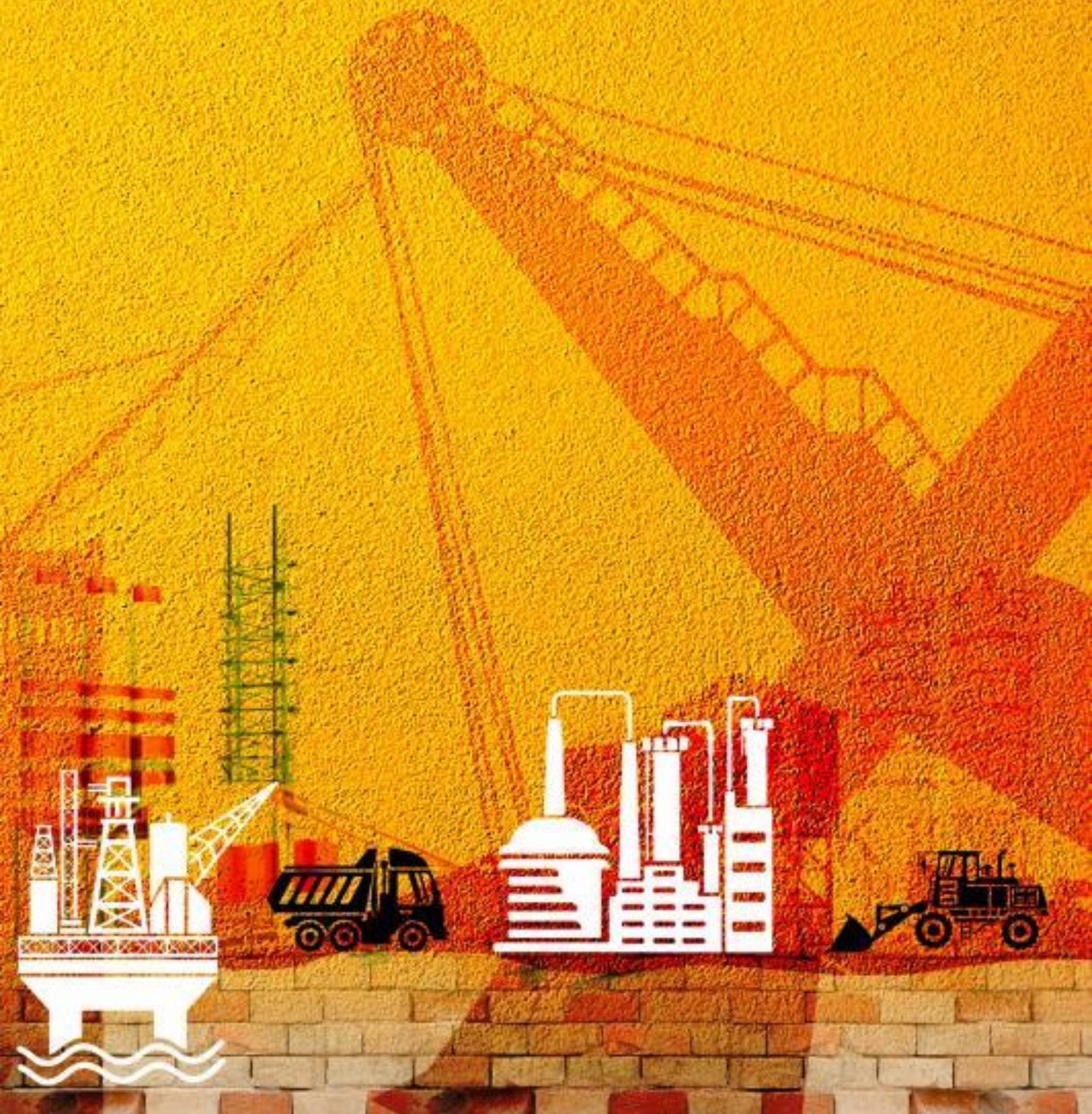




Shree Cement Ltd

Q2FY25



Shree Cement Ltd.

Weaker cement prices continue to drag realization

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 24,373	INR 25,575	4.9%	INR 8,81,218	ACCUMULATE	Cement

Result Highlights

- Shree Cement's Q2FY25 result missed our projections despite revenue in line with our estimates.
- Revenue declined to INR 40,542 Mn, down 15.1% YoY (-20.9% QoQ) due to weaker realization and a decline in volumes.
- EBITDA declined by 30.8% YoY (-33.8% QoQ) to INR 6,135 Mn, missing our estimates, primarily due to higher-than-expected operating expenses. EBITDA margin stood at 15.1% (-343bps YoY/-296bps QoQ).
- PAT declined by 82.9% YoY to INR 764 Mn because of weak operating performance partially offset by tax benefits. PAT margin contracted to 1.9%, down 747bps YoY (-355bps QoQ).
- We lower our FY26E EBITDA to INR 53,951 Mn (previously: INR 54,594), reflecting weaker Q2FY25 performance. However, we retain FY26E EV/EBITDA multiple of 16.5x, underscoring our confidence in the company's expansion plan to reach its 80MTPA target by FY28E, which remains on schedule supported by the optimism of improving macro conditions. Accordingly, we reduce our target price to INR 25,575 (previously: INR 26,083) and retain our "ACCUMULATE" rating.**

MARKET DATA

Shares outs (Mn)	36
Mkt Cap (INR Mn)	8,81,218
52 Wk H/L (INR)	30,738/23,700
Volume Avg (3m K)	306
Face Value (INR)	10.0
Bloomberg Code	SRCM IN

KEY FINANCIALS

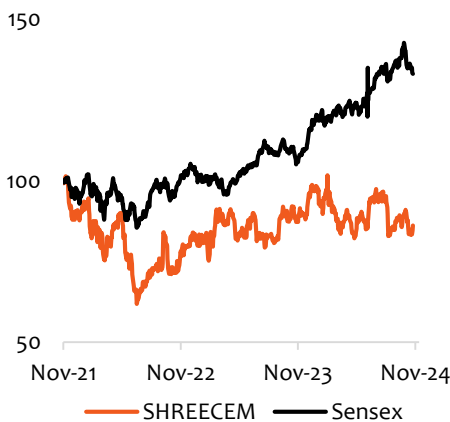
INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	178,523	205,210	199,640	225,120	233,350
EBITDA	29,595	45,167	39,591	53,951	59,187
PAT	12,707	23,957	13,284	21,630	25,026
OPM (%)	16.6%	22.0%	19.8%	24.0%	25.4%
NPM (%)	7.1%	11.7%	6.7%	9.6%	10.7%

Source: Company, KRChoksey Research

Sluggish demand and weaker realization weigh on Q2FY25 earnings

- In Q2FY25, volume declined to 7.6 MT, down 7.3% YoY (-21.2% QoQ). The QoQ decline in volume is attributable to a seasonally weak quarter due to prolonged monsoons and delayed government spending on infrastructure.
- Falling cement prices dragged realization to INR 4,904/Ton in Q2FY25 from INR 5,564 in Q2FY24 (INR 5,015/Ton in Q1FY25), down 11.9% YoY (-2.2% QoQ).
- The decline in cement prices is influenced by slowdown and longer duration of monsoons coupled with sector consolidation.
- EBITDA/Ton declined to 780/Ton in Q2FY25, earlier INR 1,062/Ton in Q2FY24 (INR 951/Ton in Q1FY25), down 26.6% YoY (-18.0% QoQ).
- The YoY and QoQ decline in EBITDA/Ton is attributable to weaker realization coupled with increased raw material and freight costs partially offset by lower power & fuel expenses.
- Power & Fuel cost/Ton reduced to INR 1,317/Ton in Q2FY25 from 1,673/Ton in Q2FY24 (INR 1,458/Ton in Q1FY25), down 21.2% YoY (-9.6% QoQ, owing to SRCM's continued efforts of increasing its green power energy mix and alternate fuel usage.
- Freight cost/Ton stood at INR 1,173/Ton in Q2FY25 from 1,160/Ton in Q2FY24 (INR 1,157/Ton in Q1FY25), up 1.1% YoY (+1.4% QoQ).
- Premium products accounted for 15.0% of the total trade sales volume from 7.6% in Q1FY25.
- Regional mix stood at 58.0%/31.0%/11.0% for North/East/Southeast.
- Road to Rail mix stood at 88:12 as of September 2024.
- Lead distance reduced to 433kms in Q2FY25 (453kms in Q1FY25).

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	78,675
NIFTY	23,883

SHARE HOLDING PATTERN (%)

Particulars (%)	Sep-24	Jun-24	Mar-24
Promoters	62.6	62.6	62.6
FIIIs	10.4	11.8	12.5
DIIIs	14.4	13.0	12.3
Others	12.6	12.6	12.6
Total	100	100	100

*Based on the Today's closing

Note: All the market data is as of Today's closing

8.0%

Revenue CAGR between FY23 and FY26E

19.4%

Adj. PAT CAGR between FY23 and FY26E

Shree Cement Ltd.

Key Concall Highlights:

- The company's expansion projects in Jaitaran, Rajasthan (6.0 MTPA), Kodla, Karnataka (3.0 MTPA), Baloda Bazar, Chhattisgarh (3.4 MTPA), and Etah, Uttar Pradesh (3.0 MTPA) are progressing well, with all projects expected to be commissioned by Q1FY26E.
- SRCM's current capacity stands at 56.4MTPA, post the expansion plan, **the capacity is expected to reach 71.8 MTPA by Q1FY26E.**
- The company remains actively engaged in identifying strategic opportunities to reach its target capacity of over 80.0 MTPA by FY28E. SRCM expects a capex of INR 40.0 Bn in FY25E.
- Currently, Shree Cement Ltd. operates seven Ready-Mix Concrete (RMC) plants, with plans to expand this number to double digits by the end of FY25E. The company **aims to establish a network of 100 RMC plants over the next 3 to 5 years.**
- In Q2FY25, Shree Cement Ltd.'s **green energy share was 54.8%**, compared to 54.0% in Q1FY25 and 58.6% in Q2FY24.
- The company now **targets a green energy share of 60.0% by June 2025**, revised from an earlier target of 62.0%, with a long-term commitment to achieve 100.0% renewable energy by 2050.
- Currently, a **90 MW green power expansion is underway**, expected to be operational by the end of FY25E.
- The company anticipates demand recovery over the next six months, particularly following the festive season. Growth is expected to be relatively stronger in the North and South regions, while the East may see slower momentum.
- In H2FY25E, **demand is projected to rise as budget allocations are released and infrastructure projects begin** on-the-ground execution. Additionally, rural demand is likely to strengthen due to favorable monsoon conditions and higher farm prices.
- Shree Cement aims for volume growth in line with the overall industry trend and will maintain its strategy of prioritizing value over volume.
- Currently, **prices are slightly above Q2FY25 levels**, with further improvements anticipated as demand strengthens over the coming months.

Valuation and View:

Shree Cement Ltd posted weak-than-expected Q2FY25 results, falling short of our estimates due to weaker realization, subdued volume growth, and increased raw material costs, partially supported by reduced power & fuel costs. **The company is well on track to expand its current capacity from 56.4 MTPA to 71.8 MTPA by Q1FY26E and remains optimistic about achieving its target of 80.0 MTPA by FY27E.** The company continues to focus on increasing the share of premium products in its portfolio, while also enhancing its green energy usage, which is already among the highest in the industry. Additionally, management remains positive about the outlook for improved pricing and demand in the coming quarters. Factoring in these recent developments, we retain our EV/EBITDA multiple of 16.5x. However, we reduced our FY26E EBITDA to INR 53,951 Mn (previously: INR 54,594), reflecting weaker-than-expected Q2FY25 performance. Accordingly, we reduce our target price to INR 25,575 (previously: INR 26,083) and retain our "ACCUMULATE" rating on the shares of Shree Cement Ltd. At current levels, the stock offers a potential upside of 4.9%.

RESULT SNAPSHOT

Particulars (INR Mn)	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y
Sales	40,542	51,240	47,737	(20.9%)	(15.1%)
Total Expenditure	34,407	41,968	38,876		
Cost of Raw Materials	4,088	4,270	4,598		
Purchase of Stock	51	47	8		
Changes in Inventories	2	-119	306		
Employee Cost	2,877	2,854	2,664		
Other Expenses	6,359	7,979	6,113		
Power & Fuel	11,630	15,456	15,364		
Freight and Forwarding Expense	9,400	11,481	9,824		
EBITDA	6,135	9,272	8,860	(33.8%)	(30.8%)
EBITDA Margins (%)	15.1%	18.1%	18.6%	-296bps	-343bps
Depreciation	7,159	7,043	4,117		
EBIT	-1,024	2,229	4,743		
Interest Expense	557	562	671		
Other Income	1,814	1,391	1,320		
Exceptional Items	0	0	0		
PBT	232.80	3,059	5,392		
Tax	-534	274	926		
Minority Interest	2	-2	0		
PAT	764	2,786	4,466	(72.6%)	(82.9%)
PAT Margin	1.9%	5.4%	9.4%	-355bps	-747bps
EPS	21	77	124		

Source: Company, KRChoksey Research

Shree Cement Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenues	178,523	205,210	199,640	225,120	233,350
COGS	14,324	15,698	17,881	20,290	21,200
Gross profit	164,199	189,512	181,759	204,830	212,150
Employee cost	9,778	10,644	8,984	10,130	10,501
Power & Fuel	60,807	63,452	58,179	56,584	56,306
Freight and Forwarding Expense	37,836	41,505	45,059	50,397	51,152
Other expenses	26,814	28,743	29,946	33,768	35,003
EBITDA	29,595	45,167	39,591	53,951	59,187
EBITDA Margin	16.6%	22.0%	19.8%	24.0%	25.4%
Depreciation	16,607	18,973	26,951	30,391	31,502
EBIT	12,988	26,194	12,640	23,560	27,685
Interest expense	2,629	2,583	1,402	1,290	1,170
PBT	14,950	29,592	16,381	27,018	31,263
Tax	2,259	5,630	3,112	5,404	6,253
Minority interest	(16)	5	(16)	(16)	(16)
PAT	12,707	23,957	13,284	21,630	25,026
Diluted EPS (INR)	352	664	368	599	694

Exhibit 3: Cash Flow Statement

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
CFFO	25,687	33,475	40,495	47,538	52,088
CFFI	(24,145)	(14,185)	(31,422)	(35,748)	(36,081)
CFFF	(2,767)	(17,101)	(10,165)	(8,434)	(12,100)
Net Inc/Dec	(1,225)	2,190	(1,093)	3,356	3,907
Opening Balance	1,277	144	2,339	1,252	4,614
Closing Balance	144	2,339	1,252	4,614	8,527

Exhibit 4: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	16.6%	22.0%	19.8%	24.0%	25.4%
Tax rate (%)	15.1%	19.0%	19.0%	20.0%	20.0%
Net Profit Margin (%)	7.1%	11.7%	6.7%	9.6%	10.7%
RoE (%)	6.8%	11.5%	6.2%	9.4%	10.2%
RoCE (%)	6.1%	11.8%	5.6%	9.8%	10.8%
EPS (INR)	352	664	368	599	694

Source: Company, KRChoksey Research

Exhibit 2: Balance Sheet

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Equity Capital	361	361	361	361	361
Other Equity	186,003	206,668	215,190	229,676	245,772
Non-controlling interest	406	411	411	411	411
Total Equity	186,770	207,440	215,962	230,448	246,544
Non-Current Liabilities					
Provisions	339	307	307	307	307
Borrowings	19,590	7,618	7,618	7,618	7,618
Other financial liabilities	3,101	3,768	3,705	3,995	4,089
Total Non-Current Liabilities	23,030	11,693	11,630	11,921	12,015
Current Liabilities					
Borrowings	5,808	7,131	3,131	3,131	1,131
Trade Paybles	11,960	12,142	13,127	14,802	15,344
Other Financial Liabilities	18,586	16,835	16,835	16,835	16,835
Other current liabilities	17,186	24,293	15,087	17,012	17,634
Total Current Liabilities	53,540	60,401	48,180	51,781	50,944
Total Liabilities	263,339	279,535	275,772	294,150	309,503
Non-Current Assets					
Property Plants and Equipments	67,937	88,350	99,330	109,010	119,044
CWIP	27,966	19,297	19,297	19,297	19,297
Intangible Assets	747	1,235	1,235	1,235	1,235
Investments	52,853	22,918	22,918	22,918	22,918
Other current assets	24,157	25,614	24,185	24,901	24,288
Total Non-Current Assets	173,660	157,413	166,964	177,360	186,781
Current Assets					
Inventories	27,597	35,551	26,254	28,371	29,408
Trade Receivables	12,116	12,865	10,392	11,102	11,508
Cash and Bank	462	2,624	1,546	4,918	8,831
Other Balances with Bank	1,148	1,595	1,595	1,595	1,595
Oher current assets	48,358	69,488	69,021	70,804	71,380
Total Current Assets	89,679	122,122	108,808	116,789	122,722
Total Assets	263,339	279,535	275,772	294,150	309,503

Shree Cement Ltd.

Shree Cement Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
12-Nov-24	24,373	25,575	ACCUMULATE	Buy	More than 15%
09-Aug-24	24,143	26,083	ACCUMULATE	Accumulate	5% – 15%
17-May-24	25,669	30,662	BUY	Hold	0 – 5%
02-Feb-24	28,454	30,686	ACCUMULATE	Reduce	-5% – 0
15-Nov-23	26,363	28,163	ACCUMULATE	Sell	Less than – 5%

ANALYST CERTIFICATION:

I, **Dipak Saha** (MBA, 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, Dipak Saha 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, Dipak Saha, 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