Stock Update

Result Update

MIRAE ASSET Sharekhan

Shree Cement Ltd

Profitability focus drives long-term upside

Cement	Sharekhan code: SHREECEM
Reco/View: Buy ⇔	CMP: Rs. 28,594 (as on Oct 28, 2025)
	Price Target: Rs. 32,400 ↓

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		⇔	
RQ		⇔	
RV		⇔	

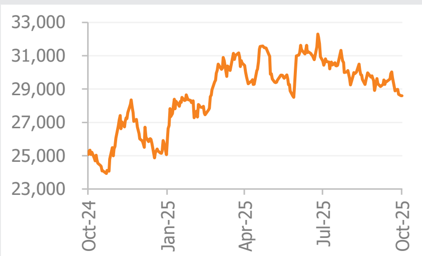
Company details

Market cap:	Rs. 1,03,168 cr
52-week high/low:	Rs. 32,508/23,500
NSE volume: (No of shares)	0.36 lakh
BSE code:	500387
NSE code:	SHREECEM
Free float: (No of shares)	1.4 cr

Shareholding (%)

Promoters	62.6
FII	10.3
DII	14.4
Others	12.7

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-3.5	-6.8	-6.0	14.0
Relative to Sensex	-8.8	-11.4	-11.5	8.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Consolidated revenues grew 15.5% y-o-y to Rs. 4,303 crore (3.1% below estimates), aided by a 4% y-o-y volume growth and a 11.0% y-o-y rise in realisations/tn, driven by premium product mix improvement to 21.1%.
- Management guided FY26 volumes of 37-38 MTPA, indicating performance better than industry growth and reaffirming its value-over-volume strategy.
- The company is set to commission total 6 MTPA of brownfield capacity in Rajasthan and Karnataka (3 MT each), keeping the long-term target of 80 MTPA intact.
- We maintain a Buy with a revised PT of Rs. 32,400, supported by disciplined capital allocation, upcoming capacity additions, and a favourable demand outlook.

Standalone revenue stood at Rs. 4,303 crore, up 15.5% y-o-y (3.1% below our estimate), driven by sustained volume growth, improved product mix, and its continued focus on a value-over-volume strategy. Realisations rose 11.0% y-o-y to Rs. 5,444/tonne, supported by a strong rise in premium mix whose share improved to 21% of trade volumes (versus 15% in Q2FY25), while the trade channel contributed 70% in Q2FY26. Total sales volume rose 4% y-o-y to 7.9 million tonnes (cement volumes up 6.8% y-o-y). EBITDA/tonne improved by 38% YoY to Rs. 1,077, aided by better pricing and premiumisation, although costs rose 5.8% y-o-y to Rs. 4,367/tonne, partly offsetting gains. Sequentially, volumes declined due to muted demand, owing to heavy monsoons and labour shortages during the festival season. The company commissioned a 3.65 mtpa clinker line at Jaitaran, Rajasthan in Q2, and expects to commission a 3 mtpa cement mill at the same location shortly, along with a 3 mtpa integrated unit at Kodla, Karnataka, which is in its final stage of completion. The management said it will do better than the industry in the terms of volumes. Capex guidance stands at Rs. 3,000 crore for FY26 with a similar outlay expected for FY27. The company is on track to scale up installed capacity to 72–75 mtpa by FY27 and remains committed to achieving 80 mtpa capacity by FY28.

Key positives

- Premium product mix increased to 21% in Q2FY26 (vs 15% in Q2FY25), driving a 11.0% y-o-y improvement in realisations and supporting EBITDA/tonne expansion.

Key negatives

- Volumes declined sequentially due to monsoon-related demand disruption and festive labour shortages, impacting operating leverage.

Management Commentary

- The company currently operates 24 Ready-Mix Concrete (RMC) plants and targets to scale this to 40 plants by FY26.
- On the recent GST rate cut from 28% to 18%, the management stated that it is a structurally positive reform, particularly for low- and middle-income housing, and is expected to support long-term demand. Pricing is expected to remain stable provided demand trends improve.
- The UAE operations delivered their best-ever quarterly performance, with volumes rising to 13.1 lakh tonnes (vs. 9.87 lakh tonnes y-o-y), revenue increasing 50% y-o-y, and EBITDA rising sharply by 158% y-o-y to AED 52.5 mn Management emphasized that the UAE business is now a key pillar of growth. A 3-MTPA cement mill is planned in the UAE with a capex of AED 110 million, fully funded through internal accruals from the UAE operations.
- Total green power capacity stands at 612 MW, with green power usage at 63% in H1FY26 (60% in Q2FY26). The company continues to lead the industry in renewable energy adoption, enhancing cost efficiency and ESG positioning.

Revision in earnings estimates – We have revised our FY26–FY27 margin assumptions downward as performance came in below expectations, leading to lower earnings estimates. Additionally, we have introduced FY28E in our forecast framework to reflect medium-term earnings visibility.

Our Call

Valuation – Maintain Buy with a revised PT of Rs.32,400: Strategic focus on profitability over volumes, supported by price hikes, cost optimization, and a higher share of premium products, is expected to drive improved EBITDA/tonne in FY26. The company's long-term capacity expansion roadmap remains intact. The stock currently trades at ~19.6x/17.8x/15.2x EV/EBITDA for FY26E/FY27E/FY28E, We maintain our Buy rating on Shree Cement with a revised target price of Rs. 32,400, reflecting adjustments to our near-term margin forecasts.

Key Risks

Weak demand and pricing environment in North and East India can negatively affect profitability.

Valuation (Standalone) Rs cr

Particulars	FY25	FY26E	FY27E	FY28E
Revenue	18,037.3	19,253.2	20,421.2	22,475.4
OPM (%)	21.3	24.1	24.6	25.5
Adjusted PAT	1,196.2	1,764.8	2,090.6	2,465.1
% y-o-y growth	-51.5	47.5	18.5	17.9
Adjusted EPS (Rs.)	331.5	489.1	579.4	683.2
P/E (x)	86.2	58.5	49.3	41.9
P/B (x)	4.9	4.6	4.3	4.0
EV/EBITDA (x)	23.8	19.6	17.8	15.2
RoE (%)	5.8	8.08	8.98	9.83
RoCE (%)	6.3	8.20	9.06	9.88

Source: Company; Mirae Asset Sharekhan estimates

Results (Standalone) Rs cr

Particulars	Q2FY26	Q2FY25	% yoy	Q1FY26	% qoq
Net Sales	**4303.2**	**3727.0**	**15.5**	**4948.0**	**-13.0**
Total Expenditure	3451.9	3134.5	10.1	3718.9	-7.2
Operating profits	**851.3**	**592.5**	**43.7**	**1229.1**	**-30.7**
Other Income	157.0	177.6	-11.6	201.1	-21.9
EBIDTA	1008.3	770.1	30.9	1430.1	-29.5
Interest	50.7	56.7	-10.5	44.6	13.8
PBDT	957.6	713.4	34.2	1385.6	-30.9
Depreciation	554.9	668.7	-17.0	552.4	0.4
PBT	**402.7**	**44.8**	**799.8**	**833.1**	**-51.7**
Tax	125.6	-48.4	NA	214.6	-41.5
Extraordinary items	0.0	0.0	NA	0.0	NA
Reported Profit After Tax	**277.1**	**93.1**	**197.6**	**618.5**	**-55.2**
Adjusted PAT	**277.1**	**93.1**	**197.6**	**618.5**	**-55.2**
Margins					
OPMs	19.8	15.9	389	24.8	(506)
PAT	6.4	2.5	394	12.5	(606)
Tax rate	31.2	-108.1	NA	25.8	542

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Improving demand brightens the outlook

India's cement sector is set to benefit from rising urbanization and infrastructure growth. The Union Budget FY26, with a capex outlay of Rs.11.2 lakh crore, prioritises key sectors like housing, roads, and urban development. Initiatives like PMAY and increased allocation to highways are expected to drive cement demand. Industry players are responding with aggressive capacity expansions, implying a supply CAGR of 7–8% over two years. Consolidation is rising, with top four players holding ~58% market share. The eastern and central regions are likely to lead upcoming capacity additions.

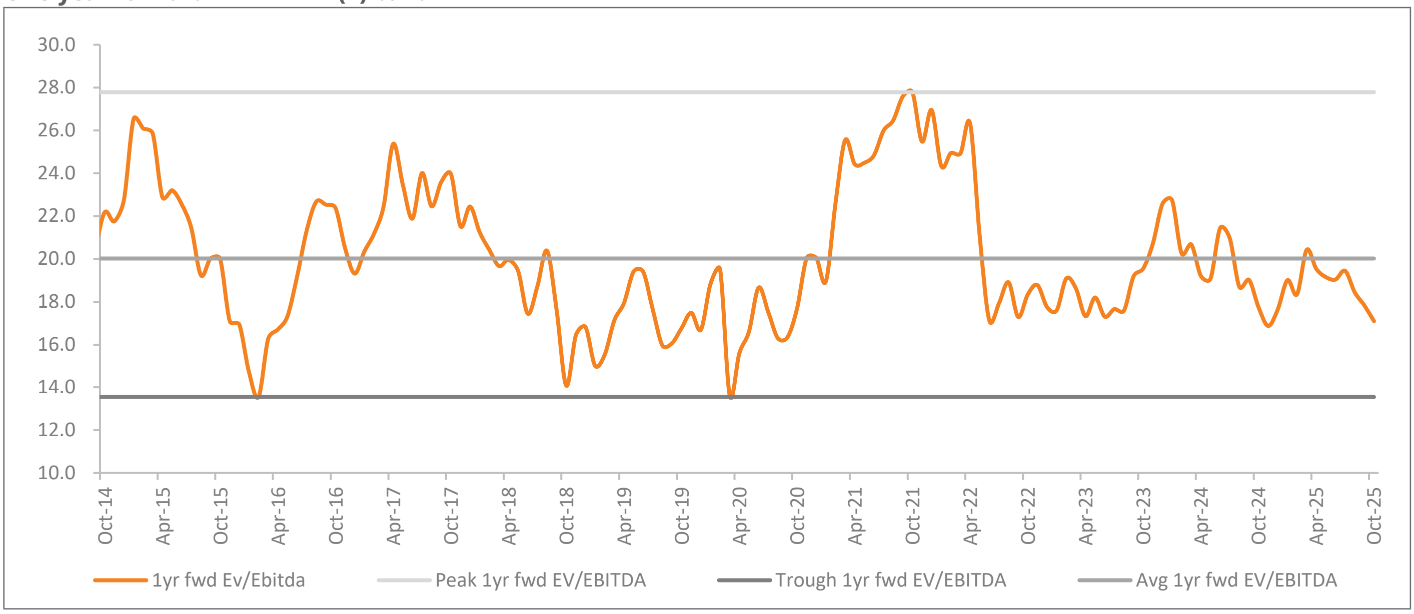
■ Company Outlook – Focus on profitability and cost efficiency with strong expansion plans

Shree Cement continues to witness strong demand in its core markets, particularly in Northern and Eastern India. The company has shifted its strategic focus toward profitability over volume growth, aiming to improve realisations through premium product offerings and disciplined pricing. It is also prioritising cost optimisation, supported by a declining trend in power and fuel costs and improved operational efficiencies from higher plant utilisation. Historically known for superior profitability versus peers, Shree Cement plans to maintain its edge while pursuing organic capacity expansion — targeting an increase from 62.8 MTPA in FY2025 to 80 MTPA by FY2028, with further additions thereafter.

■ Valuation – Maintain Buy with a revised PT of Rs.32,400

Strategic focus on profitability over volumes, supported by price hikes, cost optimization, and a higher share of premium products, is expected to drive improved EBITDA/tonne in FY26. The company's long-term capacity expansion roadmap remains intact. The stock currently trades at ~19.6x/17.8x/15.2x EV/EBITDA for FY26E/FY27E/FY28E, We maintain our Buy rating on Shree Cement with a revised target price of Rs. 32,400, reflecting adjustments to our near-term margin forecasts.

One-year forward EV/EBITDA (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Shree Cement, incorporated in 1979 by Kolkata-based Bangur Family, was listed in 1984. The company has consistently focused on delivering high-quality products and has grown rapidly to become one of the largest cement producers in the country. The company has a total installed cement capacity of 62.8 MTPA in India, with plans to reach 80 MTPA by 2028. A strong advocate for sustainability, Shree Cement has achieved over 63% green power usage in H1FY26, reaching 612 MW of renewable energy capacity, driven by investments in solar, wind, and waste heat recovery systems.

Investment theme

Shree Cement is experiencing strong demand in its key regional markets of North and East India. The company is prioritizing profitability over sales volume by focusing on higher realization, cost optimization, and increasing its premium product offerings. Furthermore, operational profitability is anticipated to improve due to declining power and fuel costs, coupled with enhanced operational efficiencies from higher utilization levels. Strong cement demand has prompted the management to plan an increase in capacity from 62.8 MTPA in FY2025 to 80 MTPA by FY2028. The company's strong expansion plans remain on track and is expected to be funded through internal accruals maintaining balance sheet strength.

Key Risks

- Slowdown in cement demand, especially north, east and south, affects the overall volume growth of the company.
- Increased pet coke price and diesel prices affect profitability.
- Decline in cement prices, especially in its region of operations, affects profitability.

Additional Data

Key management personnel

Name	Designation
Mr. Hari Mohan Bangur	Chairman
Mr. Prashant Bangur	Vice Chairman
Mr. Neeraj Akhoury	Managing Director
Mr. Subhash Jajoo	Chief Finance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	FLT LTD	9.98
2	Life Insurance Corp of India	3.13
3	ICICI Prudential Asset Management	1.45
4	Vanguard Group Inc/The	1.16
5	T Rowe Price Group Inc	1.11
6	Blackrock Inc	0.94
7	UTI Asset Management Co Ltd	0.77
8	Franklin Resources Inc	0.55
9	Kotak Mahindra Asset Management Co	0.50
10	Nippon Life India Asset Management	0.49

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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