Shree Cement (SHRCEM)

ICICI Direct

CMP: ₹26,800 | Target ₹ 29,000 (+8%) | Target Period: 12 months | **HOLD**

August 3, 2026

Volume growth picks-up; but higher costs limit gains...

About the stock: Shree Cement is the 3rd largest cement producer in India with the installed capacity of 69.3 million tonnes (mtpa).

- Shree Cement's revenue has grown by 5% CAGR over FY23-26, while EBITDA has grown by 13% over the same period

Q1FY27 performance: Revenue increased by 13.6% YoY (-0.4% QoQ) to Rs 5622.7 crore led by robust volume growth of 17.2% YoY (-2.6% QoQ) and decline in realization by 3% YoY (+2.3% QoQ). EBITDA/ton declined by 25.4% YoY (-11.8% QoQ) to Rs 1024/ton. Absolute EBITDA decreased by 12.6% YoY (-14.1% QoQ) to Rs 1074.5 crores. PAT decreased by 29.2% YoY (-17.7% QoQ) to Rs 438 crore

Investment Rationale:

- **Volume growth to pick-up due to increase in capacity utilisation**: Company reported sales volume of 10.49 mtpa, which grew by 17.2% YoY (better-than-industry), mainly led by good demand scenario and higher capacity utilisation levels (~62% at present vs ~57% in Q1FY26). We believe that company's volume growth to remain healthy going ahead, as it has room for improvement in capacity utilisation. Though the focus still remains on profitability, management reiterated on its volume guidance of ~40 mtpa for FY27E (which implies ~10% YoY volume growth). On capacity front, company is expanding in Meghalaya with ~1 mtpa capacity with further plan of setting-up 4-4.5 mtpa in the state (further details will be shared in coming periods). Total cement capacity stands at ~70 mtpa and targets to reach total cement capacity of ~80 mtpa by FY28E/29E. We estimate company's volume at ~9% CAGR over FY26-28E (vs ~1% CAGR over FY24-26)
- **EBITDA per ton to improve led by cost efficiency measures**: Company's EBITDA/ton stood at ₹ 1024/ton in Q1FY27 (-29.2% YoY) due to increase in costs mainly power and fuel cost and other costs which includes packaging costs. However, management believe these cost level (witnessed in Q1) has been peaked and expects it at similar levels in Q2FY27E (with some room to decline). Though company's operational performance might remain subdued in near term due to cost pressure, we believe that it should improve over H2FY27E-FY28E. We estimate EBITDA/ton to improve to ₹ 1236/ton by FY28E (from Rs 1154/ton in FY26) driven by continuous focus on operational efficiency. Cost saving initiatives include increasing share of green power (65% at present), cost optimisation in logistics and changing the fuel mix. Moreover, increasing share of premium products & positive operating leverage to help margin recovery

Rating and Target Price:

- We have trimmed our EBITDA estimates factoring in higher input cost. However, with healthy volume growth and improvement in EBITDA/ton by FY28E, we expect revenue to grow ~11% CAGR over FY26-28E while EBITDA & PAT are expected to grow at ~13% & ~16% CAGR respectively
- We recommend **HOLD** rating on Shree Cement with a revised target price of Rs 29,000 (based on 17x EV/EBITDA on FY28E basis)

Shree Cement

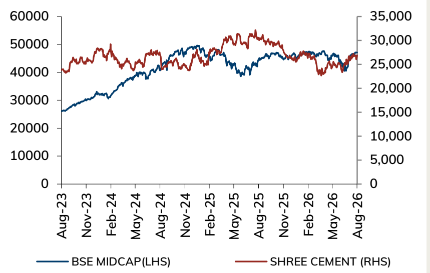
Particulars

Particular	Amount
Market Cap (₹ Crore)	96,480
FY26 Gross Debt (₹ Crore)	1,593
FY26 Cash (₹ Crore)	7,952
EV (₹ Crore)	90,121
52 Week H/L (₹)	31920 / 22550
Equity Capital	36.1
Face Value	10.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	62.6	62.6	62.6	62.6
FII	10.3	10.1	8.9	8.2
DII	14.4	14.6	15.8	16.4
Others	12.7	12.8	12.7	12.8

Price Chart



Key risks

(i) Slowdown in Demand

(ii) Delays in capacity expansion

(iii) Increase in commodity prices

(iv) High competition

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenues	16,837	19,586	18,037	19,311	4.7%	21,317	23,593	10.5%
EBITDA	2,942	4,364	3,837	4,191	12.5%	4,241	5,322	12.7%
EBITDA Margins (%)	17.5	22.3	21.3	21.7		19.9	22.6	
Net Profit	1,328	2,468	1,196	1,706	8.7%	1,540	2,282	15.7%
EPS (Rs)	368.9	685.7	332.3	474.0		427.8	634.0	
PE (x)	72.6	39.1	80.7	56.5		62.6	42.3	
EV/EBITDA (x)	32.5	21.2	23.7	21.5		20.8	16.2	
EV/ton ($)	215.3	216.8	182.2	169.4		132.4	129.0	
RoCE (%)	8.8	15.1	7.3	10.2		9.7	13.1	
RoE (%)	7.3	12.1	5.6	7.6		6.6	9.2	

Source: Company, ICICI Direct Research

Q1FY27 – Result highlights

- Revenue increased by 13.6% YoY (-0.4% QoQ) to Rs 5622.7 crore led by robust volume growth of 17.2% YoY (-2.6% QoQ) and decline in realization by 3% YoY (+2.3% QoQ).
- Total cost/ton increased 4.3% YoY (+6.3% QoQ) mainly due to increase in power and fuel cost and packaging cost.
- EBITDA/ton declined by 25.4% YoY (-11.8% QoQ) to Rs 1024/ton. Absolute EBITDA decreased by 12.6% YoY (-14.1% QoQ) to Rs 1074.5 crores.
- PAT decreased by 29.2% YoY (-17.7% QoQ) to Rs 438 crore

Recent earnings call highlights

- Management expects the Indian cement industry to grow ~7-8% in FY27E. Also, they retained FY27E volume guidance at ~40mt. It expects 19.5-20mt in H1FY27 and similar kind of number for H2FY27E
- South volume sales increased from 1.1mt to 1.69mt, North grew 20%, while East remained broadly flat in Q1FY27
- Capacity utilisation stood at 62% overall in Q1, with North at 66%, East at 60% and South at 57%. Higher South volumes were supported by the new plant and increased penetration into Maharashtra and Gujarat
- Management termed Q1 an abnormal quarter, with lower conversion factor and higher non-trade sales temporarily affecting premiumisation
- Management aims to return to its earlier strategy of improving conversion factor, optimising costs and increasing trade sales, after Q1 saw higher OPC production and consequently higher non-trade volumes. It expects premiumisation and trade-sales momentum to improve from Q2 onwards
- Petcoke usage fell sharply from 54% to 9%, while coal increased from 26% to 74%; management believes fuel cost has almost peaked out and should stabilise/decline from Q2 if there is no further Middle East disruption
- The Middle East disruption prevented contracted lower-cost petcoke from reaching plants, forcing company to procure higher-cost and lower-quality coal. Management expects the arrival of contracted petcoke to provide relief to fuel costs going forward.
- Omani gypsum supply was disrupted due to the Middle East conflict, forcing the company to procure higher-priced, lower-quality domestic gypsum, which increased raw-material costs. Management expects raw-material costs to moderate as Omani gypsum availability normalises
- The clinker factor improved marginally from 1.58x in Q1FY26 to 1.50x in Q1FY27, with management exploring additional cementitious materials to further improve the factor and reduce cost
- Lead distance declined to 445kms in Q1FY27 vs. 457kms in Q4FY26. Green power share rose to 65% in Q1FY27 from 61% in Q4FY26.
- Electric commercial vehicles are another cost-saving initiative: an electric commercial vehicle costs around ₹1 crore vs ₹40 lakh for an ICE vehicle, but fuel cost is estimated at only around one-tenth. Management plans to commission around 100 electric commercial vehicles in FY27, while also evaluating EVs for mining equipment such as dumpers and dozers.
- Management maintained its FY27 capex guidance at ₹1,500 crore, of which ~₹456 crore was spent in Q1FY27
- The North-East project is targeted for commissioning in Q4FY28, with the initial facility designed ~1 mtpa, while infrastructure is being created to eventually support 4-5 mtpa capacity. Management highlighted that the region has sufficient limestone reserves to support the larger scale
- Consolidated volume was impacted by the UAE business, which had practically no sales during April-May due to the Middle East war. Management expects UAE volumes to recover sharply and aims to reach ~7mt by Q3 FY27
- RMC revenue increased to ₹109 crore in Q1 FY27 from ₹90 crore in Q4 FY26 and ₹40 crore in Q1 FY26. Management clarified that the business is

currently not generating meaningful EBITDA and wants the plants to stabilise before focusing on profitability

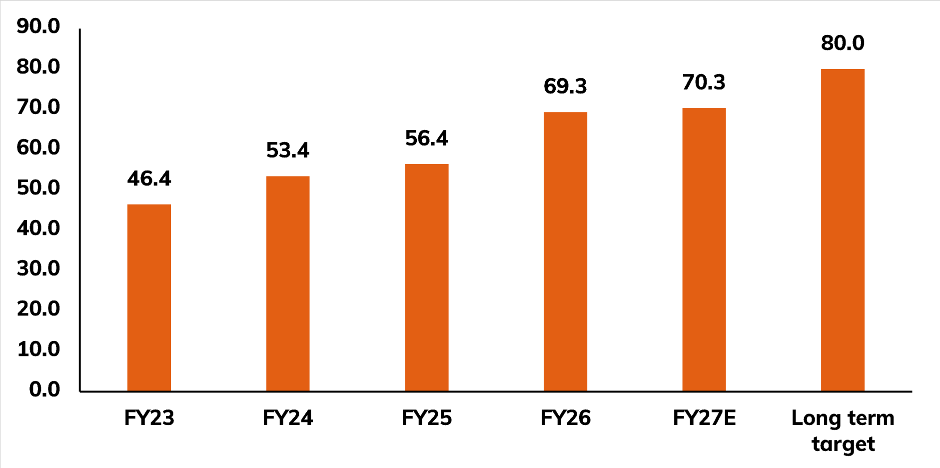
- Management expects depreciation of ₹2,400-2,500 crore for FY27, with the effective tax rate at ~30%.
- Management expects standalone Shree's contribution to reduce from around 88-89% currently to 75-80% of consolidated revenue over the next five years, with Shree Cement East and UAE contributing the remaining 20-25% as these businesses scale up

Exhibit 1: Q1FY26 consolidated result overview (₹ crore)

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Operating Income	5,622.7	4,948.0	13.6	5,643.0	-0.4	Revenue increased YoY due to robust volume growth
Other income	201.4	201.1	0.2	112.2	79.5	
Total Revenue	5,824.1	5,149.0	13.1	5,755.2	1.2	
Raw materials costs	671.5	559.9	19.9	819.5	-18.1	
Employees Expenses	288.1	254.5	13.2	261.9	10.0	
Other Expenses	800.4	668.8	19.7	683.8	17.1	
Total Expenditure	4,548.2	3,718.9	22.3	4,392.7	3.5	
EBITDA	1,074.5	1,229.1	-12.6	1,250.3	-14.1	
EBITDA margins (%)	19.1	24.8	-573 bps	22.2	-305 bps	Margins impacted due to higher costs
Interest	55.5	44.6		54.8		
Depreciation	586.2	552.4	6.1	637.7	-8.1	
Tax	196.2	214.6	-8.6	138.1	42.1	
PAT	438.0	618.5	-29.2	532.0	-17.7	

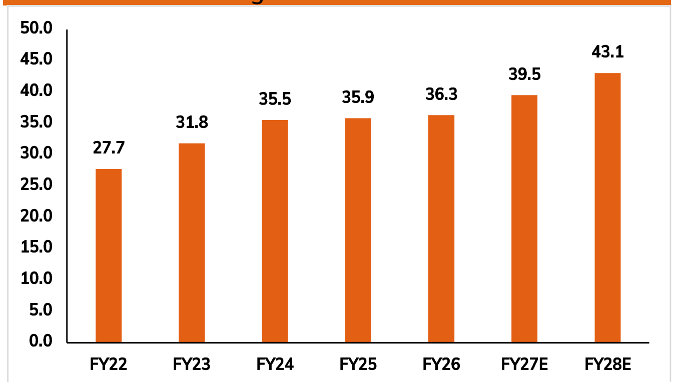
Source: Company, ICICI Direct Research

Exhibit 2: Consolidated Capacity expansion plan over FY24-FY28E



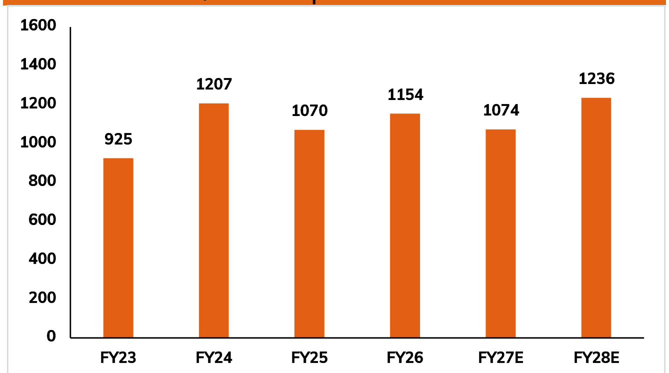
Source: Company, ICICI Direct Research

Exhibit 3: Volumes to grow at ~9% CAGR over FY26-28E



Source: Company, ICICI Direct Research

Exhibit 4: EBITDA/ton to improve over FY27E-FY28E



Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Revenue	18,037.3	19,310.5	21,317.3	23,593.2
% Growth	(7.9)	7.1	10.4	10.7
Other income	577.2	596.8	668.4	748.7
Total Revenue	18,037.3	19,310.5	21,317.3	23,593.2
% Growth	(7.9)	7.1	10.4	10.7
Total Raw Material Costs	2,020.8	2,539.2	2,567.5	2,798.6
Employee Expenses	990.6	1,105.6	1,199.6	1,337.5
other expenses	11,189.2	11,474.5	13,309.2	14,135.0
Total Operating Expenditure	14,200.6	15,119.3	17,076.3	18,271.1
Operating Profit (EBITDA)	3,836.8	4,191.2	4,241.0	5,322.1
% Growth	(12.1)	9.2	1.2	25.5
Interest	208.6	207.7	215.1	215.1
PBDT	4,205.4	4,580.4	4,694.3	5,855.7
Depreciation	2,808.0	2,331.9	2,494.1	2,595.2
PBT before Exceptional Items	1,397.4	2,248.4	2,200.2	3,260.4
Total Tax	201.1	542.2	660.1	978.1
PAT before MI	1,196.2	1,706.3	1,540.1	2,282.3
PAT	1,196.2	1,706.3	1,540.1	2,282.3

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	1,196.2	1,706.3	1,540.1	2,282.3
Depreciation	2,808.0	2,331.9	2,494.1	2,595.2
Interest	208.6	207.7	215.1	215.1
Cash Flow before WC chg	4,212.8	4,245.9	4,249.3	5,092.6
Changes in inventory	1,070.9	(257.4)	(207.8)	(238.9)
Changes in debtors	149.3	(232.2)	(102.8)	(112.6)
Changes in loans & Adv	122.8	0.3	(0.3)	(0.3)
Changes in other CA	141.1	(74.7)	(129.2)	(146.5)
Net Increase in CA	1,555.2	(700.0)	(440.1)	(498.4)
Changes in creditors	146.8	170.1	137.6	162.1
Changes in provisions	1.6	(1.5)	1.5	0.6
Net Inc in Current Liabilities	164.0	339.4	355.9	408.6
Net CF from Op activities	5,932.0	3,885.2	4,165.2	5,002.9
Changes in def tax assets	(118.4)	54.0	-	-
(Pur)/Sale of Fixed Assets	(3,886.0)	(1,751.8)	(1,500.0)	(1,700.0)
Net CF from Invest activities	(4,763.0)	(4,095.4)	(3,218.2)	(3,920.6)
Dividend and Dividend Tax	(396.0)	(540.0)	(540.0)	(792.0)
Net CF from Fin Activities	(1,234.4)	163.0	(916.4)	(1,007.1)
Net Cash flow	(65.4)	(47.2)	30.6	75.2
Opening Cash/Cash Equ	296.4	231.0	183.8	214.4
Closing Cash/ Cash Equ	231.0	183.8	214.4	289.6

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	36.1	36.1	36.1	36.1
Reserve and Surplus	21,175.3	22,475.5	23,314.4	24,804.7
Total Shareholders' funds	21,211.4	22,511.6	23,350.4	24,840.7
Total Debt	816.4	1,593.2	1,593.2	1,593.2
Total Liabilities	22,340.3	24,340.1	25,179.0	26,669.3
Gross Block	19,998.7	23,797.1	25,850.8	27,050.8
Acc: Depreciation	13,823.4	16,155.3	18,649.4	21,244.7
Net Block	6,175.3	7,641.8	7,201.4	5,806.1
Capital WIP	3,111.5	1,053.7	500.0	1,000.0
Total Fixed Assets	10,009.5	9,429.3	8,435.2	7,539.9
Non-Current Assets	7,045.8	7,854.5	7,872.7	7,893.3
Inventory	2,075.4	2,332.8	2,540.5	2,779.5
Debtors	780.5	1,012.7	1,115.5	1,228.1
Other Current Assets	1,168.1	1,242.8	1,372.0	1,518.4
Cash	231.0	183.8	214.4	289.6
Total Current Assets	4,390.5	5,043.3	5,514.0	6,087.5
Current Liabilities	1,210.8	1,380.9	1,518.5	1,680.6
Provisions	90.0	90.0	90.0	91.0
Total Current Liabilities	5,415.6	5,755.0	6,110.9	6,519.5
Net Current Assets	(1,025.1)	(711.7)	(596.9)	(432.0)
Total Assets	22,340.2	24,340.1	25,179.0	26,669.3

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	332.3	474.0	427.8	634.0
Cash per Share	1,817.0	2,208.8	2,689.6	3,321.6
BV	5,892.1	6,253.2	6,486.2	6,900.2
EBITDA Margin	21.3	21.7	19.9	22.6
PAT Margin	6.6	8.8	7.2	9.7
RoE	5.6	7.6	6.6	9.2
RoCE	7.3	10.2	9.7	13.1
RoIC	4.7	7.8	7.1	10.4
EV / EBITDA	23.7	21.5	20.8	16.2
EV/ton ($)	182.2	169.4	132.4	129.0
P/E	80.7	56.5	62.6	42.3
EV / Net Sales	5.0	4.7	4.1	3.7
Sales / Equity	0.9	0.9	0.9	0.9
Market Cap / Sales	5.3	5.0	4.5	4.1
Price to Book Value	4.5	4.3	4.1	3.9
Asset turnover	0.8	0.8	0.9	0.9
Debtors Turnover Ratio	21.1	21.5	20.0	20.1
Creditors Turnover Ratio	15.9	14.9	14.7	14.7
Debt / Equity	0.0	0.1	0.1	0.1
Current Ratio	1.3	1.3	1.3	1.4
Quick Ratio	0.6	0.6	0.7	0.7

Source: Company, ICICI Direct Research

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