Stock Update

Company Update

MIRAE ASSET Sharekhan

Shree Cement Ltd

Prioritising profits over volumes

Cement	Sharekhan code: SHREECEM
Reco/View: Buy ↔	CMP: Rs. 29,258 / Price Target: Rs. 33,400 ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- We maintain a Buy on Shree Cement with a revised price target of Rs.33,400, as the management focuses on profitability over volume growth, robust expansion roadmap and a favourable demand outlook.
- Management emphasised prioritising profitability rather than maximizing sales volumes. For FY26, it expects volume growth of 2-3%, lower than the industry's growth estimate of 7–8%.
- Management stated a 5-6% price rise, targeting a 9% revenue growth and an EBITDA/ tonne of Rs.1,400 for FY26.
- In FY25, the total capacity stood at 62.8 mtpa. The company will add 6 mtpa capacity in Rajasthan and Karnataka, bringing total capacity to 68.8 mtpa by end of FY26.

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		↔	

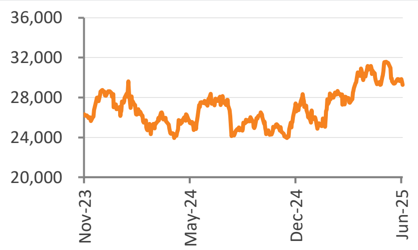
Company details

Market cap:	Rs. 1,05,566 cr
52-week high/low:	Rs. 31,924 / 23,500
NSE volume: (No of shares)	0.34 lakh
BSE code:	500387
NSE code:	SHREECEM
Free float: (No of shares)	1.40 cr

Shareholding (%)

Promoters	62.6
FII	9.7
DII	15.1
Others	12.7

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-5.3	2.5	4.8	5.7
Relative to Sensex	-6.0	-5.4	3.2	0.6

Source: Mirae Asset Sharekhan Research, Bloomberg

In a recent media interaction, Shree Cement's management stated that cement demand was slightly subdued in May due to a heatwave and geopolitical uncertainty (India-Pakistan tensions) in the North. However, a favourable monsoon is expected to boost rural and urban demand in the coming months. The company received incentives of Rs 80-100 crore from states like Rajasthan, Uttar Pradesh and other last year. The company has a cash reserve of Rs. 5,500 crore and is evaluating options to reward shareholders, with a decision expected later this year. Shree Cement continues to prefer organic growth, aiming to reach 80 mtpa by FY30, or possibly earlier, and intends to add 5 mtpa each year thereafter to reach 100 mtpa capacity.

- **Focus on profitability:** The company is focusing on maximizing profits rather than pushing volumes. While it expects only 2–3% volume growth (vs versus industry's 7-8%), it plans to maximise pricing, with a 5–6% hike, aiming for 9% revenue growth and EBITDA/tonne of Rs1,400 in FY26 (vs Rs.1,070 in FY25), supported by better realisations.
- **Healthy liquidity and Incentives:** With Rs.5,500 crore in cash reserves, the company said it does not anticipate any major needs and is considering rewarding shareholders in FY26. It received incentives of Rs.80–100 crore in FY25 from states such as Rajasthan, UP, and others. As the company does not have any operational units in West Bengal, it remains unaffected by the recent withdrawal of incentives in that state.
- **Capacity Expansion & Cost optimization:** Integrated cement mills at Jaitaran, Rajasthan (3 mtpa) and Kodla ,Karnataka (3 mtpa) are set to be commissioned in Q1 and Q2 FY26, respectively. Management reiterated its focus on organic growth, targeting 80 mtpa by FY30 and 100 mtpa thereafter with 5 mtpa annual additions. On the cost side, renewable energy now accounts for 60% of total electricity usage, with installed capacity at 582 MW. A new 60.3 MW solar plant was also commissioned in Jodhpur, enhancing energy efficiency.

Revision in earnings estimates – We have increased our earnings estimates for FY26–FY27E in light of management's clear focus on driving profitability through pricing and cost optimization.

Our Call

Valuation - Maintain Buy with a revised price target of Rs.33,400: Shree Cement's 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 ~17.7x/15.6x EV/EBITDA for FY26E/FY27E, we maintain our Buy rating with a revised target price of Rs.33,400, backed by its improving profitability profile.

Key Risks

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

Valuation (Consolidated) Rs cr

Particulars	FY24	FY25	FY26E	FY27E
Revenue	19,585.5	18,037.3	19,814.1	20,955.6
OPM (%)	22.3	21.3	26.5	26.9
Adjusted PAT	2,468.4	1,196.2	2,226.1	2,653.3
% YoY growth	110.3	-51.5	86.1	19.2
Adjusted EPS (Rs.)	684.2	331.5	617.0	735.4
P/E (x)	42.8	88.2	47.4	39.8
P/B (x)	5.2	5.0	4.6	4.2
EV/EBITDA (x)	21.8	24.5	17.7	15.6
RoE (%)	12.8	5.8	10.08	11.04
RoCE (%)	12.6	6.3	10.13	11.06

Source: Company; Mirae Asset Sharekhan estimates

Outlook and Valuation

■ Sector View – 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, prioritizes 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. Eastern and central regions are likely to lead upcoming capacity additions.

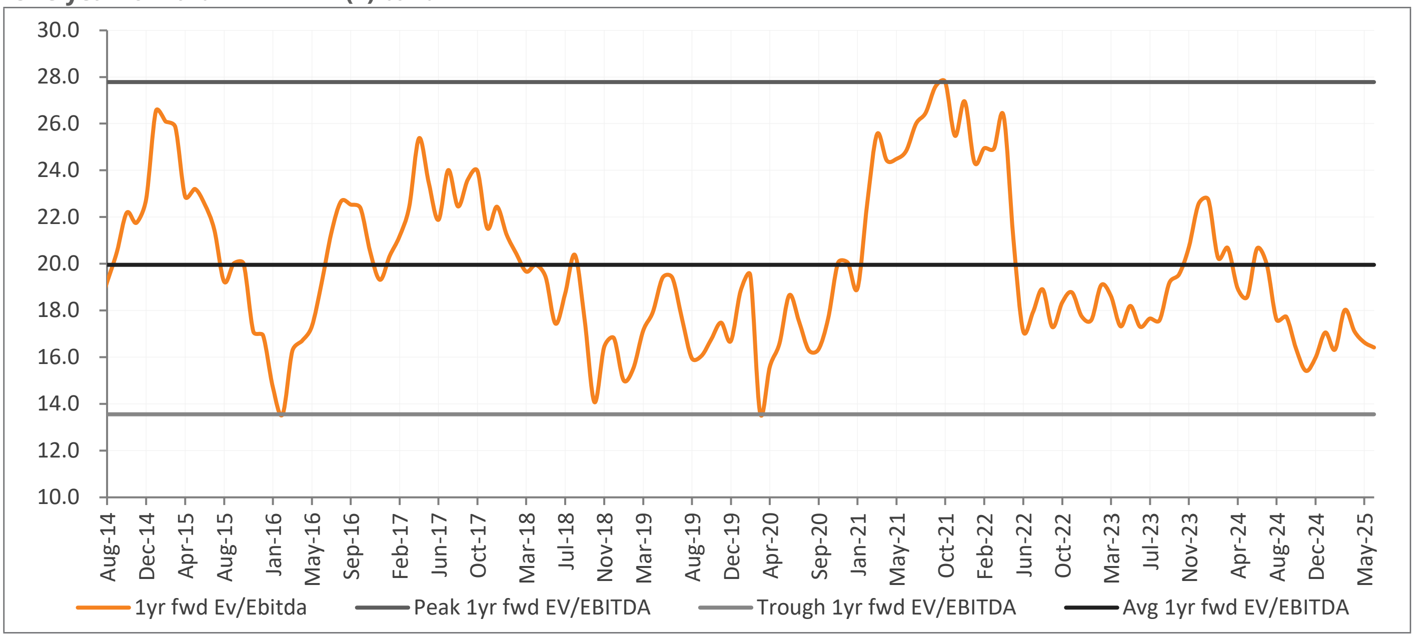
■ Company Outlook – Focus on profitability and cost efficiency with strong expansion plans

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 prioritizing 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 FY2030, with further additions thereafter.

■ Valuation – Maintain Buy with a revised PT of Rs.33,400

Shree Cement's 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 ~17.7x/15.6x EV/EBITDA for FY26E/FY27E, we maintain our Buy rating with a revised target price of Rs.33,400, backed by its improving profitability profile.

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 2030. A strong advocate for sustainability, Shree Cement has achieved over 60% green power usage, reaching 582 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 FY2030. 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	Shree Capital Services Ltd	24.9
2	Digvijay Finlease Ltd	11.74
3	FLT LTD	9.98
4	SBI Funds Management Ltd	6.33
5	Mannakrishna Investments Pvt Ltd	5.66
6	Life Insurance Corp of India	4.54
7	Newa Investments Pvt Ltd	3.81
8	Ragini Finance Ltd	3.52
9	Didu Investments Pvt Ltd	3.25
10	NBI Industrial Finance Co Ltd	2.91

Source: Bloomberg

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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SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

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