



**KRChoksey**

**RESEARCH**  
by DEVEN CHOKSEY

# Q1FY25 Shree Cement Ltd





## Shree Cement Ltd

Weaker realization and higher opex outweigh volume growth

|                    |                      |                          |                                     |                                     |                  |
|--------------------|----------------------|--------------------------|-------------------------------------|-------------------------------------|------------------|
| CMP<br>INR 24,297* | Target<br>INR 26,083 | Potential Upside<br>7.4% | Market Cap (INR Mn)<br>INR 8,77,303 | Recommendation<br><b>ACCUMULATE</b> | Sector<br>Cement |
|--------------------|----------------------|--------------------------|-------------------------------------|-------------------------------------|------------------|

### Result Highlights

- Shree Cement's Q1FY25 result missed our projections despite revenue in line with our estimates.
- Despite falling cement prices, revenue increased 1.8% YoY (-5.1% QoQ) to INR 51,240 Mn led by strong volume growth.
- EBITDA declined 1.9% YoY to INR 9,272 Mn; missing our estimate, primarily due to higher-than-expected operating expenses. EBITDA margin stood at 18.1% (-67bps YoY/-823bps QoQ).
- PAT declined 51.3% YoY to INR 2,786 Mn, missing our expectations because of weak operating performance and higher depreciation partially offset by lower tax rates. PAT margin contracted to 5.4%, down 593bps YoY (-706bps QoQ).
- We lower our multiple to 16.5x (previously: 17.5x) and reduce our FY26E EBITDA to INR 54,594 (previously: INR 61,089), reflecting the weaker Q1FY25 results, declined realization, and weaker demand. Accordingly, we reduce our target price to INR 26,083 (previously: INR 30,662) and downgrade our rating to "ACCUMULATE" from "BUY" on Shree Cement Ltd.**

### MARKET DATA

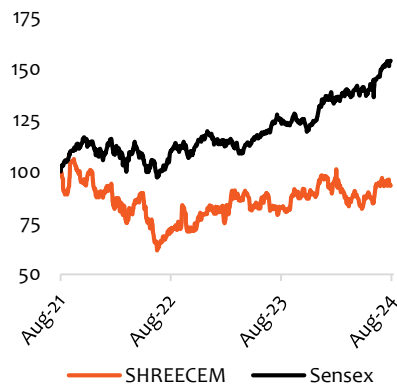
|                   |               |
|-------------------|---------------|
| Shares outs (Mn)  | 36            |
| Mkt Cap (INR Mn)  | 8,77,303      |
| 52 Wk H/L (INR)   | 30,710/23,431 |
| Volume Avg (3m K) | 57            |
| Face Value (INR)  | 10.0          |
| Bloomberg Code    | SRCEM IN      |

### KEY FINANCIALS

| INR Millions | Q1FY25 | Q4FY24 | Q1FY24 | QoQ      | YoY      |
|--------------|--------|--------|--------|----------|----------|
| Revenue      | 51,240 | 54,010 | 50,357 | -5.1%    | 1.8%     |
| EBITDA       | 9,272  | 14,218 | 9,449  | -34.8%   | -1.9%    |
| PAT          | 2,786  | 6,749  | 5,723  | -58.7%   | -51.3%   |
| OPM (%)      | 18.1%  | 26.3%  | 18.8%  | -823 bps | -67 bps  |
| NPM (%)      | 5.4%   | 12.5%  | 11.4%  | -706 bps | -593 bps |

Source: Company, KRChoksey Research

### SHARE PRICE PERFORMANCE



### MARKET INFO

|        |        |
|--------|--------|
| SENSEX | 79,706 |
| NIFTY  | 24,368 |

### Realization declined despite strong volume growth as company focuses on market share gain

- In Q1FY25, volume increased by 9.64 MT, up 8.1% YoY (+1.2% QoQ).
- Despite strong volume growth, cement prices dragged realization to INR 5,315/Ton, down 6.2% YoY (-5.8% QoQ), on account of the general election, heat wave, and company's focus on market share gain over margin.
- The company's EBITDA/Ton fell to INR 962/Ton in Q1FY25 from INR 1,492/Ton in Q4FY24 largely due to lack of competitive advantage in northern market and lower prices in the easter region.
- Premium products accounted for 7.6% of the total trade sales volume.
- Regional mix stood at 55.0%/35.0%/10.0% for North/East/Southeast. On a sequential basis, growth in the north declined 3.0%, East up 11.0%, South down 4.0%.

### Installed power capacity increases with continued focus on capacity expansion

- In June 2024, the Company marked a significant milestone by reaching 1 GW (1,000 MW) of installed power capacity with the launch of a 19.5 MW solar power plant at its Andhra Pradesh manufacturing unit. This addition raised the Company's total power capacity to 1,003 MW.
- The Company has guided a capex of INR 40,000 Mn for FY25E and FY26E each.
- During the quarter, the Company commissioned an integrated cement unit in Guntur district, Andhra Pradesh, with a production capacity of 3.0 MTPA, taking the total capacity to 56.4 MTPA.

### SHARE HOLDING PATTERN (%)

| Particulars (%) | Jun-24 | Mar-24 | Dec-23 |
|-----------------|--------|--------|--------|
| Promoters       | 62.5   | 62.5   | 62.5   |
| FIIIs           | 11.9   | 12.5   | 12.3   |
| DIIIs           | 12.8   | 12.3   | 12.6   |
| Others          | 12.8   | 12.7   | 12.6   |
| Total           | 100    | 100    | 100    |

\*Based on today's closing

6.9%

Revenue CAGR between FY24 and FY26E

4.0%

Adj. PAT CAGR between FY24 and FY26E

## Shree Cement Ltd

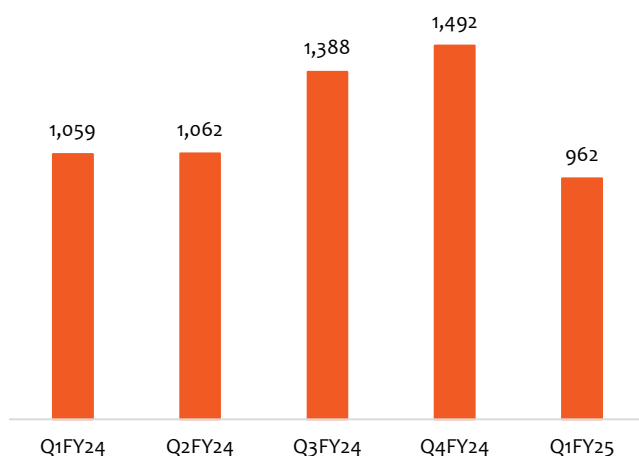
### Key Concall Highlights:

- **EBITDA/Ton fell to INR 962/Ton**, down 35.5% YoY (-9.2% QoQ).
- The management highlighted a **shift in sales from north to east**, due to constraints in the North region (including intense competition) to handle the extra volume generated from newer capacity.
- **Extra volumes generated were sold in the East, wherein the prices were comparatively lower**, leading to a reduced weighted average realization, thus impacting EBITDA.
- Other expenses rose due to higher stabilization costs associated with the commissioning of the two new plants.
- Logistics costs rose due to a 21-kilometer increase in lead distance, which also affected margins.
- During the quarter, the Company commissioned an integrated cement unit in Guntur district, Andhra Pradesh, with a production capacity of 3.0 MTPA
- Additionally, the Company's ongoing expansion projects are progressing well. These include, i) Jatra in Rajasthan, with a capacity of 6.0 MT, ii) Korla in Karnataka, with a capacity of 3.0 MT, iii) Baloda Bazar in Chhattisgarh, with a capacity of 3.4 MT, iv) Eta in Uttar Pradesh, with a capacity of 3.0 MT. In total, these projects **represent an additional 15.0 MT of production capacity, taking the total capacity to 71.8 MTPA by FY26E**.
- The Company has achieved a major milestone by **reaching a total installed power capacity of 1 GW**, following the commissioning of a 19.5-MW solar power plant in Andhra Pradesh on June 24. This brings their total power capacity to 1,003MW, with a focus on renewable energy sources.
- SHREECEM is also **expanding solar power capacity by 135.0 MW** across several locations and is set to launch a new ready-mixed concrete plant in Hyderabad in Q1FY25.
- As of June 30, 2024, the RMC business **operates seven plants** with a combined capacity of 624 cubic meters per hour.
- Bangur concrete units are fully equipped to produce all types of special concrete, featuring advanced testing facilities, top technical expertise, and digitized solutions.
- The Company plans to establish **nearly 100 Bangur concrete plants over the next three to five years**, with operations in more than 50 cities.
- The Company is also making steady investments to increase usage of alternate fuels.

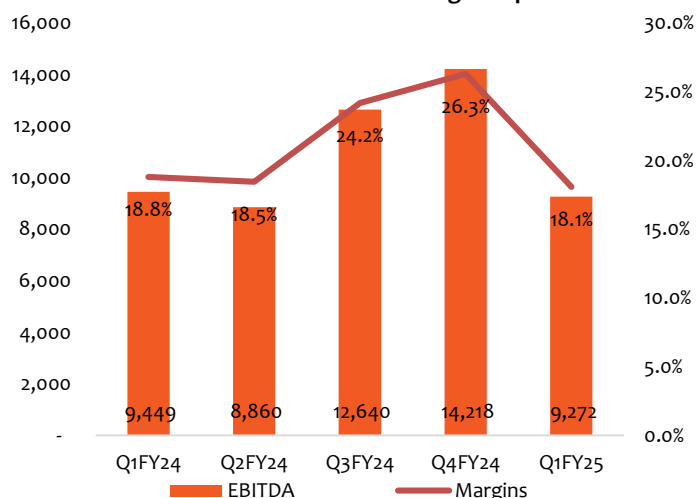
### Valuation and View:

Shree Cement Ltd posted a weaker Q1FY25, missing our estimates due to weaker realization and increased operating expenses. Logistics costs jumped due to an increase in lead distance. In Q1FY25, the Company shifted sales from the North to the East region, where cement prices are lower, another factor leading to a declined EBITDA. **We lower our EV/EBITDA multiple to 16.5x (previously: 17.5x) and reduce our FY26E EBITDA to INR 54,594 (previously: INR 61,089) due to weaker Q1FY25 performance, higher depreciation, ongoing pressure on cement prices, and anticipated lower demand in Q2FY25E and Q3FY25E. Accordingly, we reduce our target price to INR 26,083 (previously: INR 30,662). Consequently, we downgrade our rating to “ACCUMULATE” from “BUY” on the shares of Shree Cement Ltd.**

Blended EBITDA/Ton (in INR) declined



EBITDA declined due to higher opex



# Shree Cement Ltd

## KEY FINANCIALS

### Exhibit 1: Profit & Loss Statement

| INR Millions                   | FY22    | FY23    | FY24    | FY25E   | FY26E   |
|--------------------------------|---------|---------|---------|---------|---------|
| Revenues                       | 150,096 | 178,523 | 205,210 | 208,320 | 234,500 |
| COGS                           | 10,382  | 14,324  | 15,698  | 17,834  | 20,237  |
| Gross profit                   | 139,714 | 164,199 | 189,512 | 190,486 | 214,263 |
| Employee cost                  | 9,135   | 9,778   | 10,644  | 9,374   | 10,553  |
| Power & Fuel                   | 36,202  | 60,807  | 63,452  | 64,815  | 70,042  |
| Freight and Forwarding Expense | 32,990  | 37,836  | 41,505  | 45,046  | 46,245  |
| Other expenses                 | 24,591  | 26,814  | 28,743  | 27,082  | 32,830  |
| EBITDA                         | 37,079  | 29,595  | 45,167  | 44,168  | 54,594  |
| EBITDA Margin                  | 24.7%   | 16.6%   | 22.0%   | 21.2%   | 23.3%   |
| Depreciation & amortization    | 11,459  | 16,607  | 18,973  | 23,008  | 25,899  |
| EBIT                           | 25,621  | 12,988  | 26,194  | 21,161  | 28,695  |
| Interest expense               | 2,161   | 2,629   | 2,583   | 1,402   | 1,050   |
| PBT                            | 28,918  | 14,950  | 29,592  | 24,902  | 32,393  |
| Tax                            | 5,552   | 2,259   | 5,630   | 4,731   | 6,479   |
| Minority interest              | 47      | (16)    | 5       | (16)    | (16)    |
| PAT                            | 23,319  | 12,707  | 23,957  | 20,186  | 25,930  |
| Adj. PAT                       | 23,319  | 12,707  | 23,957  | 20,186  | 25,930  |
| Diluted EPS (INR)              | 646     | 352     | 664     | 559     | 719     |
| Adj. EPS (INR)                 | 646     | 352     | 664     | 559     | 719     |

Source: Company, KRChoksey Research

### Exhibit 2: Cash Flow Statement

| INR Millions                                      | FY22     | FY23     | FY24     | FY25E    | FY26E    |
|---------------------------------------------------|----------|----------|----------|----------|----------|
| Net Cash Generated From Operations                | 26,680   | 25,687   | 33,475   | 42,480   | 47,104   |
| Net Cash Flow from/(used in) Investing Activities | (21,514) | (24,145) | (14,185) | (34,046) | (37,260) |
| Net Cash Flow from Financing Activities           | (8,494)  | (2,767)  | (17,101) | (10,165) | (9,813)  |
| Net Inc/Dec in cash equivalents                   | (3,328)  | (1,225)  | 2,190    | (1,732)  | 31       |
| Opening Balance                                   | 4,520    | 1,277    | 144      | 2,339    | 613      |
| Closing Balance Cash and Cash Equivalents         | 1,277    | 144      | 2,339    | 613      | 651      |

Source: Company, KRChoksey Research

### Exhibit 3: Key Ratio

| Key Ratio             | FY22  | FY23  | FY24  | FY25E | FY26E |
|-----------------------|-------|-------|-------|-------|-------|
| EBITDA Margin (%)     | 24.7% | 16.6% | 22.0% | 21.2% | 23.3% |
| Tax rate (%)          | 19.2% | 15.1% | 19.0% | 19.0% | 20.0% |
| Net Profit Margin (%) | 15.5% | 7.1%  | 11.7% | 9.7%  | 11.1% |
| RoE (%)               | 13.3% | 6.8%  | 11.5% | 9.1%  | 10.6% |
| RoCE (%)              | 13.1% | 6.1%  | 11.8% | 9.1%  | 11.4% |
| EPS (INR)             | 646   | 352   | 664   | 559   | 719   |

Source: Company, KRChoksey Research

## Shree Cement Ltd

### Exhibit 4: Balance Sheet

| INR Millions                                   | FY22           | FY23           | FY24           | FY25E          | FY26E          |
|------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Property, plant and equipment                  | 67,242         | 67,937         | 88,350         | 106,589        | 122,431        |
| Capital work-in-progress                       | 10,535         | 27,966         | 19,297         | 19,297         | 19,297         |
| Intangible assets                              | 573            | 747            | 1,235          | 1,235          | 1,235          |
| Investments                                    | 55,063         | 52,853         | 22,918         | 22,918         | 22,918         |
| Loans                                          | 44             | 37             | 34             | 34             | 34             |
| Other financial assets                         | 1,375          | 1,433          | 1,138          | 1,138          | 1,138          |
| Deferred Tax Assets                            | 6,744          | 6,823          | 6,582          | 6,582          | 6,582          |
| Non-current Tax Assets (Net)                   | 274            | 1,731          | 2,005          | 2,005          | 2,005          |
| Other non-current assets                       | 10,936         | 14,134         | 15,855         | 13,541         | 14,070         |
| <b>Total non-current assets</b>                | <b>152,786</b> | <b>173,660</b> | <b>157,413</b> | <b>173,338</b> | <b>189,709</b> |
| Inventories                                    | 24,970         | 27,597         | 35,551         | 27,396         | 29,553         |
| Investments                                    | 35,263         | 33,979         | 52,640         | 52,640         | 52,640         |
| Trade receivables                              | 7,883          | 12,116         | 12,865         | 10,844         | 11,564         |
| Cash and cash equivalents                      | 1,486          | 462            | 2,624          | 907            | 954            |
| Other Balances with Banks                      | 1,411          | 1,148          | 1,595          | 1,595          | 1,595          |
| Loans                                          | 253            | 69             | 36             | 36             | 36             |
| Other financial assets                         | 2,363          | 3,159          | 2,369          | 2,369          | 2,369          |
| Other current assets                           | 11,075         | 11,151         | 14,442         | 14,582         | 16,415         |
| <b>Total current assets</b>                    | <b>84,703</b>  | <b>89,679</b>  | <b>122,122</b> | <b>110,370</b> | <b>115,127</b> |
| <b>TOTAL ASSETS</b>                            | <b>237,489</b> | <b>263,339</b> | <b>279,535</b> | <b>283,707</b> | <b>304,836</b> |
| Equity share capital                           | 361            | 361            | 361            | 361            | 361            |
| Other equity                                   | 174,242        | 186,003        | 206,668        | 222,092        | 243,259        |
| Equity attributable to the equity shareholders | 174,603        | 186,364        | 207,029        | 222,453        | 243,620        |
| Non-controlling interests                      | 503            | 406            | 411            | 411            | 411            |
| <b>Total equity</b>                            | <b>175,106</b> | <b>186,770</b> | <b>207,440</b> | <b>222,864</b> | <b>244,031</b> |
| Borrowings                                     | 12,983         | 19,590         | 7,618          | 7,618          | 7,618          |
| Other financial liabilities                    | 1,362          | 1,724          | 1,427          | 1,427          | 1,427          |
| Provisions                                     | 297            | 339            | 307            | 307            | 307            |
| Deferred Tax Liabilities (Net)                 | 0              | 0              | 289            | 0              | 0              |
| Other Non-Current Liabilities                  | 876            | 1,377          | 2,052          | 2,083          | 2,345          |
| <b>Total non-current liabilities</b>           | <b>15,519</b>  | <b>23,030</b>  | <b>11,693</b>  | <b>11,436</b>  | <b>11,698</b>  |
| Borrowings                                     | 7,158          | 5,808          | 7,131          | 3,131          | -869           |
| Trade payables                                 | 8,904          | 11,960         | 12,142         | 13,698         | 15,419         |
| Other financial liabilities                    | 14,192         | 18,586         | 16,835         | 16,835         | 16,835         |
| Other current liabilities                      | 13,385         | 13,941         | 20,201         | 12,499         | 14,070         |
| Provisions                                     | 84             | 103            | 117            | 120            | 135            |
| Current Tax liabilities (Net)                  | 3,142          | 3,142          | 3,975          | 3,125          | 3,518          |
| <b>Total current liabilities</b>               | <b>46,864</b>  | <b>53,540</b>  | <b>60,401</b>  | <b>49,407</b>  | <b>49,107</b>  |
| <b>Total liabilities</b>                       | <b>62,383</b>  | <b>76,570</b>  | <b>72,094</b>  | <b>60,843</b>  | <b>60,805</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>            | <b>237,489</b> | <b>263,339</b> | <b>279,535</b> | <b>283,707</b> | <b>304,836</b> |

Source: Company, KRChoksey Research

## Shree Cement Ltd

| Shree Cement Ltd. |           |          |                | Rating Legend (Expected over a 12-month period) |                |
|-------------------|-----------|----------|----------------|-------------------------------------------------|----------------|
| Date              | CMP (INR) | TP (INR) | Recommendation | Our Rating                                      | Upside         |
| 09-Aug-24         | 24,297    | 26,083   | ACCUMULATE     | Buy                                             | More than 15%  |
| 17-May-24         | 25,669    | 30,662   | BUY            | Accumulate                                      | 5% – 15%       |
| 02-Feb-24         | 28,454    | 30,686   | ACCUMULATE     | Hold                                            | 0 – 5%         |
| 15-Nov-23         | 26,363    | 28,163   | ACCUMULATE     | Reduce                                          | -5% – 0        |
| 28-Jul-23         | 24,052    | 29,250   | BUY            | Sell                                            | Less than – 5% |

### ANALYST CERTIFICATION:

"I, Unnati Jadhav (MMS, Finance ), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

•Terms & Conditions and other disclosures:

•KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSSPL is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000001295. It is also registered as a Depository Participant with CDSL, CDSL Registration No IN-DP-425-2019.

•KRChoksey Shares & Securities Pvt Ltd. and DRChoksey Finserv Private Ltd. (Demerged entity from KRChoksey Shares & Securities Limited) are regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of Research Analysts including preparing and distribution of Research Reports. This research report is prepared and distributed by DRChoksey Finserv Private Ltd in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000011246. It may be further notified that KRCSSPL carries on the activity of preparation as well as distribution of reports in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000001295.

•The information and opinions in this report are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSSPL. While we would endeavour to update the information herein on a reasonable basis, KRCSSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension follows applicable regulations and/or KRCSSPL policies, in circumstances where KRCSSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

•This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, in reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

•We submit that no material disciplinary action has been taken on KRCSSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

•KRCSSPL prohibits its associate, analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers.

•KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

•It is confirmed that, I, Unnati Jadhav Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

•KRCSSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

•KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

•KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report other than investment banking or merchant banking or brokerage services from the subject company

•KRCSSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSSPL nor Research Analysts his associate or his relative, have any material conflict of interest at the time of publication of this report.

•It is confirmed that, Unnati Jadhav, Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

•KRCSSPL or its associates (Group Companies) or its research analyst has may been engaged in market making activity for the subject company.

•This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

•Please send your feedback to research.insti@krchoksey.com

•In case of any grievances, please write to grievance@krchoksey.com

•Visit us at www.krchoksey.com

•KRChoksey Shares and Securities Pvt. Ltd.

•CIN-U67120MH1997PTC108958

•Registered Office: 1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

•Phone: 91-22-6633 5000; Fax: 91-22-6633 8060

•Corporate Office: 701-702, DLH Plaza, Opp Shoppers Stop, S V Road, Andheri (W), Mumbai 400 058

•Phone: 91-22-66535000

•Compliance Officer: Varsha Shinde

•Email: varsha.shinde@krchoksey.com