MIRAE ASSET Sharekhan

Shree Cement Ltd

Focus on costs cuts; boosting capacity

Cement	Sharekhan code: SHREECEM
Reco/View: Buy ⇔	CMP: Rs. 29,797 · Price Target: Rs. 33,400 ⇔

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		⇔	

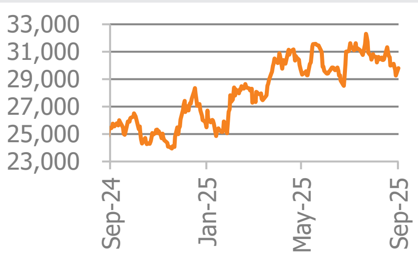
Company details

Market cap:	Rs. 1,07,509 cr
52-week high/low:	Rs. 32,508/23,500
NSE volume: (No of shares)	0.38 lakh
BSE code:	500387
NSE code:	SHREECEM
Free float: (No of shares)	1.4 cr

Shareholding (%)

Promoters	62.6
FII	10.1
DII	14.6
Others	12.7

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-2.8	1.3	7.7	17.2
Relative to Sensex	-2.5	2.5	-2.3	19.9

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Cost optimisation strategy have helped Shree Cement remain one of the lowest-cost cement producers. Currently, its green power consumption accounts for 65.65% of its total power consumption, with a total green power capacity of 586 MW.
- Total Installed cement capacity stands at 62.8 mtpa. An ongoing brownfield expansion project will add 6 mtpa in Rajasthan and Karnataka, raising total capacity to 68.8 mtpa by FY26-end.
- Shree Cement consistently stays cash-positive and its focus on strengthening cash flows supports its debt-free expansion strategy and boosts profitability.
- We maintain a Buy with a PT of Rs.33,400, as the management focuses on profitability over volume growth, robust expansion roadmap and a favourable demand outlook.

At the start of FY26, Shree Cement reported strong y-o-y growth in both revenue and profitability, driven by its continued focus on premiumisation, strategic pricing, and cost efficiencies. The company is recognised as one of the lowest-cost cement producers, continually prioritising sustainability through green power consumption, which currently accounts for 65.65% of its total energy needs with a renewable capacity of 586 MW (compared to 56.10% and 582 MW in FY25). The Indian cement industry is projected to grow by 6-7% in FY26, supported by strong government capital expenditure, resilient rural housing demand driven by healthy monsoon conditions, increasing urbanisation, and accelerating activity in both industrial and infrastructure sectors.

Cost Reduction and premium strategy: Shree Cement has reinforced its leadership in green energy, with 65.65% of total power consumption sourced from renewables and green power capacity reaching 586 MW as of Q1FY26-end. The company demonstrates its commitment to sustainability by incorporating alternative raw materials, such as in-house synthetic gypsum, which accounted for 26.36% of total raw material consumption in FY25. Its focus on blended cements (PPC, PSC, CC) forms a key part of the green product portfolio, that comprised 68.52% of total production in FY25. Strengthening its premiumization approach, Shree Cement launched Bangur Marble, a new premium slag cement, in Bihar and Jharkhand.

Ambitious capacity expansion: The company is strategically pursuing organic growth to achieve a cement production capacity of over 80 million tonnes per annum by 2028. Currently, installed capacity stands at 62.8 MTPA, with brownfield expansions of 3 MTPA each in Karnataka and Rajasthan, expected to bring total capacity to 68.8 MTPA by FY26. This capacity strategy is aligned with the buoyant demand outlook for India's cement sector and positions Shree Cement for sustained long-term growth.

Ready-mix concrete growth: Shree Cement has rapidly expanded its ready-mix concrete (RMC) operations. At the start of the year, the company operated 15 RMC plants, and has since added six more, bringing the total to 21. The goal is to reach 50 RMC plants by the end of FY26, enabling wider participation in the growing urban and infrastructure development space through value-added customer solutions.

Our Call

Valuation – Maintain Buy with a 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 ~18.0x/15.9x EV/EBITDA for FY26E/FY27E, we maintain our Buy rating with a PT 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 (Standalone) 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)	43.5	89.7	48.2	40.4
P/B (x)	5.3	5.1	4.7	4.3
EV/EBITDA (x)	22.2	24.9	18.0	15.9
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 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, 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.

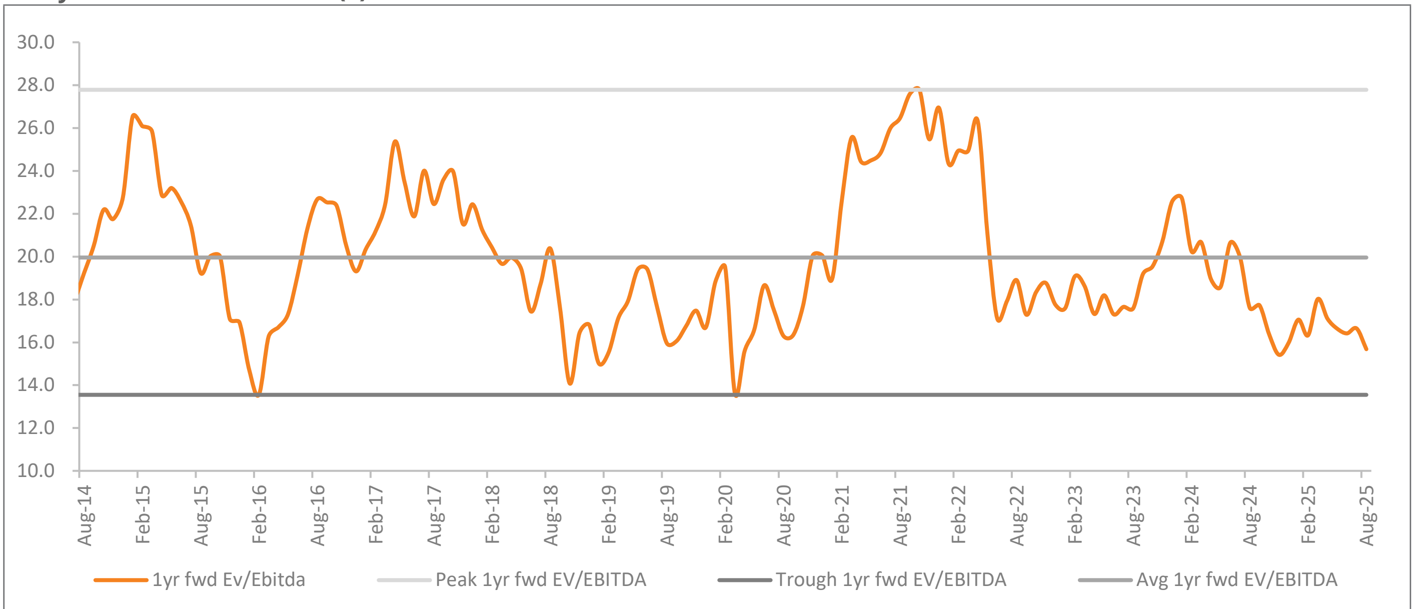
■ Company Outlook – Focus on profitability and cost efficiency with strong expansion plans

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 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 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 ~18.0x/15.9x EV/EBITDA for FY26E/FY27E, we maintain our Buy rating with a PT 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 2028. A strong advocate for sustainability, Shree Cement has achieved over 65.65% green power usage, reaching 586 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	SBI Funds Management Ltd	6.23
3	Life Insurance Corp of India	3.73
4	Didu Investments Pvt Ltd	3.25
5	ICICI Prudential Asset Management	1.54
6	Vanguard Group Inc	1.18
7	Blackrock Inc	0.94
8	UTI Asset Management Co Ltd	0.75
9	T Rowe Price Group Inc	0.61
10	Franklin Resources Inc	0.55

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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