5	7,214	1.3
Total Operating Expenses	38,535	37,738	2.1	32,889	17.2	35,576	8.3
EBITDA	13,867	13,272	4.5	9,466	46.5	14,135	(1.9)
EBITDA margin (%)	26.5	26.0	44bps	22.3	411bps	28.4	(197bps)
Other Income	1,501	1,379	8.9	1,149	30.7	1,131	32.7
Interest	417	648	(35.6)	529	(21.1)	555	(24.9)
Depreciation	7,470	6,281	18.9	7,496	(0.4)	7,610	(1.8)
PBT	7,482	7,722	(3.1)	2,590	188.9	7,101	5.4
Non-recurring items	0	0	-	0	-	-	-
PBT (after non recurring items)	7,482	7,722	(3.1)	2,590	188.9	-	-
Tax	(1,868)	(1,105)	69.1	(296)	531.3	(1,420)	31.5
Reported PAT	5,614	6,618	(15.2)	2,294	144.7	5,680	(1.2)
Adjusted PAT	5,614	6,618	(15.2)	2,294	144.7	5,680	(1.2)
NPM (%)	10.7	13.0	(226bps)	5.4	530bps	11.4	(71bps)
Adjusted EPS (Rs)	151.3	178.4	(15.2)	61.8	144.7	153.1	(1.2)

Source: Company, BOBCAPS Research

Conference Call KTAs:

Volumes & realisation

Total cement and clinker sales reached a record high of 9.84mnt, an increase of 13% QoQ from 8.67mnt. Premium products contributed 15.6% of trade sales, up from 11.9% in Q4FY24.

Cement realisation improved to Rs 4,758/t, a 5% increase QoQ from Rs 4,554/t (Rs 4,722/t in Q4FY24). Regionally, the sales mix was led by the North (54.7%), followed by the East (32.7%) and South (11%). Realisation trends showed QoQ growth across all regions: North +4%, East +8%, and South +2%.

Capacity utilisation stood at 72% overall, with the East leading at 79%, followed by the North at 74%, and the South lagging at 51%.

Margins

Adj. EBITDA for the quarter stood at Rs 1,437/t, after accounting for two key one-off items: a VRS expense of Rs 306mn and an ECL provision of Rs 240mn.

Fuel cost reduced to Rs 1.48/kcal vs Rs 1.82/kcal in Q4FY24. Average lead distance increased slightly to 446 km, up from 435 km in Q4FY24. Rail share was at 11.3% vs road share of 88.7%. Petcoke mix in fuel was at 95% and the remainder included coal and alternative fuel.

Capacity expansion:

Total cement capacity stands at 62.8mn tonnes, following the commissioning of the Etah (3mn tonnes) and Baloda Bazar (3.4mn tonnes) plants. Clinker capacity is currently 36.7mn tonnes, with utilisation at 68% for FY25 and 70% in Q4.

SRCM plans to add 6mn tonnes of cement capacity 3mn tonnes at Jaitaran in Q1 and 3mn tonnes at Kodla in Q2. Additionally, 7.3mn tonnes of clinker capacity will be added, bringing the total clinker capacity to 44mn tonnes by the end of FY26.

However, the 3mn tonnes Jaitaran grinding unit has been deferred and will be installed at a later stage. The company has earmarked a capex of ~Rs 30bn for FY26 and is targeting a cement capacity of over 80mn tonnes by 2028.

Green energy

Green power capacity reached 582 MW by the end of FY25, marking a 21% increase from 480 MW at the start of the fiscal year. This includes commissioning of a 60.3 MW solar project in Jodhpur in March 2025. Green power accounted for 60.2% of the total energy consumption.

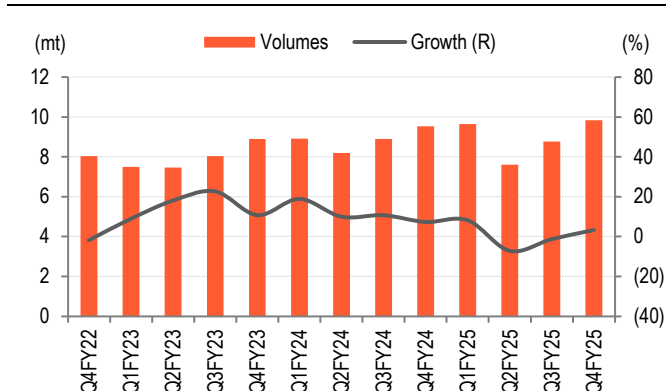
Other key points

SRCM currently operates 15 RMC plants. Management stated that many of the plants have turned EBITDA-positive. The company targets to scale up to 50 plants, but no specific timeline has been set.

On the product front, the company launched Bangur Marble Cement in Bihar, West Bengal, and Jharkhand, targeting the premium segment.

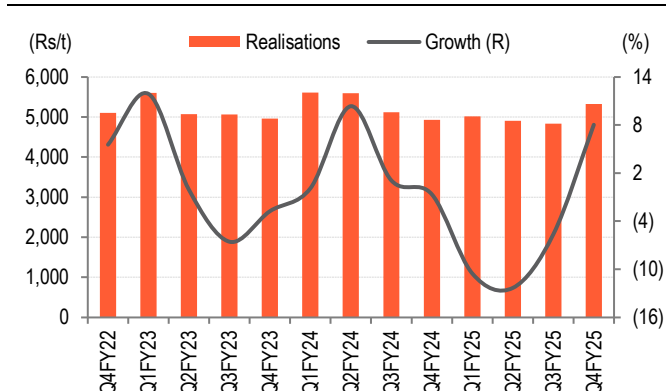
The “Chalo Gaon Ki Aur” campaign was rolled out to strengthen brand presence in rural infrastructure development. Cement demand is expected grow at 6.5–7.5% in FY26 and the management has set a volume target of approximately 39mn tonnes.

Fig 3 – Volume growth limited in a healthy quarter



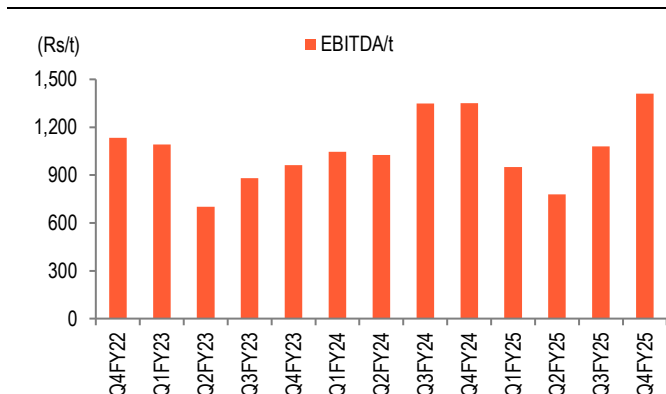
Source: Company, BOBCAPS Research

Fig 4 – Despite limited volume gains, realisations gains are limited



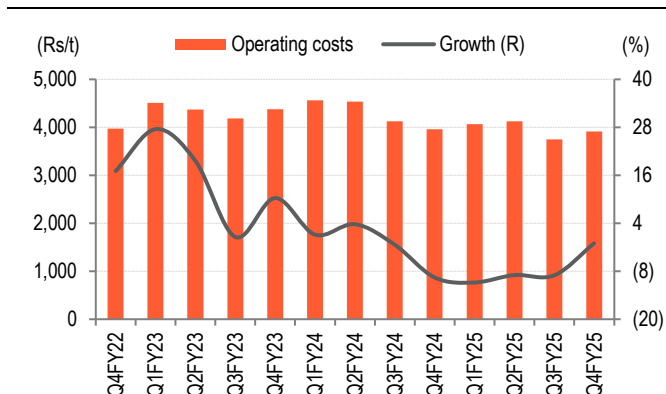
Source: Company, BOBCAPS Research

Fig 5 – Cost savings aide healthy EBITDA/t gains



Source: Company, BOBCAPS Research

Fig 6 – Cost efficiencies lever likely to be limited



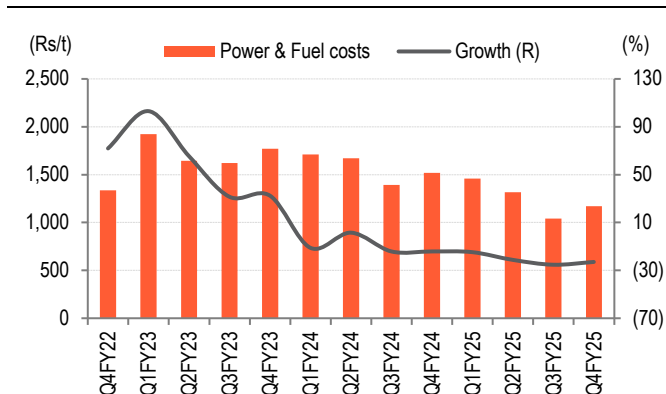
Source: Company, BOBCAPS Research

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 maintain our EBITDA/PAT estimates for FY26/FY27. Strong leg of capacity addition by cement companies, including SRCM, leading to excess supply in FY26 may keep price hikes at bay. Our revenue/EBITDA CAGR estimates are 10%/11% over FY24-FY27E. SRCM's strength of higher volume share with a better opex matrix has recently seen a drift. SRCM delivers a better opex, but at lower capacity utilisation (hovering ~ mid 60%).

In such a scenario, we feel SRCM's cost savings levers are limited being already high on green power and railway sidings operational. The Q4FY25 highlight was achieving higher EBITDA/tonne only through cost savings as realisations were listless. Further, incentives are available for certain plants including the Etah GU, though the Guntur facility does not have any incentives.

We downgrade SRCM to SELL, valuing the stock at 15x (unchanged) 1YF EV/EBITDA, as we feel SRCM gaining size (79mnt) without any meaningful dent in operating efficiencies and margins are already rewarded. Revise our TP at to Rs26,974 (earlier Rs 25,755) for roll forward while valuing the stock at 15x FY26E EV/EBITDA and Rs10.5bn/mnt replacement cost.

Fig 9 – Key assumptions

	FY24	FY25E	FY26E	FY27E
Volumes (mt)	35.50	37.28	40.63	45.91
Realisations (Rs/t)	5,310	5,257	5,257	5,415
Operating costs (Rs/t)	4,146	4,058	4,146	4,216
EBITDA/t (Rs)	1,105	1,096	1,111	1,198

Source: Company, BOBCAPS Research

Fig 10 – Valuation summary

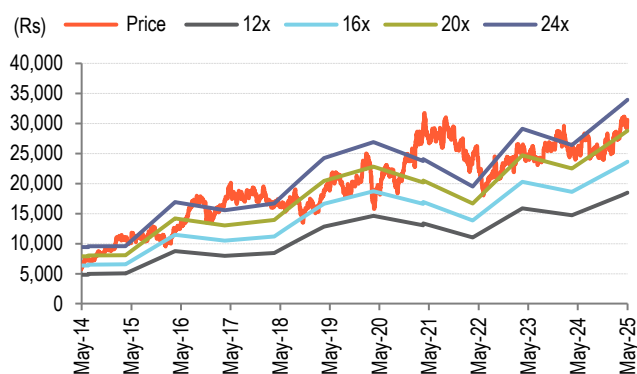
(Rs mn)	FY27E
Target EV/EBITDA (x)	15
EBITDA	55,205
Target EV	8,52,359
Total EV	8,52,359
Net debt	(1,21,953)
Target market capitalisation	9,74,312
Target price (Rs/sh)	36.12
Weighted average shares (mn)	26,974

Source: BOBCAPS Research| 1-year forward earnings, rolled forward to December 2026

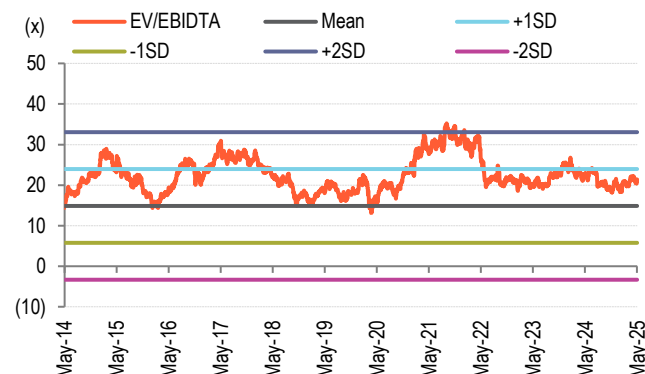
Fig 11 – Peer comparison

Ticker	Rating	TP (Rs)	EV/EBITDA (x)			EV/tonne (US\$)			ROE (%)			ROCE (%)		
			FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
SRCM IN	HOLD	26,974	24.8	23.5	19.4	140.6	140.0	121.6	4.9	8.0	10.6	6.7	10.5	13.4
DALBHARA IN	SELL	1,742	16.9	12.4	9.9	97.0	97.4	99.3	4.6	4.7	6.5	5.5	6.0	7.5
ACC IN	HOLD	2,282	15.4	9.3	7.8	110.6	101.2	90.9	8.2	11.5	13.3	9.7	13.9	15.7

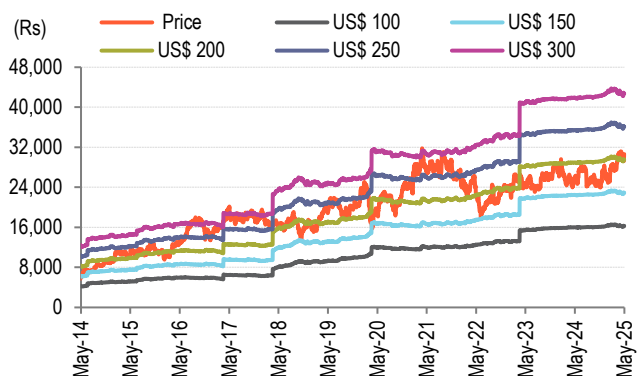
Source: BOBCAPS Research

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


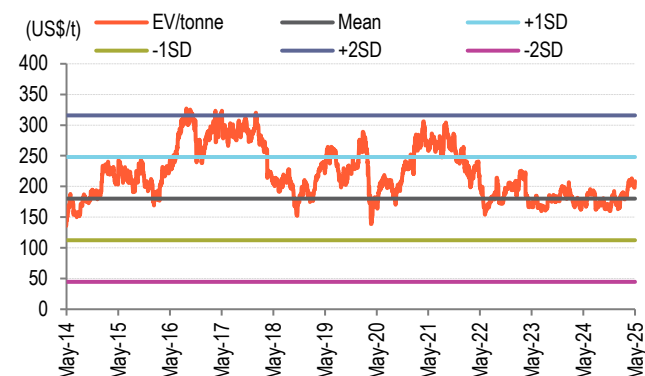
Source: Company, Bloomberg, BOBCAPS Research

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:

- Less than severe competition can pose risk towards our estimates.
- Softer fuel prices can bring higher than estimated costs savings a upward risk to our earnings estimates.
- Faster-than-expected volume push and better realisations represent key upside risks to our estimates.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Total revenue	1,64,961	1,92,372	1,80,373	2,17,473	2,52,901
EBITDA	25,504	39,859	38,368	45,329	55,205
Depreciation	(15,462)	(16,147)	(28,080)	(30,702)	(33,308)
EBIT	18,275	33,100	16,059	23,305	31,847
Net interest inc./(exp.)	(2,689)	(2,643)	(2,086)	(2,287)	(2,309)
Other inc./(exp.)	8,233	9,388	5,772	8,678	9,951
Exceptional items	0	0	0	0	0
EBT	15,586	30,456	13,974	21,018	29,538
Income taxes	(2,305)	(5,772)	(2,011)	(4,017)	(5,721)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	13,281	24,684	11,962	17,001	23,818
Adjustments	0	0	0	0	0
Adjusted net profit	13,281	24,684	11,962	17,001	23,818

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Accounts payables	20,968	12,122	14,331	17,037	19,820
Other current liabilities	28,789	43,332	42,790	40,144	40,539
Provisions	61	62	57	57	57
Debt funds	25,392	14,737	8,165	17,592	20,992
Other liabilities	(6,591)	(5,887)	(7,061)	(6,880)	(7,448)
Equity capital	361	361	361	361	361
Reserves & surplus	1,82,532	2,03,485	2,11,753	2,21,672	2,38,408
Shareholders' fund	1,82,882	2,03,834	2,12,102	2,22,032	2,38,779
Total liab. and equities	2,51,501	2,68,199	2,70,383	2,89,982	3,12,739
Cash and cash eq.	1,17,698	1,09,725	1,18,273	1,24,996	1,42,945
Accounts receivables	9,061	9,298	7,805	9,866	12,001
Inventories	24,226	31,462	20,754	24,966	28,979
Other current assets	23,987	28,400	23,457	23,997	26,396
Investments	0	0	0	0	0
Net fixed assets	45,651	62,429	46,029	27,008	14,429
CWIP	30,155	25,564	52,665	77,665	86,415
Intangible assets	722	1,321	1,400	1,484	1,573
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	2,51,500	2,68,199	2,70,384	2,89,982	3,12,739

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Cash flow from operations	27,274	34,027	53,242	41,132	51,188
Capital expenditures	(28,261)	(27,613)	(38,860)	(36,764)	(29,569)
Change in investments	(1,046)	9,753	(9,210)	(5,727)	(19,241)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(29,307)	(17,861)	(48,070)	(42,491)	(48,810)
Equities issued/Others	(1)	(1)	(1)	11	11
Debt raised/repaid	5,250	(10,655)	(6,572)	9,427	3,400
Interest expenses	0	0	0	0	0
Dividends paid	(3,247)	(4,433)	(2,649)	(7,082)	(7,082)
Other financing cash flows	42	701	3,388	0	0
Cash flow from financing	2,044	(14,388)	(5,834)	2,356	(3,671)
Chg in cash & cash eq.	10	1,778	(662)	997	(1,293)
Closing cash & cash eq.	1,17,698	1,09,724	1,18,273	1,24,997	1,42,945

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25P	FY26E	FY27E
Reported EPS	368.1	684.2	331.5	471.2	660.1
Adjusted EPS	368.1	684.2	331.5	471.2	660.1
Dividend per share	90.0	105.0	167.8	167.8	167.8
Book value per share	5,068.8	5,649.5	5,878.6	6,153.9	6,618.0

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25P	FY26E	FY27E
EV/Sales	6.1	5.3	5.5	5.6	4.8
EV/EBITDA	39.7	25.3	25.9	26.6	22.0
Adjusted P/E	83.2	44.8	92.4	65.0	46.4
P/BV	6.0	5.4	5.2	5.0	4.6

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25P	FY26E	FY27E
Tax burden (Net profit/PBT)	85.2	81.0	85.6	80.9	80.6
Interest burden (PBT/EBIT)	85.3	92.0	87.0	90.2	92.7
EBIT margin (EBIT/Revenue)	11.1	17.2	8.9	10.7	12.6
Asset turnover (Rev./Avg TA)	68.9	74.0	67.0	77.6	83.9
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	7.5	12.8	5.8	7.8	10.3

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25P	FY26E	FY27E
YoY growth (%)					
Revenue	18.6	16.6	(6.2)	20.6	16.3
EBITDA	(20.8)	56.3	(3.7)	18.1	21.8
Adjusted EPS	(43.9)	85.9	(51.5)	42.1	40.1

Profitability & Return ratios (%)

EBITDA margin	15.5	20.7	21.3	20.8	21.8
EBIT margin	11.1	17.2	8.9	10.7	12.6
Adjusted profit margin	8.1	12.8	6.6	7.8	9.4
Adjusted ROAE	7.5	12.8	5.8	7.8	10.3
ROCE	9.4	16.0	7.5	10.5	13.1

Working capital days (days)

Receivables	20	18	16	17	17
Inventory	54	60	42	42	42
Payables	55	29	37	36	37

Ratios (x)

Gross asset turnover	1.2	1.1	1.0	1.1	1.2
Current ratio	3.5	3.2	3.0	3.2	3.5
Net interest coverage ratio	6.8	12.5	7.7	10.2	13.8
Adjusted debt/equity	0.1	0.1	0.0	0.1	0.1

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

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

BUY – Expected return >+15%

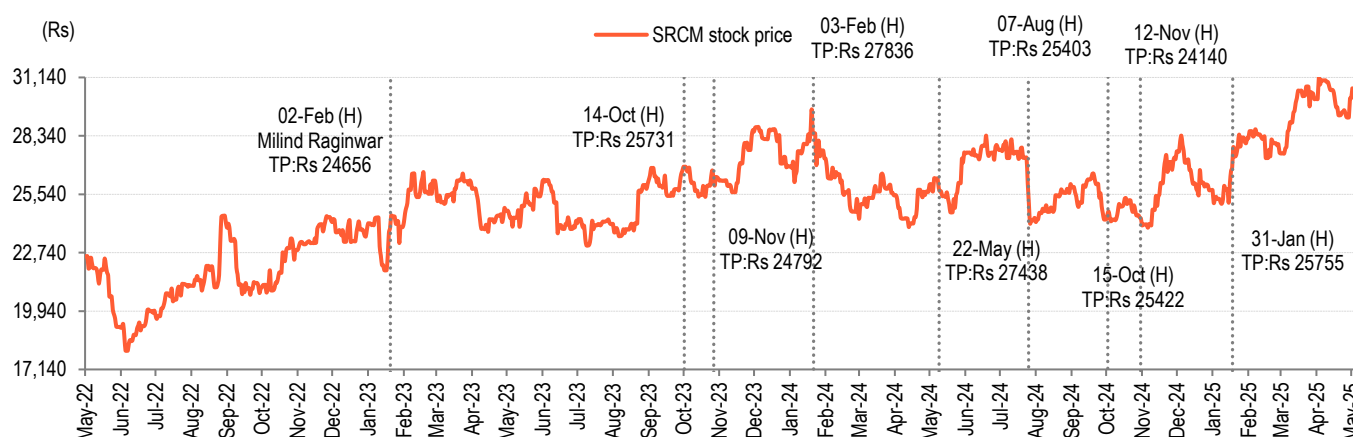
HOLD – Expected return from -6% to +15%

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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