

Results Below Expectations; Retain HOLD

Est. Vs. Actual for Q2FY25: Revenue – **MISS**; EBITDA Margin – **MISS**; PAT – **MISS**
Change in Estimates post Q2FY25 (Abs.)

FY25E/FY26E: Revenue: -4%/-3%; EBITDA: -1%/-1%; PAT: -16%/-12%

Recommendation Rationale

- **Capacity expansion progressing well:** The work on the capacity expansion program already announced by the company is running as per the schedule. We believe these are positive moves and will allow the company to catch up with its larger peers and strengthen its footprint. We estimate Shree Cement to post volume growth of 10% CAGR over FY23-FY26E.
- **Lower realization & higher depreciation impacted profitability:** During the quarter, blended realization dipped by 12% and 2% YoY/QoQ to Rs 4,904/tonne. Higher depreciation impacted profitability and was lower by 65% against our estimates.
- **Robust Cement Demand:** We expect cement demand to remain robust, with the industry projected to grow at a CAGR of 7%-8% over FY23-FY26. This growth will be driven by infrastructure and housing spending, and supported by strong real estate demand. Further consolidation in the industry is expected to benefit large players such as Shree Cement, offering advantages in pricing, supply chain efficiency, and incremental demand over the long term.

Sector Outlook: Positive

Company Outlook & Guidance: Intense and prolonged monsoon conditions during Q2FY25 have impacted construction activities across sectors, leading to subdued cement demand. In H2FY25, an uptick in demand is expected due to the release of budgetary allocations and on-ground execution of infrastructure projects. Furthermore, higher rural demand is anticipated on the back of a good Kharif crop and improved farm prices. Spending under additional houses in the PMAY scheme (rural and urban) and an increase in industrial and commercial Capex are also expected to drive cement demand in the near future. Current cement prices are better than Q2FY25 prices.

Current Valuation: 18x FY26EV/EBITDA (Earlier Valuation: 18x FY26 EV/EBITDA)

Current TP: Rs 25,560/share (Earlier TP: Rs 25,610/share)

Recommendation: We maintain our **HOLD** rating on the company

Alternative BUY Ideas from our Sector Coverage: UltraTech Cement Ltd (TP-12,000/share), JK Cements Ltd (TP-4,815/share), Dalmia Bharat (TP-2,040/share), JK Lakshmi Cement Ltd (TP-900/share), Ambuja Cements Ltd(TP: Rs 675/share)

Financial Performance

SCL numbers were below our expectations. Volume/Revenue/EBITDA/PAT de-grew by 7%/19%/32%/81% owing to lower realization, volume de-growth, and higher depreciation during the quarter. The company reported a profit of Rs 93 Cr against Rs 491 Cr in Q2FY24. The company recorded an EBITDA margin of 15.9% (expectation of 16.4%) against 19% YoY, led by lower blended realization. The quarter's volume stood at 7.6 Mn tonnes per annum (mntpa), down 7% YoY. SCL's EBITDA/tonne stood at Rs 780, down 27% YoY. The company reported blended realization/tonne of Rs 5,904 against Rs 5,591, down 12%/2% on a YoY/QoQ basis. The company's cost/tonne declined by 9% YoY to Rs 4,124. During the quarter, depreciation cost increased by 102% owing to new plant commissioning and a policy of accelerated depreciation.

Key Financials (Standalone)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	3,727	-23	-19	4,109	-9%
EBITDA	593	-35	-32	673	-12%
EBITDA Margin	15.9%	(310bps)	(310bps)	16.4%	(50bps)
Net Profit	93	-71	-81	265	-65%
EPS (Rs)	26	-71	-81	73	-65%

Source: Company, Axis Securities

(CMP as of 11th November 2024)

CMP (Rs)	24,418
Upside/Downside (%)	5
High/Low (Rs)	30,738/23,700
Market Cap (Cr)	88,035
Avg. daily vol. (6M) Shrs.	50090
No. of shares (Cr)	3.61

Shareholding (%)

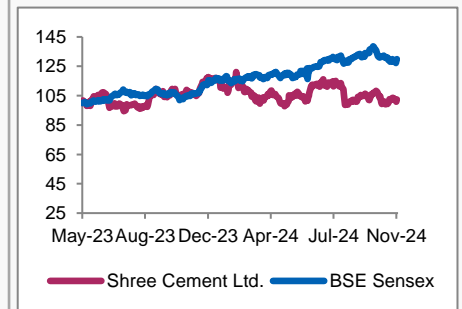
	Mar-24	Jun-24	Sep-24
Promoter	62.6	62.6	62.6
FIIs	12.5	12.2	10.4
MFs / UTI	7.6	7.7	9.2
Banks / FIIs	0.0	0.0	0.0
Others	17.4	17.5	17.8

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	19,586	18,838	21,602
EBITDA	4,364	3,717	4,657
Net Profit	2,610	1,257	1,697
EPS (Rs)	723	349	471
PER (x)	34	70	52
P/BV (x)	4.3	4.1	3.8
EV/EBITDA (x)	18	21	17
ROE (%)	13	6	8

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	-4%	-3%
EBITDA	-1%	-1%
PAT	-16%	-12%

Relative Performance


Source: Ace Equity

Uttam K Simal

Sr Research Analyst
 email: uttamkumar.simal@axissecurities.in

Shikha Doshi

Research Analyst
 email: shikha.doshi@axissecurities.in

Outlook

- Cement demand is expected to remain robust due to higher government spending on housing and infrastructure. The company's new capacity expansion plan is on track, and it is strongly positioned in its key markets of North and East India. Pricing remains a key monitorable.

Valuation & Recommendation

- The stock is currently trading at 21x/17x EV/EBITDA of FY25E/FY26E. We maintain our HOLD rating on the stock with a TP of Rs 25,560/share, implying an upside of 5% from the CMP.

Key Concall Highlights

Capacity Expansion: The existing and new capacity details are as under:

- The integrated cement plant in the Guntur district of Andhra Pradesh, with a clinker capacity of 1.5 MTPA and a cement capacity of 3.0 MTPA, commenced commercial operations in Apr'24 and is expected to support volume growth moving forward.
- Additionally, there is a clinker capacity of 3.65 Mn tonnes and a cement capacity of 6.0 Mn tonnes at Pali (Rajasthan) and Etah (Uttar Pradesh). Another clinker capacity of 3.65 Mn tonnes and cement capacity of 6.0 Mn tonnes at Kodla and Bangalore are progressing well.
- The company is also increasing the capacity of its Baloda Bazar unit by an additional 3.4 MTPA at a capital cost of Rs 550 Cr (implying Rs 19/tonne), with commissioning expected by Q2FY26. Furthermore, a new grinding capacity of 3 MTPA is being set up at Ras, Rajasthan, at a capital cost of Rs 600 Cr. With these expansions, the company's total grinding capacity will increase to 75 MTPA.
- The company aims to expand its total cement manufacturing capacity to 80 MTPA by 2028, positioning itself as a pan-India player.

Volume: The company aims to grow in tandem with the industry. During the quarter, it reported a 7% volume de-growth. Premium products accounted for 15% of total trade cement sales in Q2FY25, up from 7.6% in Q1FY25, and the company intends to stabilize at this level. Capacity utilization during the quarter was 58%. The regional sales mix was 58% North, 31% East, and 11% South. The trade and non-trade mix was 65% and 35%, respectively, during the quarter. Blended cement sales comprised 70% of total sales.

Pricing: On a sequential basis, the blended realization was down 12% and 2% YoY/QoQ at Rs 4,904. The company declined to comment on cement prices but maintained that prices are dynamic and will adjust according to market conditions. Cement realization stood at Rs 4,447/tonne, which was flat QoQ. Current prices are marginally better than those seen in Q2FY25.

Power/Fuel: The current cost on a Kcal basis is Rs 1.56, down from Rs 1.76, and is expected to remain stable in the upcoming quarter. On a per-tonne basis, power/fuel costs reduced by 21% YoY and 10% QoQ, standing at Rs 1,317/tonne. The fuel mix comprised 88% pet coke, with the balance made up of alternative fuels.

Green Power: The company's share of green electricity in total electricity consumption stood at 54.8% in Q2FY25, one of the highest in the Indian cement industry. The company is committed to further enhancing this proportion, aligning with its goal of achieving 100% renewable energy (RE) by 2050.

Freight: The lead distance during the quarter was 433 km, slightly down from 438 km in Q1FY24. On a per-tonne basis, freight costs increased by 1% to Rs 1,173/tonne. The company plans to reduce lead distances further and is working to establish railway connectivity for most of its plants in the coming years. It aims to transport 25% of total production via rail within the next 2-3 years, which will help drive savings in logistics costs. The current rail/road mix stood at 12:88.

RMC Foray: The company plans to set up approximately 100 Bangur Concrete plants over the next three years, operating in around 50 cities. This will generate around 3,000 direct and indirect employment opportunities.

Capex: The total Capex planned till FY27 is Rs 12,500 Cr, with Rs 4,500 Cr allocated for each of FY25 and FY26. The company plans to meet this Capex requirement through internal accruals.

Key Risks to Our Estimates and TP

- Lower realization and demand in its key market and delay in capacity expansion
- Higher input costs may impact margins

Change in Estimates

	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	18,838	21,602	19,636	22,368	-4%	-3%
EBITDA	3,717	4,657	3,752	4,698	-1%	-1%
PAT	1,257	1,697	1,493	1,920	-16%	-12%

Source: Company, Axis Securities Research

Result Review Q2FY25

(Rs Cr)	Quarterly Performance				
	Q2FY25	Q1FY25	Q2FY24	% Chg QoQ	% Chg YoY
Net sales	3727	4835	4,585	-23%	-19%
Expenditure	3134	3918	3,715	-20%	-16%
EBITDA	593	916	870	-35%	-32%
Other income	178	135	126	32%	41%
Interest	57	57	68	-1%	-17%
Depreciation	669	643	331	4%	102%
PBT	45	351	597	-87%	-92%
Tax	-48	33	105	-246%	-146%
PAT	93	318	491	-71%	-81%
EBITDA margin (%)	15.9%	19.0%	19.0%	(310bps)	(310bps)
EPS (Rs)	26	88	136	-71%	-81%

Source: Company, Axis Securities Research

Volume/Realization/Cost Analyses

(Rs Cr)	Quarterly Performance				
	Q2FY25	Q1FY25	Q2FY24	% Chg QoQ	% Chg YoY
Volume/mt	7.60	9.64	8.20	-21%	-7.3%
Realisation/tonne (Rs)	4904	5015	5,591	-2%	-12%
Cost/tonne (Rs)	4124	4065	4,530	1%	-9%
Raw material/tonne (Rs)	539	422	556	28%	-3%
Staff Cost/tonne (Rs)	328	254	284	29%	15%
Power & Fuel/tonne (Rs)	1317	1458	1,670	-10%	-21%
Freight/tonne (Rs)	1173	1157	1,160	1%	1%
Other Expenses /tonne (Rs)	766	775	860	-1%	-11%
EBITDA/tonne (Rs)	780	951	1,061	-18%	-27%

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E
Net sales	19586	18838	21602
Other operating income	0	0	0
Total income	19586	18838	21602
Raw Material	1832	1697	1900
Power & Fuel	5581	5088	5698
Freight & Forwarding	4032	4395	4923
Employee benefit expenses	938	992	1091
Other Expenses	2840	2949	3332
EBITDA	4364	3717	4657
Other income	561	592	562
PBIDT	4925	4309	5219
Depreciation	1615	2651	2823
Interest & Fin Chg.	264	251	221
E/o income / (Expense)	0	0	0
Pre-tax profit	3046	1407	2175
Tax provision	436	150	479
RPAT	2610	1257	1697
Minority Interests	0	0	0
Associates	0	0	0
APAT after EO item	2610	1257	1697

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25E	FY26E
Total assets	27419	28408	30013
Net Block	8208	9512	10794
CWIP	1833	1833	1833
Investments	10675	10375	10125
Wkg. cap. (excl cash)	3012	2928	3304
Cash / Bank balance	297	390	463
Misc. Assets	3394	3370	3494
Capital employed	27419	28408	30013
Equity capital	36	36	36
Reserves	20348	21389	22870
Minority Interests	0	0	0
Borrowings	2534	2534	2534
DefTax Liabilities	0	0	0
Other Liabilities and Provision	4500	4449	4573

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25E	FY26E
Profit before tax	3046	1407	2175
Depreciation	1615	2651	2823
Interest Expenses	264	251	221
Non-operating/ EO item	-561	-592	-562
Change in W/C	-624	84	-375
Income Tax	440	150	479
Operating Cash Flow	3300	3651	3804
Capital Expenditure	-2757	-3956	-4104
Investments	1474	300	250
Others	158	592	562
Investing Cash Flow	-1350	-3064	-3293
Borrowings	-1895	0	0
Interest Expenses	-219	-251	-221
Dividend paid	-379	-216	-216
Financing Cash Flow	-2492	-467	-438
Change in Cash	160	120	73
Opening Cash	-25	135	255
Closing Cash	135	255	328

Source: Company, Axis Securities Research

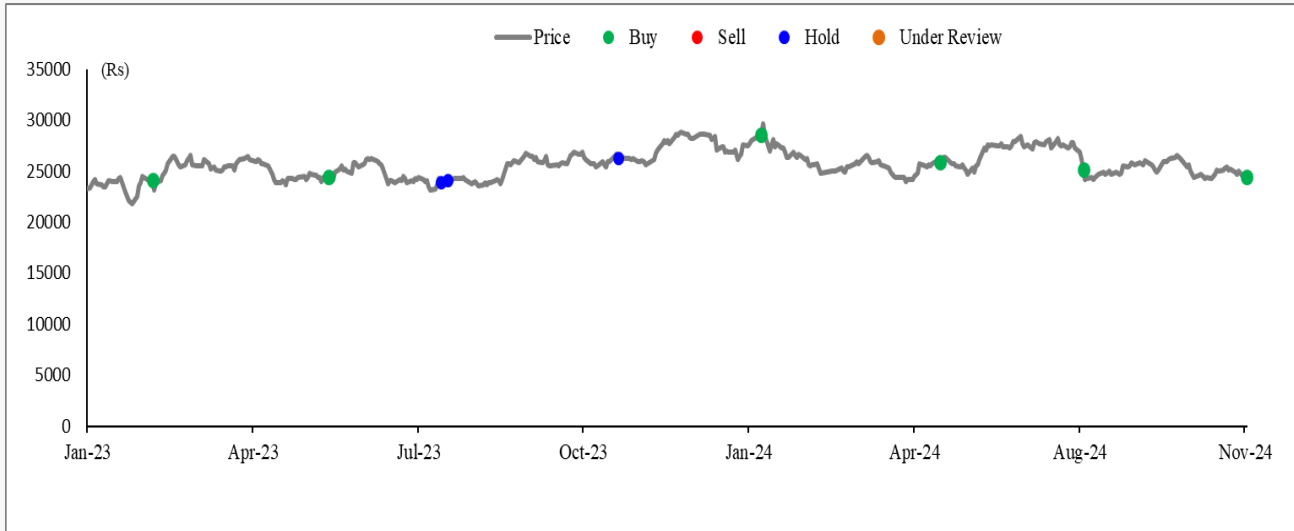
Ratio Analysis

(%)

Y/E March	FY24	FY25E	FY26E
Operational Ratios			
Sales growth	16%	-4%	15%
OPM	22.3%	19.7%	21.6%
Op. profit growth	48%	-15%	25%
COGS / Net sales	58%	59%	58%
Overheads/Net sales	19%	21%	20%
Depreciation / G. block	9.2%	12.3%	11.0%
Efficiency Ratios			
Total Asset Turnover (x)	1.1	0.9	0.8
Sales/Gross block (x)	1.1	0.9	0.8
Sales/Net block(x)	2.6	2.1	2.1
Working capital/Sales (x)	0.2	0.2	0.2
Valuation Ratios			
PE	34	70	52
P/BV (x)	4.3	4.1	3.8
EV/Ebitda (x)	18.2	21.4	17.1
EV/Sales (x)	4.0	4.2	3.7
Return Ratios			
ROE	13.5	6.0	7.7
ROCE	16.3	7.6	10.3
ROIC	33.9	14.3	18.4
Leverage Ratios			
Debt/equity (x)	0.1	0.1	0.1
Net debt/ Equity (x)	-0.4	-0.4	-0.4
Debt service coverage ratio (x)	1.9	0.9	1.4
Interest Coverage ratio (x)	12.5	6.6	10.8
Cash Flow Ratios			
OCF/Sales	19%	20%	20%
OCF/Ebitda	76%	98%	82%
OCF/Capital Employed (%)	16%	17%	16%
FCF/Sales (%)	3%	-2%	-1%
Payout ratio (Div/NP)	8	17	13
AEPS (Rs.)	723	349	471
AEPS Growth (%)	11%	11%	11%
CEPS (Rs.)	1171	1083	1255
DPS (Rs.)	110	60	60

Source: Company, Axis Securities Research

Shree Cement Price Chart and Recommendation History



Date	Reco	TP	Research
09-Feb-23	BUY	26,700	Company Update
22-May-23	BUY	26,700	Result Update
27-Jul-23	HOLD	25,380	Result Update
31-Jul-23	HOLD	25,380	AAA
08-Nov-23	HOLD	25,440	Result Update
01-Feb-24	BUY	31,470	Result Update
16-May-24	BUY	29,350	Result Update
08-Aug-24	BUY	25,610	Result Update
12-Nov-24	BUY	25,560	Result Update

Source: Axis Securities Research

Disclaimer

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited, is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE, MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Maneesh Mathew, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and 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 Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith 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. Axis Securities 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. Axis Securities 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. Axis Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any 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 managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis Securities or its associates 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 Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a

proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

RATING SCALE: Definitions of ratings

Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.