

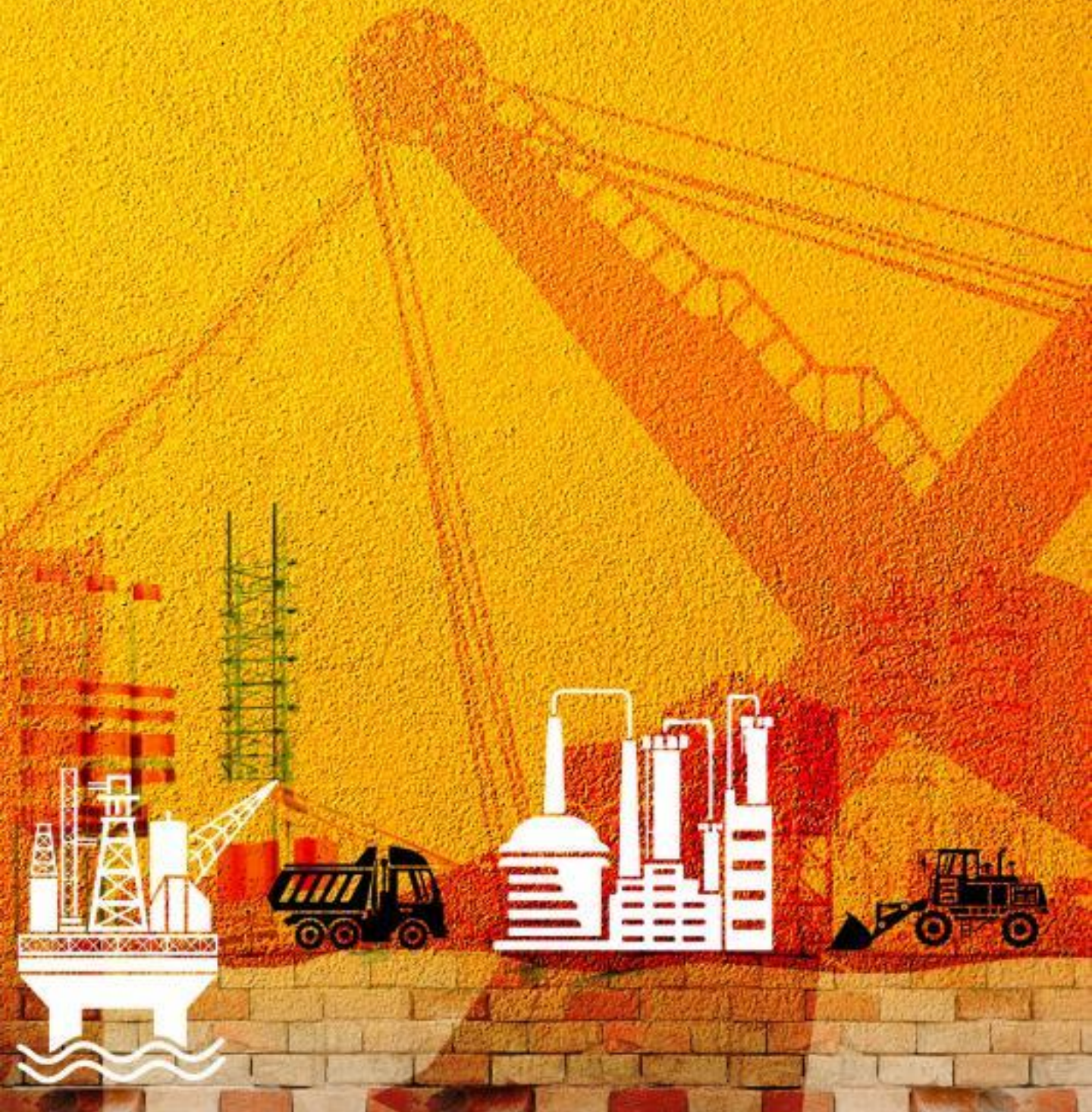


KRChoksey

RESEARCH
by DEVEN CHOKSEY

Shree Cement Ltd

Q3FY25



Shree Cement Ltd.

New capacity and enhanced realizations to propel earnings growth

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 27,796	INR 30,619	10.2%	INR 1,001,208	ACCUMULATE	Cement

Result Highlights

- Shree Cement's Q3FY25 performance missed our projections. Revenue declined to INR 45,727 Mn, down 12.0% YoY (+12.8% QoQ). The QoQ growth was driven by robust volume expansion partially offset by decline in realization.
- EBITDA declined by 23.7% YoY (+57.3% QoQ) to INR 9,648 Mn; EBITDA margin stood at 21.1% (-324bps YoY/+597bps QoQ).
- PAT declined by 72.4% YoY (+153.0%) to INR 1,934 Mn. PAT margin stood at 4.2% (-929bps YoY/+234bps QoQ).
- We maintain our FY26E/FY27E EBITDA of INR 53,961 Mn/ 59,124 Mn, reflecting improved cement pricing across India, which are expected to drive higher realization and EBITDA/Ton in the upcoming quarters. We roll over our valuation to FY27E and assign an EV/EBITDA multiple of 19.0x, to arrive at a target price of INR 30,619 (previously: INR 25,635) underscoring our confidence in the SRCM's capacity expansion strategy, targeting 80.0 MTPA by FY28E, and is further supported by anticipated improvements in government spending that will positively impact cement demand. Accordingly, we maintain our "ACCUMULATE" rating on the shares of Shree Cement Ltd.**

MARKET DATA

Shares outs (Mn)	36
Mkt Cap (INR Mn)	1,001,208
52 Wk H/L (INR)	30,738/23,500
Volume Avg (3m K)	306
Face Value (INR)	10.0
Bloomberg Code	SRCM IN

KEY FINANCIALS

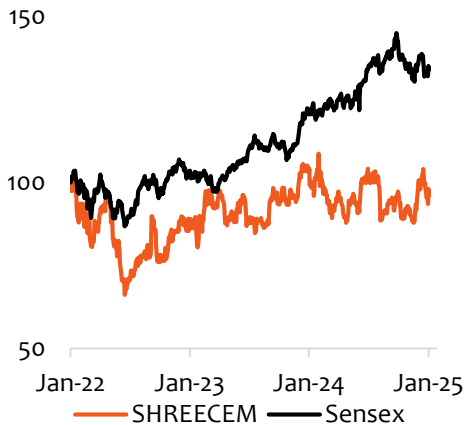
INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,78,523	2,05,210	1,99,640	2,31,552	2,45,915
EBITDA	29,595	45,167	39,025	53,961	59,124
PAT	12,707	23,957	8,972	19,928	23,160
EBITDA (%)	16.6%	22.0%	19.5%	23.3%	24.0%
NPM (%)	7.1%	11.7%	4.5%	8.6%	9.4%

Source: Company, DevenChoksey Research

Weaker realization and higher depreciation costs drag YoY performance

- In Q3FY25, volumes stood at 8.8 MT, down 1.3% YoY (+15.4% QoQ).
- Realization declined to INR 4,830/Ton, down 11.9% YoY (-1.5% QoQ). The YoY decline in realization can be attributed to reduced government spending and sector consolidation, resulting in a 12.0% YoY decline in revenue to INR 45,727 Mn.
- Operating EBITDA/Ton declined to INR 1,079/Ton (-22.2% YoY/+38.4% QoQ). The YoY decline in EBITDA/Ton can be attributed to weaker realization, higher raw material cost per Ton, partially offset by lower power & fuel expense and other cost reduction, resulting in EBITDA declining by 23.7% YoY to INR 9,648 Mn.
- Raw material/Ton stood at INR 616/Ton, up 3.9% YoY/+14.3% QoQ (INR 593/Ton in Q3FY24/ INR 539/Ton in Q2FY25).
- Power & Fuel cost/Ton decreased to INR 1.042/Ton (-26.5% YoY/-20.9% QoQ), owing to SRCM's continued efforts of increasing its green power energy mix and alternate fuel usage.
- Freight cost/Ton stood at INR 1,131/Ton in Q3FY25 from 1,095/Ton in Q3FY24 (INR 1,173/Ton in Q2FY25), up 3.3% YoY (-3.6% QoQ).
- Operating Exp/Ton stood at INR 691 (-4.6% YoY/-9.7% QoQ).
- Premium products accounted for 15.0% of the total trade sales volume from 14.9% in Q2FY25 (9.5% in Q3FY24).
- Depreciation cost increased by 80.0% YoY to INR 7,991 Mn, owing to capacity addition. The other income was down 24.9% YoY to INR 1,108 Mn, further putting pressure on PAT and PAT Margin.
- As a result, PAT declined by 72.4% YoY to 1,934 Mn with PAT margin expressing margin contraction of 929bps YoY to 4.2%.

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	77,501
NIFTY	23,508

SHARE HOLDING PATTERN (%)

Particulars (%)	Dec-24	Sep-24	Jun-24
Promoters	62.6	62.6	62.6
FIIIs	9.9	10.4	11.8
DIIIs	14.8	14.4	13.0
Others	12.7	12.6	12.6
Total	100	100	100

*Based on the previous closing
Note: All the market data is as of previous closing

8.3%

Revenue CAGR between FY23 and FY27E

16.2%

Adj. PAT CAGR between FY23 and FY27E

Shree Cement Ltd.

Key Investor Release Highlights:

- Shree Cement Ltd. (SRCM) continues to advance its strategic expansion initiatives across multiple regions, with key 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) on track for commissioning by Q1FY26E.
- Upon completion of these expansions, SRCM's total capacity will increase from 56.4 MTPA to 71.8 MTPA by Q1FY26E, with an ongoing strategic focus to exceed 80.0 MTPA by FY28E.
- For FY25E, SRCM has earmarked a capital expenditure (Capex) of INR 40.0 Bn to support these growth initiatives.
- The company's fuel cost per Kcal for Q3FY25 reduced to INR 1.55, compared to INR 1.71 in Q2FY25 and INR 1.76 in Q3FY24, reflecting improved operational efficiency.
- In terms of sustainability, SRCM's green power capacity reached 522 MW by the end of Q3FY25, a 9.0% increase from FY24, contributing to 55.1% of the company's total electricity consumption in Q3FY25.
- Additionally, SRCM operates seven Ready-Mix Concrete (RMC) plants.
- Over the next 3-5 years, the company aims to scale its RMC operations to a network of 100 plants, enhancing its presence in the growing construction sector.

Valuation and View:

Shree Cement Ltd. reported weaker-than-expected Q3FY25 results, falling short of our projections. The company is progressing as planned with its capacity expansion, targeting an increase from 56.4 MTPA to 71.8 MTPA by Q1FY26E, and remains focused on reaching its goal of 80.0 MTPA by FY27E. Shree Cement continues to prioritize the growth of its premium product offerings and further expand its green energy initiatives, which are already among the highest in the sector. The integration of green power initiatives, waste heat recovery systems (WHRS), and alternative fuels is expected to drive cost efficiencies and support sustained margin expansion. Management maintains a positive outlook on pricing and demand, expecting favorable market conditions in the upcoming quarters. **Factoring in these recent developments, we assign an EV/EBITDA multiple of 19.0x and maintain our FY26E/FY27E EBITDA of INR 53,961 Mn/ 59,124 Mn, driven by improved cement pricing trends across India, which are expected to enhance realizations and EBITDA per ton in coming quarters. Additionally, we anticipate improvement in government spending in FY26E, which should further boost cement demand. We roll over our valuation to FY27E and arrive at a target price of INR 30,619 (previously: INR 25,635). Consequently, we maintain an “ACCUMULATE” rating on the shares of SRCM.**

RESULT SNAPSHOT

Particulars (INR Mn)	Q3FY25	Q2FY25	Q3FY24	Q-o-Q	Y-o-Y	9MFY25	9MFY24	YoY
Sales	45,727	40,542	51,935	12.8%	(12.0%)	1,37,508	1,50,028	(8.3%)
Total Expenditure	36,079	34,407	39,295	4.9%	(8.2%)	1,12,454	1,19,079	(5.6%)
Cost of Raw Materials	4,374	4,088	4,940	7.0%	(11.5%)	13,773	14,409	(4.4%)
Purchase of Stock	83	51	47	62.9%	76.8%	181	98	85.6%
Changes in Inventories	1,253	2	523	69,505.6%	139.7%	1,136	457	(148.7%)
Employee Cost	2,763	2,877	2,697	(4.0%)	2.4%	8,494	8,020	5.9%
Other Expenses	6,736	6,359	6,828	5.9%	(1.4%)	20,033	18,999	5.4%
Power & Fuel	10,379	11,630	14,235	(10.8%)	(27.1%)	37,465	46,490	(19.4%)
Freight and Forwarding Expense	10,492	9,400	10,025	11.6%	4.7%	31,373	30,608	2.5%
EBITDA	9,648	6,135	12,640	57.3%	(23.7%)	25,055	30,949	(19.0%)
EBITDA Margins (%)	21.1%	15.1%	24.3%	597bps	-324bps	18.2%	20.6%	-241bps
Depreciation	7,991	7,159	4,439	11.6%	80.0%	22,192	11,950	85.7%
EBIT	1,657	-1,024	8,201	(261.8%)	(79.8%)	2,862	18,999	(84.9%)
Interest Expense	518	557	549	(7.1%)	(5.8%)	1,637	1,963	(16.6%)
Other Income	1,108	1,814	1,475	(38.9%)	(24.9%)	4,313	4,485	(3.8%)
Exceptional Items	0	0	0	NA	NA	0	0	NA
PBT	2,247.10	232.80	9,126	865.2%	(75.4%)	5,538	21,521	(74.3%)
Tax	310	-534	2,108	(158.1%)	(85.3%)	50	4,317	(98.8%)
Minority Interest	3	2	0	60.0%	(900.0%)	4	-4	(187.8%)
PAT	1,934	764	7,019	153.0%	(72.4%)	5,485	17,208	(68.1%)
PAT Margin	4.2%	1.9%	13.5%	234bps	-929bps	4.0%	11.5%	-748bps
EPS	54	21	195	153.1%	(72.4%)	152	477	(68.1%)

Source: Company, DevenChoksey Research

Shree Cement Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenues	1,78,523	2,05,210	1,99,640	2,31,552	2,45,915
COGS	14,324	15,698	18,724	21,847	23,380
Gross profit	1,64,199	1,89,512	1,80,916	2,09,705	2,22,535
Employee cost	9,778	10,644	10,980	12,735	13,525
Power & Fuel	60,807	63,452	57,403	57,425	58,547
Freight Expense	37,836	41,505	45,059	52,588	56,297
Other expenses	26,814	28,743	28,449	32,996	35,043
EBITDA	29,595	45,167	39,025	53,961	59,124
EBITDA Margin	16.6%	22.0%	19.5%	23.3%	24.0%
Depreciation	16,607	18,973	30,944	33,575	35,658
EBIT	12,988	26,194	8,081	20,386	23,466
Other Income	4,591	5,981	5,144	6,331	7,122
Interest expense	2,629	2,583	2,167	1,827	1,657
PBT	14,950	29,592	11,058	24,890	28,931
Tax	2,259	5,630	2,101	4,978	5,786
Minority interest	(16)	5	(16)	(16)	(16)
PAT	12,707	23,957	8,972	19,928	23,160
Diluted EPS (INR)	352	664	249	552	642

Exhibit 3: Cash Flow Statement

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
CFFO	25,687	33,475	40,941	47,305	51,853
CFFI	(24,145)	(14,185)	(31,422)	(35,670)	(36,223)
CFFF	(2,767)	(17,101)	(10,930)	(8,971)	(12,587)
Net Inc/Dec	(1,225)	2,190	(1,412)	2,664	3,042
Opening Balance	1,277	144	2,339	933	3,603
Closing Balance	144	2,339	933	3,603	6,651

Exhibit 4: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	16.6%	22.0%	19.5%	23.3%	24.0%
Tax rate (%)	15.1%	19.0%	19.0%	20.0%	20.0%
Net Profit Margin (%)	7.1%	11.7%	4.5%	8.6%	9.4%
RoE (%)	6.8%	11.5%	4.2%	8.9%	9.7%
RoCE (%)	6.1%	11.8%	3.6%	8.7%	9.5%
EPS (INR)	352	664	249	552	642

Source: Company, DevenChoksey Research

Exhibit 2: Balance Sheet

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Equity Capital	361	361	361	361	361
Other Equity	1,86,003	2,06,668	2,10,878	2,23,662	2,37,892
Non-controlling interest	406	411	411	411	411
Total Equity	1,86,770	2,07,440	2,11,650	2,24,434	2,38,664
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	4,069	4,232
Total Non-Current Liabilities	23,030	11,693	11,630	11,994	12,158
Current Liabilities					
Borrowings	5,808	7,131	3,131	3,131	1,131
Trade Paybles	11,960	12,142	13,127	15,225	16,170
Other Financial Liabilities	18,586	16,835	16,835	16,835	16,835
Other current liabilities	17,186	24,293	15,087	17,499	18,584
Total Current Liabilities	53,540	60,401	48,180	52,690	52,720
Total Liabilities	2,63,339	2,79,535	2,71,460	2,89,117	3,03,541
Non-Current Assets					
Property Plants and Equipments	67,937	88,350	95,337	1,02,978	1,11,093
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	25,334	25,070
Total Non-Current Assets	1,73,660	1,57,413	1,62,971	1,71,761	1,79,613
Current Assets	1,73,660	1,57,413	1,62,971	1,71,761	1,79,613
Inventories	27,597	35,551	26,254	29,182	30,992
Trade Receivables	12,116	12,865	10,392	11,419	12,127
Cash and Bank	462	2,624	1,227	3,907	6,955
Other Balances with Bank	1,148	1,595	1,595	1,595	1,595
Oher current assets	48,358	69,488	69,021	71,254	72,260
Total Current Assets	89,679	1,22,122	1,08,488	1,17,356	1,23,929
Total Assets	2,63,339	2,79,535	2,71,460	2,89,117	3,03,541

Shree Cement Ltd.

Shree Cement Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
01-Feb-25	27,796	30,619	ACCUMULATE	Buy	More than 15%
11-Nov-24	24,418	25,635	ACCUMULATE	Accumulate	5% – 15%
09-Aug-24	24,143	26,083	ACCUMULATE	Hold	0 – 5%
17-May-24	25,669	30,662	BUY	Reduce	-5% – 0
02-Feb-24	28,454	30,686	ACCUMULATE	Sell	Less than – 5%

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