

August 8, 2024

Q1FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	27,524		29,225	
Sales (Rs. m)	2,10,056	2,37,726	2,22,370	2,52,099
% Chng.	(5.5)	(5.7)		
EBITDA (Rs. m)	46,532	53,996	50,481	57,857
% Chng.	(7.8)	(6.7)		
EPS (Rs.)	697.3	833.6	785.1	867.4
% Chng.	(11.2)	(3.9)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	1,75,660	2,02,461	2,10,056	2,37,726
EBITDA (Rs. m)	26,699	42,385	46,532	53,996
Margin (%)	15.2	20.9	22.2	22.7
PAT (Rs. m)	11,164	23,957	25,158	30,076
EPS (Rs.)	309.4	664.0	697.3	833.6
Gr. (%)	(49.9)	114.6	5.0	19.5
DPS (Rs.)	100.0	105.0	110.0	115.0
Yield (%)	0.4	0.4	0.5	0.5
RoE (%)	6.2	12.2	11.6	12.5
RoCE (%)	5.0	10.8	11.0	12.3
EV/Sales (x)	4.9	4.1	3.9	3.4
EV/EBITDA (x)	32.3	19.6	17.7	15.1
PE (x)	78.0	36.4	34.6	29.0
P/BV (x)	4.7	4.2	3.8	3.4

Key Data

SHCM.BO | SRCM IN

52-W High / Low	Rs.30,738 / Rs.23,432
Sensex / Nifty	78,886 / 24,117
Market Cap	Rs.871bn/ \$ 10,375m
Shares Outstanding	36m
3M Avg. Daily Value	Rs.1432.09m

Shareholding Pattern (%)

Promoter's	62.55
Foreign	11.85
Domestic Institution	13.02
Public & Others	12.58
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.2)	(11.8)	(0.5)
Relative	(10.0)	(20.1)	(17.0)

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Shree Cement (SRCM IN)

Rating: ACCUMULATE | CMP: Rs24,143 | TP: Rs27,524

Stiff competition affects NSR and EBITDA/t

Quick Pointers:

- Rising competition in North region led SRCM to cater to low-yielding East region during 1Q, which led to NSR deterioration and higher logistics costs.
- Green energys share stood at 54%; total power capacity reached at 1GW (~50% green) post commissioning of 19.5MW solar power plant at its AP unit.

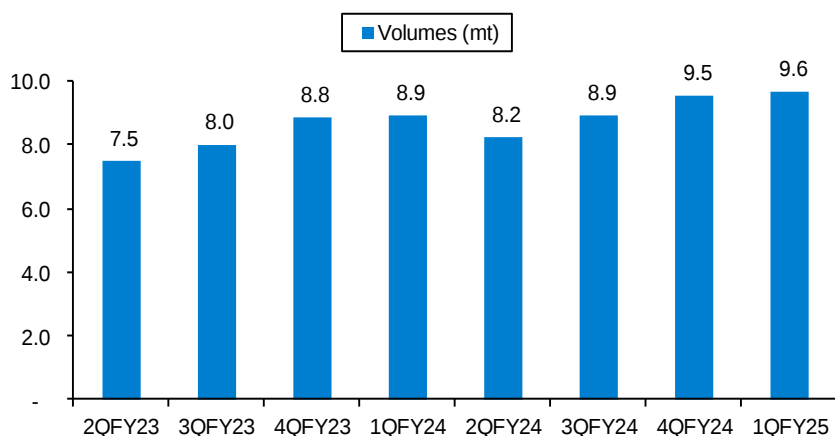
We cut our FY25E/26E EBITDA by 8%/7% on account of near term weak pricing and cut in volume growth assumptions for FY26E. Shree Cement's (SRCM) 1QFY25 operating performance was much weaker than PLe on account of lower realization as the company sold higher volumes in East, where prices are much lower than North. Volumes grew 8.3% YoY led by market share gain in East. As near-term demand outlook remains muted, mgmt. expects to grow at industry growth rate in FY25 vs earlier guidance of 12-13% affected by stiff competition in core North region. We maintain our 8% FY25E volume growth assumption and cut FY26E volume growth to 12% (from 14% earlier) along with lower FY25E pricing assumptions. Mgmt.'s focus on cost efficiencies to remain with planned railway sidings at each unit and addition of green power capacities across planned locations. Green power share stood at 54%, which is amongst the best in the industry however intensifying competition in cement space is expected to weaken near term earnings outlook. We expect SRCM to deliver revenue/ EBITDA/ PAT CAGR of 8%/13%/12% over FY24-26E. The stock is trading at EV of 17.7x/15.1x FY25E/FY26E EBITDA. Maintain 'Accumulate' rating with revised TP of Rs27,524 (earlier Rs29,225) valuing at 17x EV of Mar'26E EBITDA.

- Revenue declined due to deterioration in average realization:** SRCM's std. revenue declined 3.3% YoY to Rs48.3bn (-4.7% QoQ; lower than PLe Rs50.5bn) on sharp decline in average realization. As the company sold higher volumes in low-price Eastern markets, average realization deteriorated for Q1FY25. We expect SRCM to continue to be impacted by the intensifying competition in North, mainly from industry leaders, till industry demand improves substantially. Cement volumes grew 8.3% YoY to 9.64mt (up 1.2% QoQ; PLe 9.53t). Blended realization (assuming flat power revenue) declined 5.8% QoQ to Rs4,582/t (-10% YoY; PLe Rs4,793 /t) on falling cement prices across regions and geographical volume mix deterioration. Cons. revenue stood at Rs51.2bn (+1% YoY/-6% QoQ).
- EBITDA affected by NSR and higher stabilization costs:** Std. EBITDA declined 1.7% YoY to Rs9.16bn (-31% QoQ; PLe Rs12.4bn) mainly led by weak NSR and higher stabilization costs at newly commissioned plants. P&F costs/t declined 14.9% YoY to Rs1,458 and freight costs/t declined 3.1% YoY to Rs1,157. RM costs/t plunged 34.8% YoY to Rs422, while other expenses/t increased 3.1% YoY to Rs775/t. Resultantly, SRCM's blended EBITDA/t declined to Rs951/t (-9.3% YoY/ -31.7% QoQ). Cons. EBITDA declined by 2% YoY to Rs9.27bn (-35% QoQ).

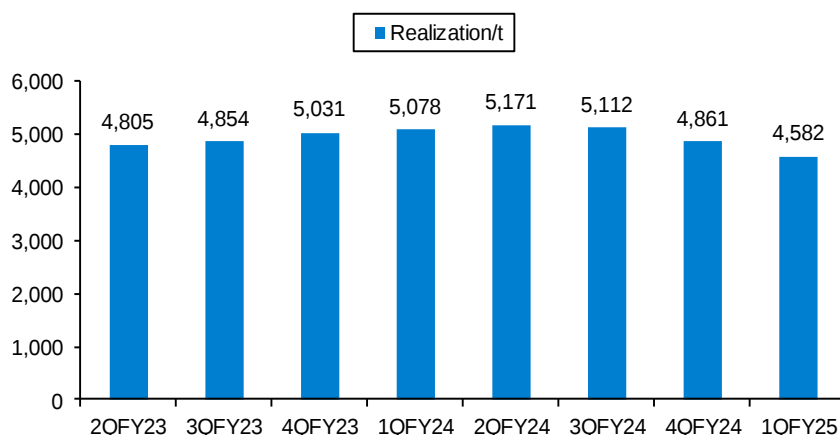
Exhibit 1: Q1FY25 Result Overview (standalone)

Y/e March (Rs mn)	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	48,347	49,991	(3.3)	50,727	(4.7)	1,95,855	1,68,375	16.3
Raw Material	4,065	5,759	(29.4)	3,540	14.8	18,250	12,598	44.9
<i>% of Net Sales</i>	<i>8.4</i>	<i>11.5</i>		<i>7.0</i>		<i>9.3</i>	<i>7.5</i>	
Staff Costs	2,446	2,349	4.1	2,352	4.0	9,379	8,658	8.3
<i>% of Net Sales</i>	<i>5.1</i>	<i>4.7</i>		<i>4.6</i>		<i>4.8</i>	<i>5.1</i>	
Power & Fuel	14,052	15,240	(7.8)	14,274	(1.6)	55,590	55,449	0.3
<i>% of Net Sales</i>	<i>29.1</i>	<i>30.5</i>		<i>28.1</i>		<i>28.4</i>	<i>32.9</i>	
Freight	11,151	10,630	4.9	10,451	6.7	40,321	37,332	8.0
<i>% of Net Sales</i>	<i>23.1</i>	<i>21.3</i>		<i>20.6</i>		<i>20.6</i>	<i>22.2</i>	
Other Expenses	7,469	6,688	11.7	6,838	9.2	28,397	24,915	14.0
<i>% of Net Sales</i>	<i>15.4</i>	<i>13.4</i>		<i>13.5</i>		<i>14.5</i>	<i>14.8</i>	
Total Expenditure	39,183	40,665	(3.6)	37,455	4.6	1,51,936	1,38,952	9.3
EBITDA	9,164	9,326	(1.7)	13,272	(31.0)	43,919	29,423	49.3
<i>Margin (%)</i>	<i>19.0</i>	<i>18.7</i>		<i>26.2</i>		<i>22.4</i>	<i>17.5</i>	
Depreciation	6,428	3,085	108.4	6,281	2.3	16,147	15,462	4.4
EBIT	2,736	6,241	(56.2)	6,991	(60.9)	27,772	13,961	98.9
Other income	1,346	1,617	(16.8)	1,379	(2.4)	5,611	4,315	30.0
Interest	573	753	(23.9)	648	(11.5)	2,643	2,689	(1.7)
PBT	3,508	7,105	(50.6)	7,722	(54.6)	30,740	15,586	97.2
Extraordinary income/(expense)	-	-		-		-	-	
PBT (After EO)	3,508	7,105	(50.6)	7,722	(54.6)	30,740	15,586	97.2
Tax	331	1,294	(74.4)	1,105	(70.0)	5,772	2,305	150.4
<i>% PBT</i>	<i>9.4</i>	<i>18.2</i>		<i>14.3</i>		<i>18.8</i>	<i>14.8</i>	
Reported PAT	3,177	5,811	(45.3)	6,618	(52.0)	24,968	13,281	88.0

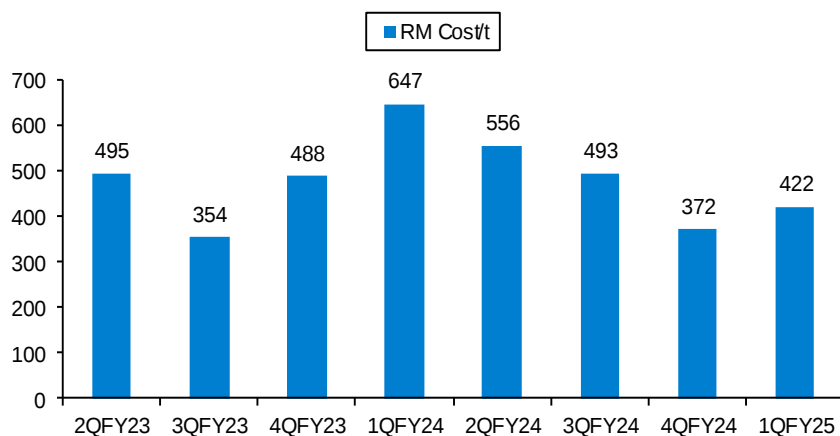
Source: Company, PL

Exhibit 2: Volumes grew 8.3% YoY on market share gain in East


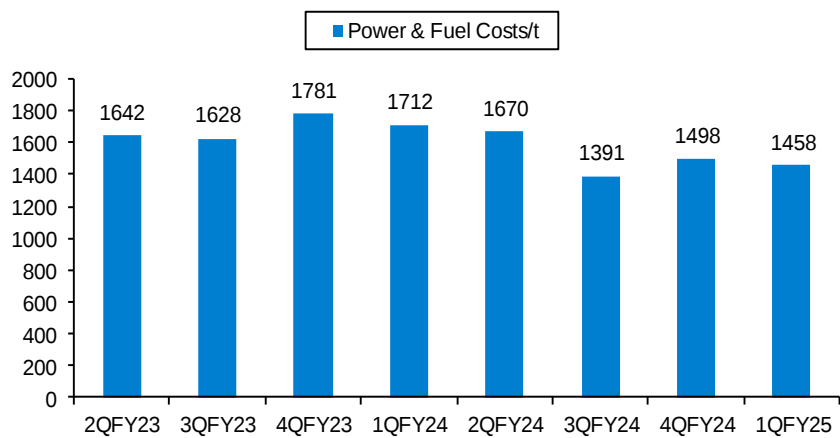
Source: Company, PL

Exhibit 3: NSR declined ~6% QoQ due to lower prices in East


Source: Company, PL

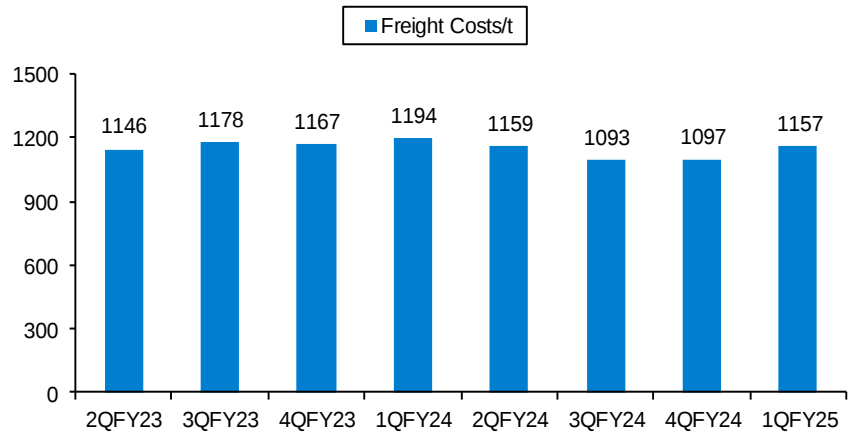
Exhibit 4: RM costs/t increased 14% QoQ


Source: Company, PL

Exhibit 5: P&F costs/t declined 3% QoQ


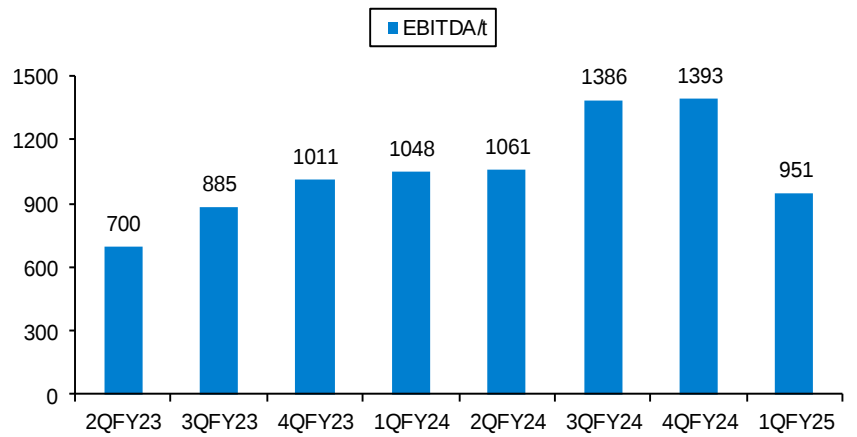
Source: Company, PL

Exhibit 6 : Freight costs/t increased 5% QoQ



Source: Company, PL

Exhibit 7 : Blended EBITDA/t declined sharp 32% QoQ on weak NSR



Source: Company, PL

Conference Call Highlights:

- Fuel costs stood at Rs1.74/mkcal in Q1FY25.
- Capacity utilization stood at ~76% compared to 77% in Q4FY24.
- Overall demand grew +8.3% YoY/ +1.2% QoQ with regional demand as follows: East: +15% YoY/ +11% QoQ, North: +7% YoY/ -3% QoQ, and South: -5% YoY/ -4% QoQ.
- Lead distance increased by 21km QoQ due to change in geo-mix, which had a consequential effect on logistics costs.
- Green power mix stood at 54%. SRCM plans to increase the RE mix by 8% to 62% by the end of Q1FY26.
- In Q1FY25, SRCM commissioned a 19.5MW solar power plant at its AP unit, bringing its total power capacity to 1GW (1,003MW). Additional 135MW of solar power capacity will be added in Rajasthan, Panipat, Jharkhand, Uttarakhand, and Uttar Pradesh.
- Demand is expected to remain muted in Q2FY25 due to rains, and ~10 days of Q3FY25 will be affected by festivities.
- SRCM plans to add 100 *Bangur* concrete plants over the next 5 years across 50 cities.
- Capex guidance is maintained at ~Rs40bn for FY25/26E, which will be mainly funded through internal accruals.
- Increased costs in Q1 were due to higher logistics and commissioning expenses for new plants in Guntur and Nawalgarh, which might normalize going forward.
- SRCM's ongoing expansion projects in Jaiatara, (Rajasthan 6mtpa), Kodla (Karnataka 3mtpa), Baloda Bazar (Chhattisgarh 3.4mtpa), and Etah (Uttar Pradesh 3mtpa) are progressing as scheduled.
- The Nawalgarh plant will be able to cater to the Northern markets after the commissioning of the grinding unit at Etah.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	1,75,660	2,02,461	2,10,056	2,37,726
YoY gr. (%)	19.0	15.3	3.8	13.2
Cost of Goods Sold	14,324	15,698	19,400	22,703
Gross Profit	1,61,336	1,86,763	1,90,656	2,15,023
Margin (%)	91.8	92.2	90.8	90.4
Employee Cost	9,778	10,644	10,850	11,665
Other Expenses	1,24,859	1,33,734	1,33,274	1,49,363
EBITDA	26,699	42,385	46,532	53,996
YoY gr. (%)	(22.7)	58.8	9.8	16.0
Margin (%)	15.2	20.9	22.2	22.7
Depreciation and Amortization	16,607	18,973	20,957	22,343
EBIT	10,092	23,412	25,575	31,653
Margin (%)	5.7	11.6	12.2	13.3
Net Interest	2,596	2,549	1,817	1,775
Other Income	7,454	8,730	7,048	7,895
Profit Before Tax	14,950	29,592	30,806	37,772
Margin (%)	8.5	14.6	14.7	15.9
Total Tax	2,259	5,630	5,679	7,727
Effective tax rate (%)	15.1	19.0	18.4	20.5
Profit after tax	12,691	23,962	25,127	30,046
Minority interest	(16)	5	(31)	(30)
Share Profit from Associate	-	-	-	-
Adjusted PAT	11,164	23,957	25,158	30,076
YoY gr. (%)	(49.9)	114.6	5.0	19.5
Margin (%)	6.4	11.8	12.0	12.7
Extra Ord. Income / (Exp)	1,543	-	-	-
Reported PAT	12,707	23,957	25,158	30,076
YoY gr. (%)	(45.5)	88.5	5.0	19.5
Margin (%)	7.2	11.8	12.0	12.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,707	23,957	25,158	30,076
Equity Shares O/s (m)	36	36	36	36
EPS (Rs)	309.4	664.0	697.3	833.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	1,78,195	2,17,858	2,47,858	2,77,858
Tangibles	1,78,195	2,17,858	2,47,858	2,77,858
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,03,387	1,21,949	1,42,907	1,65,250
Tangibles	1,03,387	1,21,949	1,42,907	1,65,250
Intangibles	-	-	-	-
Net fixed assets	74,809	95,909	1,04,952	1,12,609
Tangibles	74,809	95,909	1,04,952	1,12,609
Intangibles	-	-	-	-
Capital Work In Progress	33,909	26,982	36,982	46,982
Goodwill	-	-	-	-
Non-Current Investments	54,322	24,090	24,090	24,090
Net Deferred tax assets	6,823	6,293	6,293	6,293
Other Non-Current Assets	3,797	3,850	3,850	3,850
Current Assets				
Investments	33,979	52,640	52,640	52,640
Inventories	27,597	35,551	33,379	35,822
Trade receivables	12,116	12,865	13,236	14,980
Cash & Bank Balance	1,609	4,218	10,379	18,327
Other Current Assets	11,134	14,402	14,402	14,402
Total Assets	2,63,340	2,79,535	3,02,938	3,32,729
Equity				
Equity Share Capital	361	361	361	361
Other Equity	1,86,003	2,06,668	2,27,857	2,53,784
Total Network	1,86,364	2,07,029	2,28,218	2,54,144
Non-Current Liabilities				
Long Term borrowings	25,870	15,139	15,139	17,139
Provisions	339	307	307	307
Other non current liabilities	-	246	246	246
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	11,960	12,142	14,387	16,283
Other current liabilities	35,300	41,128	41,128	41,128
Total Equity & Liabilities	2,63,339	2,79,535	3,02,938	3,32,729

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	14,950	29,592	30,806	37,772
Add. Depreciation	16,607	18,973	20,957	22,343
Add. Interest	2,629	2,583	1,817	1,775
Less Financial Other Income	7,454	8,730	7,048	7,895
Add. Other	(4,650)	(5,979)	(7,048)	(7,895)
Op. profit before WC changes	29,535	45,170	46,532	53,996
Net Changes-WC	(516)	(7,253)	4,046	(2,291)
Direct tax	(3,332)	(4,442)	(5,679)	(7,727)
Net cash from Op. activities	25,687	33,475	44,899	43,978
Capital expenditures	(32,791)	(31,695)	(40,000)	(40,000)
Interest / Dividend Income	3,631	3,497	-	-
Others	5,015	14,014	7,048	7,895
Net Cash from Invt. activities	(24,145)	(14,185)	(32,952)	(32,105)
Issue of share cap. / premium	-	-	-	-
Debt changes	3,072	(11,111)	-	2,000
Dividend paid	(3,245)	(3,790)	(3,969)	(4,149)
Interest paid	(2,586)	(2,197)	(1,817)	(1,775)
Others	(9)	(2)	-	-
Net cash from Fin. activities	(2,767)	(17,101)	(5,786)	(3,925)
Net change in cash	(1,225)	2,190	6,161	7,948
Free Cash Flow	(7,457)	1,471	4,899	3,978

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	309.4	664.0	697.3	833.6
CEPS	769.7	1,189.9	1,278.1	1,452.8
BVPS	5,165.3	5,738.1	6,325.3	7,043.9
FCF	(206.7)	40.8	135.8	110.2
DPS	100.0	105.0	110.0	115.0
Return Ratio(%)				
RoCE	5.0	10.8	11.0	12.3
ROIC	5.1	11.8	12.3	13.5
RoE	6.2	12.2	11.6	12.5
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	58	65	56	53
Valuation(x)				
PER	78.0	36.4	34.6	29.0
P/B	4.7	4.2	3.8	3.4
P/CEPS	31.4	20.3	18.9	16.6
EV/EBITDA	32.3	19.6	17.7	15.1
EV/Sales	4.9	4.1	3.9	3.4
Dividend Yield (%)	0.4	0.4	0.5	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	45,846	49,008	50,727	48,347
YoY gr. (%)	21.3	20.4	6.0	(3.3)
Raw Material Expenses	4,558	4,393	3,540	4,065
Gross Profit	41,289	44,615	47,186	44,282
Margin (%)	90.1	91.0	93.0	91.6
EBITDA	8,701	12,337	13,272	9,164
YoY gr. (%)	66.3	74.3	48.7	(1.7)
Margin (%)	19.0	25.2	26.2	19.0
Depreciation / Depletion	3,315	3,466	6,281	6,428
EBIT	5,386	8,871	6,991	2,736
Margin (%)	11.7	18.1	13.8	5.7
Net Interest	681	561	648	573
Other Income	1,261	1,354	1,379	1,346
Profit before Tax	5,965	9,664	7,722	3,508
Margin (%)	13.0	19.7	15.2	7.3
Total Tax	1,052	2,322	1,105	331
Effective tax rate (%)	17.6	24.0	14.3	9.4
Profit after Tax	4,913	7,342	6,618	3,177
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,913	7,342	6,618	3,177
YoY gr. (%)	159.1	165.3	21.2	(45.3)
Margin (%)	10.7	15.0	13.0	6.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,913	7,342	6,618	3,177
YoY gr. (%)	159.1	165.3	21.2	(45.3)
Margin (%)	10.7	15.0	13.0	6.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,913	7,342	6,618	3,177
Av g. Shares O/s (m)	36	36	36	36
EPS (Rs)	136.2	203.5	183.4	88.1

Source: Company Data, PL Research

Key Operating Metrics

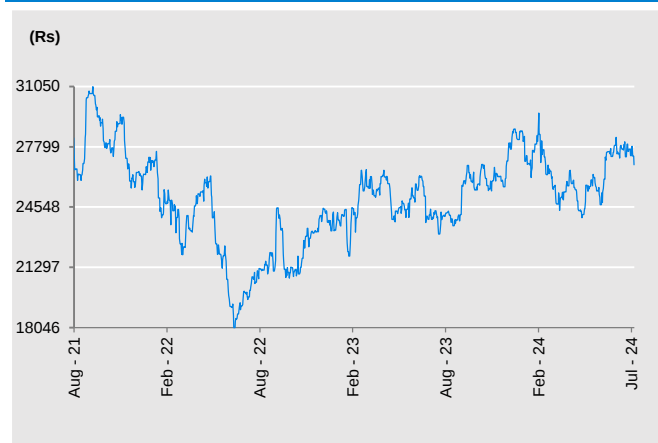
Y/e Mar	FY23	FY24	FY25E	FY26E
Domestic volumes (mt)	31	34	38	43
Net Realisations (Rs/t)	4,935	5,101	4,897	5,043
Cement EBITDA (Rs/te)	840	1,270	1,193	1,236

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-24	Accumulate	29,225	27,417
2	15-May-24	BUY	29,225	25,820
3	09-Apr-24	BUY	28,966	25,949
4	11-Mar-24	BUY	28,966	24,754

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,707	2,591
2	Ambuja Cement	Accumulate	701	664
3	Dalmia Bharat	Accumulate	2,067	1,817
4	Hindalco Industries	BUY	796	698
5	Jindal Stainless	Accumulate	836	736
6	Jindal Steel & Power	Hold	978	972
7	JSW Steel	Accumulate	1,022	890
8	National Aluminium Co.	Sell	142	199
9	NMDC	Accumulate	276	252
10	Nuvoco Vistas Corporation	Accumulate	374	338
11	Shree Cement	Accumulate	29,225	27,417
12	Steel Authority of India	Sell	134	156
13	Tata Steel	Accumulate	175	163
14	Ultratech Cement	Accumulate	11,848	11,275

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

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