CareEdge Global assigns a 'CareEdge BBB+/Stable' rating to Shree Cement Limited

Long-Term Foreign Currency Issuer Rating	CareEdge BBB+/Stable

CareEdge Global has assigned a Long-Term Foreign Currency rating of **'CareEdge BBB+/Stable'** to Shree Cement Limited (Shree Cement/The Company).

Rationale

Shree Cement's strong credit profile is underpinned by its established market position and adequate scale, comparable to that of some large global peers. The company ranks as the third-largest cement manufacturer in India. Its competitive strength in the domestic market is complemented by a robust financial position, a virtually debt-free balance sheet on a net basis, and low leverage (Debt/EBITDA) levels on a sustained basis.

Operationally, Shree Cement stands out as one of the most cost-efficient producers in the Indian cement industry, delivering high EBITDA per ton despite relatively lower realisations compared to key competitors in the same geography. The company's low risk appetite and focus on organic growth further reinforce its stability and long-term sustainability.

However, these strengths are partially tempered by limited product and geographic diversification (outside India). Shree Cement primarily operates in the grey cement segment, and revenues from other segments, such as AAC blocks and ready-mix concrete (RMC), are negligible. In contrast, several peers have meaningfully expanded into businesses such as aggregates, pre-fabricated blocks, building materials/solutions, white cement, and wall putty.

Outlook

The stable outlook reflects CareEdge Global's view that SCL will continue to scale up gradually in the coming years and remain one of the top 3 players in India. The company will maintain its cost leadership and sizeable market share, while generating healthy cash flows to sustain low leverage.

Rating Sensitivities

Upward factors

- Growth in scale, along with significant geographic and product diversification
- Upgrade of sovereign rating (India)

Downward factors

- Drastic reduction in operating efficiency levels
- Leverage (debt/EBITDA) exceeding 1x on a sustained basis
- Downgrade of sovereign rating (India)

Analytical Approach

CareEdge Global has assessed the business and financial risk profile of Shree Cement Limited on a consolidated basis and has applied its corporate rating methodology.

Key Rating Drivers

Strengths

Healthy market position and strong hold over key geographies

Shree Cement has been a prominent player in the cement industry, with nearly five decades of operating experience, and has steadily grown into one of India's top three cement manufacturers. As of September 30, 2025, the company has an installed capacity of 66.8 million metric tonnes per annum (MMTPA), including 4 MMTPA in the UAE, positioning Shree Cement among the leading cement producers globally.

The company has established a dominant presence in northern India, which accounts for approximately 42% of its production capacity. It maintains a strong foothold in the eastern region, accounting for ~20% of its capacity. Building on this foundation, Shree Cement has also diversified into the southern (12%), central (16%), and western (4%) regions; however, it does not hold a dominant position in these markets.

Looking ahead, the company plans to expand its India-based capacity to 68.8 MMTPA by March 31, 2026, with a medium-term target of 76 MMTPA by 2028-2029. To achieve this, the company is commissioning projects in Karnataka and Rajasthan, each with 3 MMTPA of grinding capacity, aligning with its fiscal 2026 expansion roadmap. It is also adding 3 MMTPA of capacity at its UAE facility and are searching for locations for further expansion in line with its medium-term plan. These measures will further strengthen its market position.

Cost leadership in cement production and capacity expansion

Shree Cement's strong competitive position is reinforced by its ability to maintain among the lowest production costs in the Indian cement industry. In FY25, the company sold 36.06 million tonnes (MT) of cement and clinker in India, up 1.47% year-on-year. Despite a challenging demand environment—impacted by general elections, heatwaves, and heavy rainfall—the company sustained profitability through cost efficiency. While blended realisations declined to approximately Rs 4,800 per tonne in FY25 (from ~Rs 4,900 per tonne in FY24), and net sales fell by ~5% y-o-y to Rs 18,958 crore, Shree Cement continued to deliver healthy margins with EBITDA per ton at nearly Rs 1,000 in fiscal 2025 and fiscal 2024.

As of FY25, Shree Cement's cost of production stood at ~Rs 3,800 per tonne, significantly lower than major peers whose costs exceed Rs 4,500 per tonne. This cost advantage translates into superior EBITDA margins and overall profitability, despite lower realisation versus peers.

In addition, Shree Cement has historically demonstrated low capital cost for setting up manufacturing capacities. Its greenfield, brownfield, and debottlenecking projects are executed at a cost lower by up to USD 20–25 per tonne than domestic peers, resulting in an approximately 40% shorter payback period than industry benchmarks. These abilities strengthen the company's long-term competitive edge.

Low risk appetite and focus on organic expansion in a calibrated manner

As of September 30, 2025, Shree Cement has scaled its installed capacity to 66.8 MMTPA, up from 60.4 MMTPA in March 2025, driven entirely by organic growth. The company's strategy emphasises calibrated greenfield and brownfield expansion rather than acquisitions, enabling full control over project costs during capacity additions and over operational efficiency post-commissioning.

Looking ahead, Shree Cement plans to increase its capacity to 83 MMTPA, including 7 MMTPA in the UAE, through expansions at existing facilities and a new integrated unit, leveraging abundant limestone reserves in those regions. Over the past 10 years, the company made only one acquisition (Union Cement Company in the UAE) in 2018. The same was entirely funded from cash balances and internal accruals. This low-risk appetite and conservative approach contrasts with industry peers who have pursued aggressive inorganic growth (many times debt-funded) in the recent past by acquiring smaller players to consolidate market share, which was a trend observed globally as well.

A strong financial risk profile and high liquidity on the balance sheet

The company maintains a robust financial position characterised by low leverage and strong cash flow metrics. Gearing (debt-to-equity) has consistently declined over the years, moving from approximately 0.25x in FY18 to below 0.05x in FY25, driven by net worth buildup and low debt levels. Similarly, gross debt/EBITDA has improved significantly, from over 1.2x in FY18 to well under 0.5x in FY25, reflecting prudent debt management and healthy operating performance. Cash flow strength is further demonstrated by the sharp rise in FFO/Debt, which increased from less than 50% in FY18 to more than 350% in FY25, underscoring strong internal accruals. Similarly, EBITDA interest coverage has remained consistently high, improving from around 12x in FY18 to nearly 20x in FY25, highlighting the company's ability to comfortably meet interest obligations.

Despite a significant capex plan in the coming years, these metrics are expected to remain stable. This is because the capex is likely to be funded by internal accruals, as has been seen in the past. The company has historically maintained high cash balances (except in FY19 due to the acquisition of the UCC cement plant in the UAE). Cash and cash equivalents currently stand at approximately Rs 8,100 crore, reflecting strong liquidity.

Weaknesses

Low geographical and product diversification

Shree Cement's operations remain concentrated within its core cement business, offering products such as grey cement, ready-mix concrete (RMC) and AAC blocks. More than 90% of revenue and 95% of the operating profit are generated from the sale of grey cement. Its revenue from the AAC block and RMC is not significant, and its revenue share is not expected to change materially. This indicates low product diversification versus peers (especially global ones).

The company is not pursuing diversification beyond cement-related segments and intends to leverage its long-standing expertise and deep understanding of the cement industry to unlock untapped potential. In contrast, several global peers have expanded into adjacent product segments, including aggregates, pre-fabricated blocks, white cement, wall putty, eco-friendly products, and other building materials/solutions. This trend is also driven by the slow growth in global cement demand (expected to grow at 2–3% annually) and the increasing demand for cleaner, greener alternatives as emissions standards tighten.

Geographically, Shree Cement primarily operates in India (56.4 MMTPA) and has a small capacity in the UAE (4 MMTPA) as of March 31, 2025. This contrasts with global players who have diversified into multiple countries. Shree Cement remains focused on strengthening its existing capacities rather than expanding overseas. This limited diversification across both the product portfolio and geographic footprint exposes the company to long-term concentration risks.

Exposed to the cyclical nature of the industry and the commodity nature of the product

The cement industry is highly cyclical and closely linked to overall economic growth, particularly infrastructure and housing development. Historically, cement demand has shown a strong correlation with GDP growth, as infrastructure projects and construction/real estate activities drive cement consumption. Periods of slow economic growth or muted infrastructure spending led to subdued demand, which in turn affected price realisations and profitability. The sector also depends significantly on rural housing (and thus rural income) and government-led capital expenditure, making it vulnerable to policy changes and budgetary allocations.

Profitability is further exposed to volatility in input costs, including coal, pet coke, gypsum, and freight. Recent spikes in fuel costs during FY22–FY23, exacerbated by global disruptions like the Russia-Ukraine conflict, compressed margins across the industry. Additionally, regional demand-supply dynamics influence pricing, creating variability in realisations. However, these risks are mitigated to some extent by Shree Cement's cost leadership and improved capital efficiency.

Liquidity

Shree Cement maintains a strong liquidity position, more than sufficient to cover all outstanding debt obligations. The company has cash and cash equivalents of over Rs 8,000 crore as of September 30, with total debt of Rs 1,847 crore. Management has indicated its intent to maintain sizeable cash balances of Rs 3,000 – Rs 4,000 crore on a sustained basis. Furthermore, Shree Cement can fund its entire capex program through internal accruals, as it has in the past, thereby maintaining strong liquidity. Owing to its large net worth, high liquidity, and low leverage, the company also has strong financial flexibility to raise funds at competitive rates and on short notice. The same was seen in CY19, when the company successfully raised Rs 2,400 crore through qualified institutional placement (QIP).

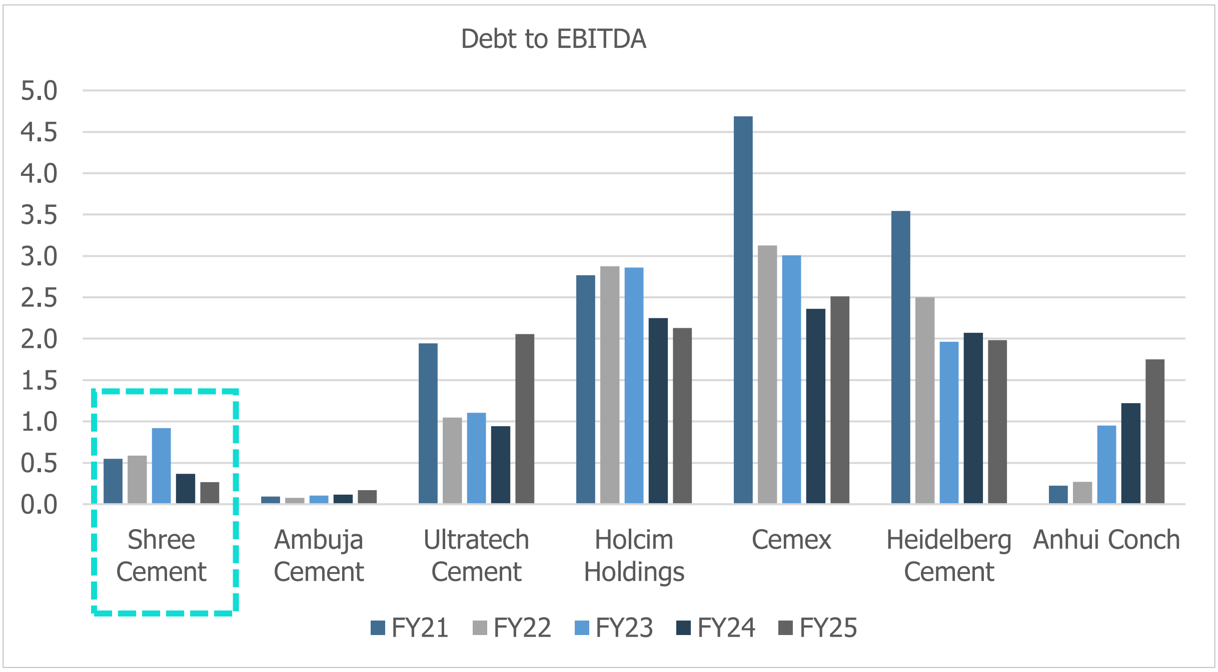
Environmental, Social and Governance (ESG) considerations

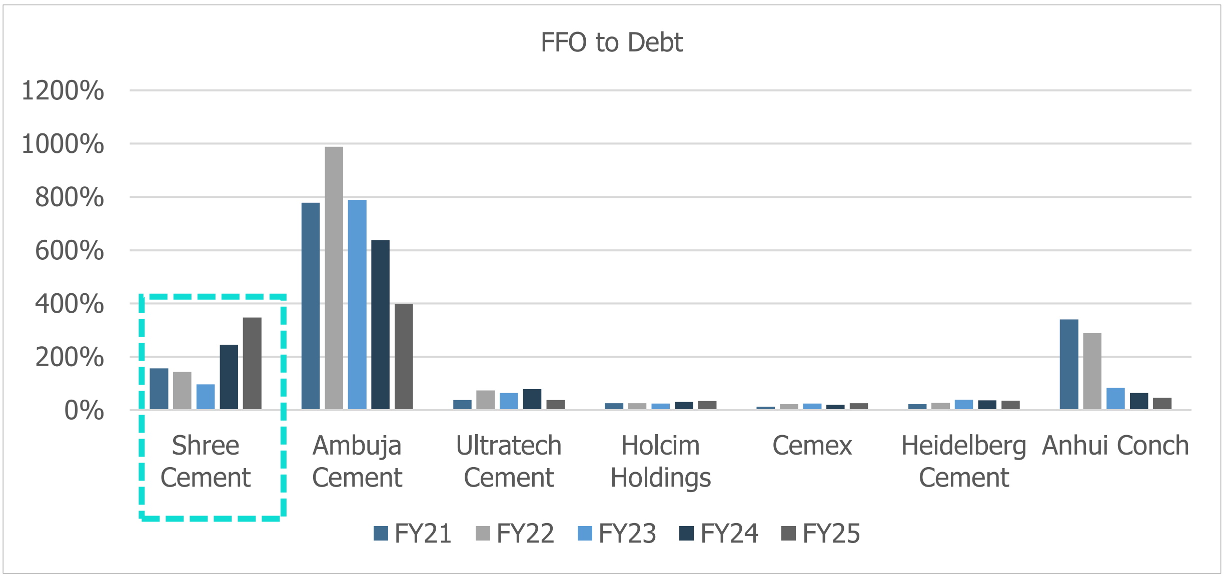
The cement sector is inherently energy-intensive and has a significant environmental footprint, driven by high carbon emissions, waste generation, and water consumption. Its dependence on natural resources such as limestone and coal further amplifies sustainability challenges. Recognising these risks, the company has consistently focused on reducing its environmental impact. Currently, the company uses ~67% of its energy from renewable sources, among the best in the industry. Net Scope 1 emissions per tonne of cementitious material stood at 534 kg CO_2e, and Shree Cement has set ambitious targets to reduce Scope 1 and Scope 2 emissions by 12.7% and 27.1%, respectively, by 2030 relative to the fiscal 2019 baseline. Additionally, the company aims to transition to 100% renewable electricity by 2050, aligning its goals with the Science Based Targets initiative.

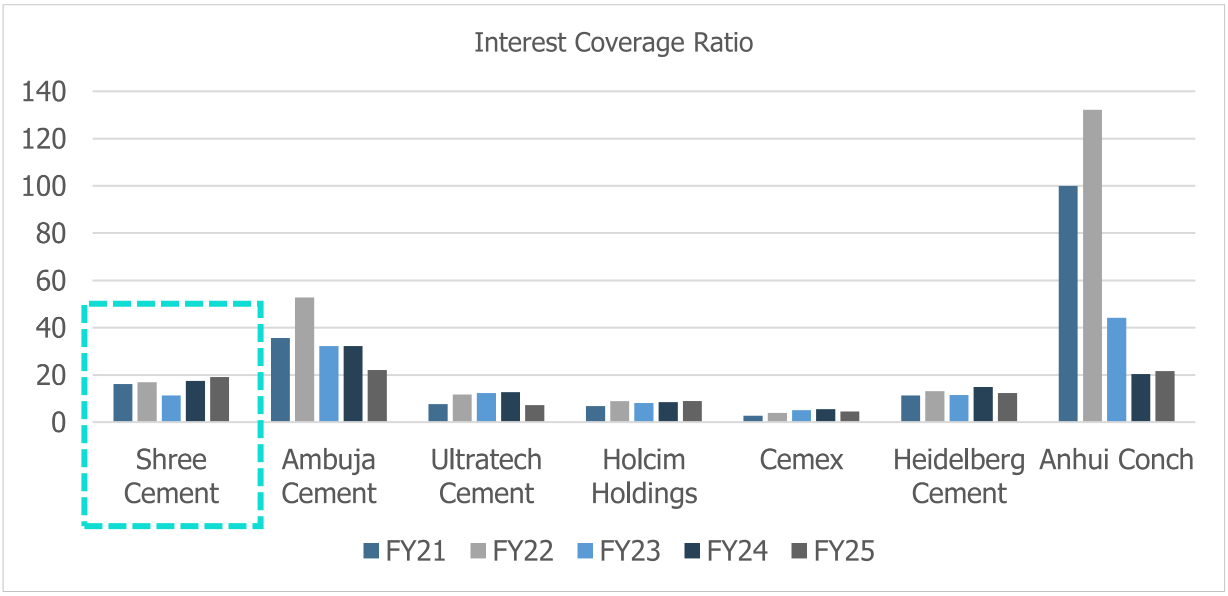
Beyond environmental considerations, the cement industry has a notable social impact due to its operational footprint, which affects local communities and involves health hazards. The company has undertaken extensive CSR initiatives to address these concerns, focusing on women's empowerment, skill development, rural infrastructure, healthcare, hygiene, and access to clean drinking water. The company also supports dependents of martyred soldiers, promotes sports and education, and encourages sustainable livelihoods in both agricultural and non-agricultural sectors. Safety remains a priority, with the company reporting a lost time injury frequency rate of 0 for employees and 0.05 for workers in FY25, a marked improvement from previous years and better than industry peers. While gender diversity remains an area for improvement, with female representation at ~1%, Shree Cement continues to work toward inclusive growth.

Strong governance underpins Shree Cement's ESG framework, enhancing stakeholder confidence and access to capital markets. The company's board structure reflects best practices, with approximately 57% of directors independent, a clear separation between the chairman and executive roles, and a dedicated investor grievance redressal mechanism. Average board meeting attendance stood at 94% in FY25, and the average tenure of board members was 9.5 years, indicating stability and experience. Gender diversity on the board includes one woman director among seven members. The company maintains extensive financial disclosures and adheres to global governance standards, reinforcing its commitment to transparency and accountability. With ESG gaining importance among investors and lenders, the company's proactive approach positions it strongly for long-term sustainability and credit resilience.

Peer Comparison







About the company

Shree Cement, incorporated in 1979, is the flagship company of the Kolkata-based BG Bangur group and one of India's largest cement manufacturers. With nearly five decades of industry presence, it operates an integrated business model covering limestone mining, clinker manufacturing, cement grinding, and power generation. The company has an installed cement capacity of 62.8 MMTPA in India and a strong presence in North India, with Rajasthan as its primary production hub. It also owns a 4 MMTPA cement capacity in the UAE through its subsidiary, Union Cement Company (UCC), acquired in 2018. The company complements its cement operations with a power generation capacity of 1,127 MW across coal-based, WHRS, solar, and wind sources. The company is led by the promoter family, which has deep industry expertise and focuses on organic growth through greenfield and brownfield expansions.

Key Summary Financial Metrics

Particulars	Unit	March 31, 2023	March 31, 2024	March 31, 2025
Revenue	Rs crore	17,348	20,078	18,958
EBITDA	Rs crore	2,961	4,522	3,932
PAT	Rs crore	1,269	2,396	1,124
Total Debt	Rs crore	2,725	1,656	1,046
Net Debt	Rs crore	-6,141	-6,322	-7,097
Debt to EBITDA	times	0.9	0.4	0.3
Interest Cover	Times	11.3	17.5	19.2

Solicitation Status

These ratings are solicited. Management has provided information and held meetings with the CareEdge Global analytical team for the rating.

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Solicited)	CareEdge BBB+/Stable	January 09, 2026

Criteria Applied

CareEdge Global's Corporate Sector Rating Methodology

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