

CMP: ₹ 26,875

Target: ₹ 31,500 (17%)

Target Period: 12 months

February 9, 2026

BUY

Focus on improving utilisation to drive growth...

About the stock: Shree Cement is the 3rd largest cement producer in India with the installed capacity of 65.8 million tonnes (mtpa)

- Shree Cement's revenue has grown by 8% CAGR over FY22-25, while EBITDA has grown by 13.6% over the same period

Q3FY26 performance: Revenue increased by 4.3% YoY to Rs 4416.4 crore, mainly led by improvement in realization by 5.1% YoY. Sales volumes remained muted (-0.8% YoY) to 7.9 mtpa. Sequentially, revenue is up 2.6%, led by 10.1% QoQ volume growth while realisation declined 6.8% QoQ. EBITDA/ton declined by 8.4% YoY (-8.2% QoQ) to Rs 989/ton. Absolute EBITDA decreased by 9.1% YoY (+1.1% QoQ) to Rs 860.5 crores. PAT increased by 21.4% YoY (+0.5% QoQ) to Rs 278.6 crore

Investment Rationale

- Volume growth expected to pick-up over FY27E-FY28E:** Volume growth remained lower by 1.8% YoY for 9MFY26, as the company has been focused on value over volume strategy. For Q4FY26E also, company guides volume of 9-9.5 mtpa which implies flattish to marginally negative volume growth for FY26E. Management has also stated that their focus would see some shift to volume growth in the coming years (as they have already benefited from its pricing strategy). Further, longer term volume outlook remains healthy as the company is in process of expanding its capacity to 68.8 mtpa by FY26E (by adding 3 mtpa at Karnataka – expected in Q4FY26E) from current capacity of 65.8 mtpa. Company targets total capacity of ~72 mtpa by FY27E and 80 mtpa in long-term (though it may get deferred from earlier plan of achieving it by FY28E/FY29E). We estimate company's volume at ~5% CAGR over FY25-28E, backed by capacity build-up, pick-up in demand and focus on improving utilisation of existing capacities (targeting 70-75% from ~55% at present)
- Continuous focus on operational efficiencies to further improve EBITDA/ton:** Company's EBITDA/ton declined by 8.4% YoY to ₹ 989/ton in Q3FY26, primarily due to higher employee cost (as additional Rs 56 crore was accounted for labour code requirements) and negative operating leverage. However, adjusted EBITDA/ton was down ~2% YoY during the quarter. Going forward, profitability is expected to improve further over FY27-28E led by various cost efficiency measures including increase in share of green power (60% at present), fuel cost & freight cost optimisation. Moreover, increasing share of premium products & positive operating leverage to help margin recovery over FY26E-28E. We estimate EBITDA/ton to improve to ₹ 1452/ton by FY28E (from Rs 1070/ton in FY25)

Rating and Target Price

- We cut our revenue & EBITDA estimates, factoring in lower-than-expected volume growth during the year. Over FY25-28E, we expect revenue to grow ~8% CAGR over FY25-28E while EBITDA & PAT are expected to grow at ~16% & ~44% CAGR respectively. We recommend **BUY** on Shree Cement with a revised target price of Rs 31,500 (based on 18x EV/EBITDA on FY27E & FY28E average)



Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	96,750
FY25 Gross Debt (Rs Crore)	816
FY25 Cash (Rs Crore)	6,541
EV (Rs Crore)	91,025
52 Week H/L (Rs)	32508 / 25360
Equity Capital	36.1
Face Value	10.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	62.6	62.6	62.6	62.6
FIIs	9.7	10.1	10.3	10.1
DIL	15.1	14.7	14.4	14.6
Others	12.7	12.7	12.7	12.8

Price Chart



Recent Event & Key risks

- (1) Slowdown in demand (2) Delays in capacity expansion (3) Increase in commodity prices (4) High competition

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Key Financial Summary

(₹ crore)	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	16,837	19,586	18,037	8.0%	18,633	20,675	22,987	8.4%
EBITDA	2,942	4,364	3,837	1.7%	4,138	5,042	6,046	16.4%
EBITDA margin (%)	17.5	22.3	21.3		22.2	24.4	26.3	
Net Profit	1,328	2,468	1,196	-20.5%	1,695	2,895	3,576	44.1%
EPS (₹)	368.9	685.7	332.3		470.9	804.2	993.4	
P/E (x)	72.8	39.2	80.9		57.1	33.4	27.1	
EV/EBITDA (x)	32.6	21.2	23.7		21.9	17.4	14.2	
EV/ton (\$)	247.1	248.8	209.2		158.3	146.4	143.8	
RoCE (%)	8.8	15.1	7.3		10.7	16.6	18.5	
RoE (%)	7.3	12.1	5.6		7.6	12.0	13.5	

Source: Company, ICICI Direct Research

Q3FY26 Result Highlights:

- Revenue increased by 4.3% YoY to Rs 4416.4 crore, mainly led by improvement in realization by 5.1% YoY. Sales volumes remained muted (-0.8% YoY) to 7.9 mtpa
- Sequentially, revenue is up 2.6%, led by 10.1% QoQ volume growth while realisation declined 6.8% QoQ
- EBITDA/ton declined by 8.4% YoY (-8.2% QoQ) to Rs 989/ton, mainly due to higher employee cost (additional Rs 56 crore accounted for new labour code requirement) and negative operating leverage. Adjusted EBITDA/ton stands at Rs 1053/ton (-2.4% YoY, -2.2% QoQ). Absolute EBITDA decreased by 9.1% YoY (+1.1% QoQ) to Rs 860.5 crores
- PAT increased by 21.4% YoY (+0.5% QoQ) to Rs 278.6 crore
- For 9MFY26, revenue was up by 6.8% YoY, led by -1.8% YoY decline in sales volume and 8.7% improvement in realisation. EBITDA/ton stands at Rs 1151/ton (vs Rs 944/ton in 9MFY25)

Recent earnings call highlights:

- RBI indicated 7.4% GDP growth for FY27E. Management expects cement demand to grow ~7.5–8%, typically 1–1.1x GDP
- Management guided that company should grow in line with industry, with potential to outperform once pricing gap is fully closed
- Management said that December pricing was much better, and the same trend continued into January–February. Strong demand due to government budget spending is supporting prices
- Management reiterated that since October 2024, the company consciously prioritized value (realizations) over volumes. This was done to narrow the price gap with peers rather than chase utilization
- Management stated that higher volumes may require some pricing trade-off but they will balance both dynamically
- Company reduced the price gap vs Ultratech from ~₹30/bag to ~₹15/bag through disciplined selling. Management indicated that this narrowing justified the temporary volume sacrifice
- Lower volumes in Oct–Nov led to mid-50% capacity utilization. Utilization improved in December–January and is expected to improve further
- November sales: ~2.7 mtpa & December sales: ~3.3 mtpa; January run-rate similar to December. Management guided that Q4FY26 total volume is expected at 9.0–9.5 mtpa
- For Q3FY26, trade sales were 65% of total volumes. Blended cement share was 65%. Average lead distance was 446 km. Logistics mix was 88% road & 12% rail. Current premium mix: ~21–22%; management expects to maintain this for FY26
- Regional sales split in Q3FY26 - North: 61% of sales followed by East with 26% and South with 13%
- Q3FY26 fuel cost: ₹1.56/ 1000 kcal which is lowest among the industry. Management does not expect it to exceed ₹1.80
- Renewable energy mix crossed ~61% in Q3FY26, the highest among peers. Company aims to add another 2–3% to renewable share
- Total power capacity (as of Q3FY26) - 1,137 MW, comprising of Thermal: 503 MW, WHR: 265 MW, Solar: 314 MW, Wind: 56 MW
- FY26 capex - Total capex expected: ₹2,000 crore. Already spent: ₹1,500 crore and ₹500 crore to be spent in Q4FY26.

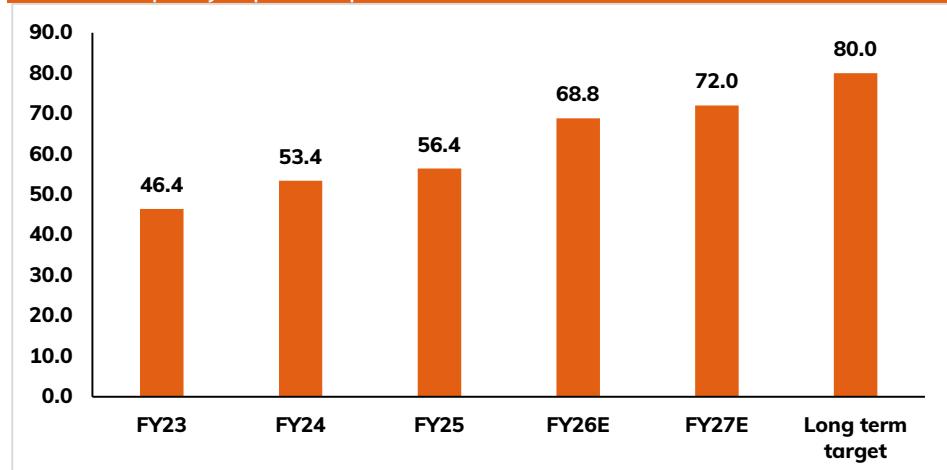
- FY27 expected capex - ₹500 crores (₹150–200 crore for railway sidings, ₹200 crore for 30 new RMC plants, ₹50–100 crore routine capex)
- No major cement capacity additions expected in FY27; company likely to remain at ~72 mtpa by March 2026. Further expansion depends on demand visibility
- Management said the 80 mtpa by FY29E target may get deferred, depending on demand and utilization. Ideal utilization target is ~70% before adding major new capacity
- Additional ₹56 crore provision booked in Q3FY26 due to new labour code requirements. This was treated as normal employee cost (not exceptional)
- Company currently operates 19 RMC plants and plans to scale to 45 RMC plants within 6–8 months (by ~Sep-2026). RMC revenue stood at ₹71 crore for the quarter from 19 plants

Exhibit 1: Quarterly Analysis – Q3FY26

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Operating Income	4,416.4	4,235.5	4.3	4,303.2	2.6	Revenue increased YoY due to better realisation
Other income	126.6	114.9	10.2	157.0	-19.3	
Total Revenue	4,543.0	4,350.4	4.4	4,460.2	1.9	
Raw materials costs	620.0	540.4	14.7	539.8	14.9	
Employees Expenses	332.3	237.1	40.1	257.0	29.3	
Other Expenses	642.8	668.8	-3.9	683.8	-6.0	
Total Expenditure	3,555.9	3,288.9	8.1	3,451.9	3.0	
EBITDA	860.5	946.6	-9.1	851.3	1.1	
EBITDA margins (%)	19.5	22.3	-286 bps	19.8	-30 bps	Margins declined due increase in costs and negative operating leverage
Interest	57.7	52.9		50.7		
Depreciation	587.0	749.6	-21.7	554.9	5.8	
Tax	63.9	29.6	115.9	125.6	-49.1	
PAT	278.6	229.4	21.4	277.1	0.5	

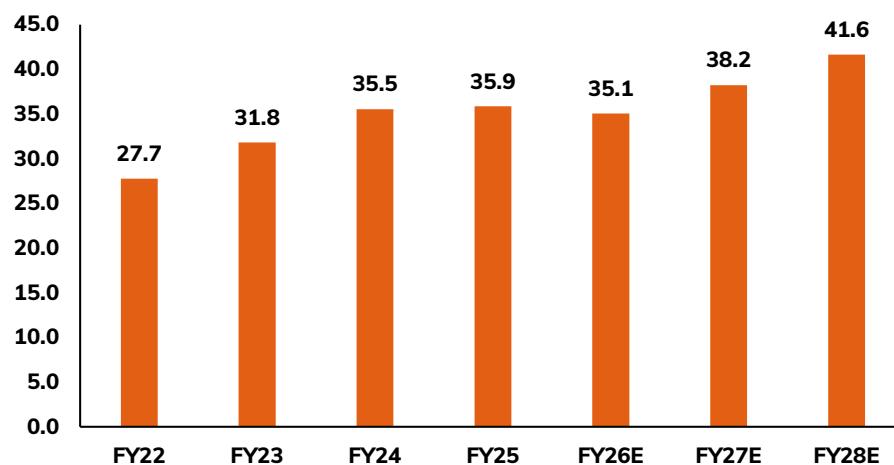
Source: Company, ICICI Direct Research

Exhibit 2: Capacity expansion plan



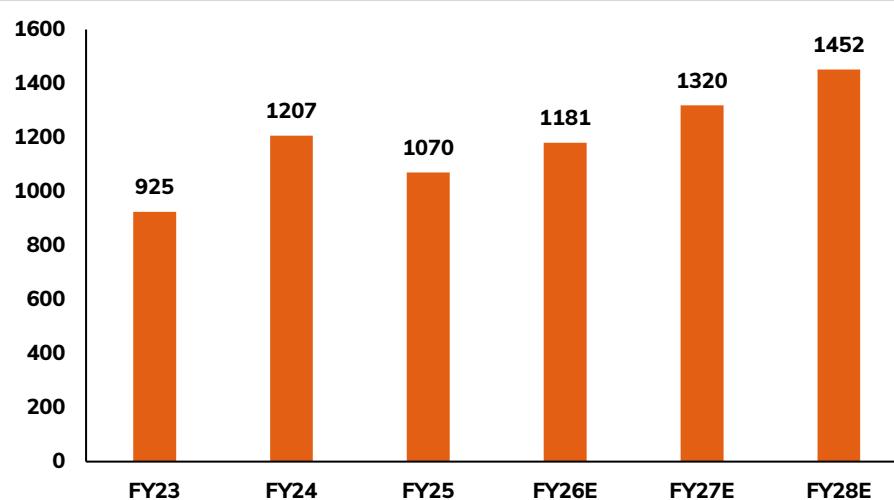
Source: Company, ICICI Direct Research

Exhibit 3: Volumes to grow at ~5% CAGR over FY25-28E to 41.6 mtpa



Source: Company, ICICI Direct Research

Exhibit 4: EBITDA/ton trend



Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement					₹ crore	Exhibit 6: Cash flow statement				₹ crore
(₹ Crore)	FY25	FY26E	FY27E	FY28E	(₹ Crore)	FY25	FY26E	FY27E	FY28E	
Revenue	18,037.3	18,632.6	20,675.1	22,986.5	Profit after Tax	1,196.2	1,695.4	2,895.3	3,576.1	
% Growth	(7.9)	3.3	11.0	11.2	Depreciation	2,808.0	2,282.5	1,654.0	1,838.9	
Other income	577.2	615.0	676.5	744.2	Interest	208.6	210.0	203.7	183.3	
Total Revenue	18,037.3	18,632.6	20,675.1	22,986.5	Cash Flow before WC changes	4,212.8	4,187.9	4,753.0	5,598.3	
% Growth	(7.9)	3.3	11.0	11.2	Changes in inventory	1,070.9	(68.6)	(235.0)	(266.0)	
Total Raw Material Costs	2,020.8	2,394.2	2,597.9	2,831.7	Changes in debtors	149.3	(36.3)	(89.5)	(101.3)	
Employee Expenses	990.6	1,108.7	1,157.2	1,272.9	Changes in loans & Advances	122.8	(0.1)	(0.4)	(0.4)	
other expenses	11,189.2	10,991.7	11,878.4	12,835.7	Changes in other current assets	141.1	(29.9)	(152.1)	(139.1)	
Total Operating Expenditure	14,200.6	14,494.5	15,633.5	16,940.4	Net Increase in Current Assets	1,555.2	(134.9)	(477.0)	(506.8)	
Operating Profit (EBITDA)	3,836.8	4,138.0	5,041.6	6,046.2	Changes in creditors	146.8	14.3	134.3	152.0	
% Growth	(12.1)	7.9	21.8	19.9	Changes in provisions	1.6	(1.1)	0.8	0.7	
Interest	208.6	210.0	203.7	183.3	Net Inc in Current Liabilities	164.0	(531.9)	339.4	383.8	
PBDT	4,205.4	4,543.0	5,514.4	6,607.0	Net CF from Operating activities	5,932.0	3,521.1	4,615.4	5,475.3	
Depreciation	2,808.0	2,282.5	1,654.0	1,838.9	Changes in deferred tax assets	(118.4)	-	-	-	
PBT before Exceptional Items	1,397.4	2,260.5	3,860.4	4,768.1	(Purchase)/Sale of Fixed Assets	(3,886.0)	(2,000.0)	(500.0)	(2,500.0)	
Total Tax	201.1	565.1	965.1	1,192.0	Net CF from Investing activities	(4,763.0)	(2,495.9)	(2,507.2)	(3,424.3)	
PAT before MI	1,196.2	1,695.4	2,895.3	3,576.1	Dividend and Dividend Tax	(396.0)	(684.0)	(972.0)	(1,224.0)	
PAT	1,196.2	1,695.4	2,895.3	3,576.1	Net CF from Financing Activities	(1,234.4)	(921.3)	(1,675.7)	(1,407.3)	
% Growth	(51.5)	41.7	70.8	23.5	Net Cash flow	(65.4)	103.8	432.5	643.7	
EPS	332.3	470.9	804.2	993.4	Opening Cash/Cash Equivalent	296.4	231.0	334.8	767.3	

Source: Company, ICICI Direct Research

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet					₹ crore	Exhibit 8: Key ratios			
(₹ Crore)	FY25	FY26E	FY27E	FY28E	(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	36.1	36.1	36.1	36.1	EPS	332.3	470.9	804.2	993.4
Reserve and Surplus	21,175.3	22,159.4	24,082.7	26,434.7	Cash per Share	1,817.0	1,984.7	2,660.4	3,089.2
Total Shareholders funds	21,211.4	22,195.4	24,118.7	26,470.8	BV	5,892.1	6,165.4	6,699.6	7,353.0
Total Debt	816.4	816.4	316.4	316.4	EBITDA Margin	21.3	22.2	24.4	26.3
Total Liabilities	22,340.3	23,324.3	24,747.6	27,099.7	PAT Margin	6.6	9.1	14.0	15.6
Gross Block	19,998.7	24,110.2	25,310.2	26,110.2	RoE	5.6	7.6	12.0	13.5
Acc: Depreciation	13,823.4	16,105.9	17,759.9	19,598.8	RoCE	7.3	10.7	16.6	18.5
Net Block	6,175.3	8,004.3	7,550.3	6,511.4	RoIC	4.7	8.2	14.3	16.6
Capital WIP	3,111.5	1,000.0	300.0	2,000.0	EV / EBITDA	23.7	21.9	17.4	14.2
Total Fixed Assets	10,009.5	9,727.0	8,573.0	9,234.0	EV/ton (\$)	209.2	158.3	146.4	143.8
Non Current Assets	7,045.8	7,041.7	7,048.9	7,073.2	P/E	80.9	57.1	33.4	27.1
Inventory	2,075.4	2,144.0	2,379.0	2,645.0	EV / Net Sales	5.0	4.9	4.2	3.7
Debtors	780.5	816.8	906.3	1,007.6	Sales / Equity	0.9	0.8	0.9	0.9
Other Current Assets	1,168.1	1,198.0	1,350.1	1,489.2	Market Cap / Sales	5.4	5.2	4.7	4.2
Cash	231.0	334.8	767.3	1,411.0	Price to Book Value	4.6	4.4	4.0	3.7
Total Current Assets	4,390.5	4,629.3	5,538.8	6,689.3	Asset turnover	0.8	0.8	0.8	0.9
Current Liabilities	1,210.8	1,225.2	1,359.5	1,511.4	Debtors Turnover Ratio	21.1	23.3	24.0	24.0
Provisions	90.0	90.0	90.0	91.0	Creditors Turnover Ratio	15.9	15.3	16.0	16.0
Total Current Liabilities	5,415.6	4,883.7	5,223.1	5,607.0	Debt / Equity	0.0	0.0	0.0	0.0
Net Current Assets	(1,025.1)	(254.5)	315.6	1,082.3	Current Ratio	1.3	1.4	1.5	1.6
Total Assets	22,340.2	23,324.3	24,747.6	27,099.6	Quick Ratio	0.6	0.7	0.7	0.8

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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