

Shree Cement

Results marginally lower than estimates; Capex on track

Shree Cements (SRCM) reported results which were only marginally lower than our expectations. Volumes de-grew 7.3% YoY while realizations fell 2.2% QoQ and as a result, revenue declined by 19% YoY. EBITDA at Rs5.9bn was down 32% YoY and 5% below our estimates. Management highlighted that its strategy of value over volumes and increased premium cement sales (15% of trade sales) resulted in minimizing the fall in realizations. Company's capex plan is on track and is expected to be completed by 1QFY26 thereby inching closer to the long term vision of 80mn mt by FY28. We have rolled our valuation forward to Sep26 and revised TP now stands at Rs25,562 (earlier Rs26,300) based on 16x EV/EBITDA multiple.

2QFY25 result highlights

Shree cement reported results which were only marginally lower than our expectations. While volumes and realizations were lower than our expectations, lower costs helped mitigate further fall in EBITDA. Revenue at Rs37.3bn is down 19% YoY and 5% below our estimate. Volumes at 7.6mn mt are down 7% YoY and 3.5% below our estimate. Realizations at Rs4904 are down 2.2% QoQ. Operating costs at Rs4,124 declined 9% YoY driven by lower P&F and other expenses. EBITDA came in at Rs5.9bn, down 32% YoY and 5% below our estimate. EBITDA/mt came in at Rs780 vs Rs951 in previous quarter. PAT at Rs931mn is down 81% YoY and 71% QoQ..

Uptick in demand key for sustained price hikes; low cost inventory to flow in 1QFY26

Demand recovery post-elections and monsoon has been slower than anticipated, as reflected in management's recent commentary. Our channel checks further corroborate this trend, indicating that the demand pickup has been gradual, with multiple price hikes failing to gain traction. A meaningful recovery in demand in 2HFY25 remains a key monitorable, as it could drive both improved industry pricing and overall market sentiment. The average fuel cost for the quarter is Rs 1.71/kcal, down from Rs 2.05/kcal last year. Additionally, the company has secured a fuel supply contract at Rs 1.5/kcal, effective from 1QFY26, which is expected to boost profitability by reducing input costs.

Capex plans on track to be completed by 1QFY26

Ongoing capex includes Jaitaran, Rajasthan (6.0 MTPA), Kodla, Karnataka (3.00 MTPA), Baloda Bazar, Chhattisgarh (3.40 MTPA), and Etah, Uttar Pradesh (3.00 MTPA). The Company expects to commission all these projects by 1QFY26. Company's plan of adding 90MW green power is on track and is expected to be completed by the end of FY25

Valuation and outlook

We have rolled our valuation forward to Sep26 and continue to value SRCM based on 16x Sep26E EV/EBITDA to arrive at our TP of Rs25,562 (earlier Rs26,300). We are building in 8%/12% revenue/EBITDA CAGR for the company over FY24-27E. We maintain our ADD rating on the stock.

Financial and valuation summary

YE Mar (Rs mn)	2QFY25A	2QFY24A	YoY (%)	1QFY25A	QoQ (%)	FY25E	FY26E	FY27E
Revenues	37,270	45,846	(18.7)	48,347	(22.9)	1,87,508	2,17,617	2,47,312
EBITDA	5,925	8,701	(31.9)	9,164	(35.3)	36,519	50,512	60,596
EBITDA margin (%)	15.9	19.0	(16.2)	19.0	(16.1)	19.5	23.2	24.5
Adj. Net profit	931	4,913	(81.0)	3,177	(70.7)	12,643	21,071	27,230
Adj. EPS (Rs)	25.8	136.1	(81.0)	88.0	(70.7)	350.4	584.0	754.7
EPS growth (%)						(39.4)	66.7	29.2
PE (x)						69.7	41.8	32.4
EV/EBITDA (x)						23.0	16.6	13.7
PBV (x)						4.3	4.0	3.6
RoE (%)						6.2	9.8	11.7
RoCE (%)						6.5	9.8	11.6

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

Result Update

India I Cement

12 November, 2024

ADD

Price: Rs24,424
Target Price: Rs25,562
Forecast return: 5%

Institutional Research

Market Data

Bloomberg:	SRCM IN
52 week H/L:	30,738/23,700
Market cap:	Rs881.2bn
Shares Outstanding:	36.1mn
Free float:	73.1%
Avg. daily vol. 3mth:	35,701

Source: Bloomberg

Changes in the report

Rating:	Add; Unchanged
Target price:	-3% from Rs26,300 to Rs25,562
EBITDA:	FY25: -26%; FY26: -10%

Source: Centrum Broking

Shareholding pattern

	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	62.6	62.6	62.6	62.6
FIs	10.4	11.9	12.5	12.3
DIs	14.5	13.0	12.3	12.6
Public/other	12.6	12.6	12.7	12.6

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q2FY25	Actual Q2FY25	Variance (%)
Revenue	39,085	37,270	-4.6
EBITDA	6,220	5,925	-4.7
EBITDA margin	15.9	15.9	(2) bps
Adj. PAT	244	931	281.1
EPS (Rs)	6.8	25.8	281.1

Source: Bloomberg, Centrum Broking



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Cement

Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY25E New	FY25E Old	% chg	FY26E New	FY26E Old	% chg
Revenue	1,87,508	2,10,079	-10.7	2,17,617	2,36,923	-8.1
EBITDA	36,519	49,091	-25.6	50,512	55,957	-9.7
EBITDA margin %	19.5	23.4	(389) bps	23.2	23.6	(41) bps
Adj. PAT	12,643	21,695	-41.7	21,071	25,160	-16.3
Diluted EPS (Rs)	350.4	601.3	-41.7	584.0	697.3	-16.3

Source: Centrum Broking

Shree Cement versus NIFTY 50

	1m	6m	1 year
SRCM IN	0.4	(4.8)	(7.3)
NIFTY 50	(3.3)	9.5	24.3

Source: Bloomberg, NSE

Key assumptions

Y/E Mar (Rs/mn)	FY25E	FY26E
Capacity (mn mt)	65.4	71.8
Volumes (mn mt)	37.0	41.4
Realizations (Rs/mt)	4,689	4,876
Operating expense (Rs/mt)	4,085	4,037
EBITDA/mt (Rs/mt)	988	1,220
Capex (Rs mn)	-39,998	-39,998
Net Debt (Rs mn)	-12,709	-11,897

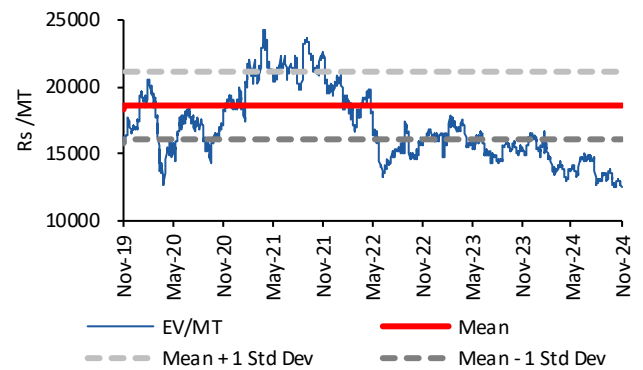
Source: Centrum Broking

Valuations

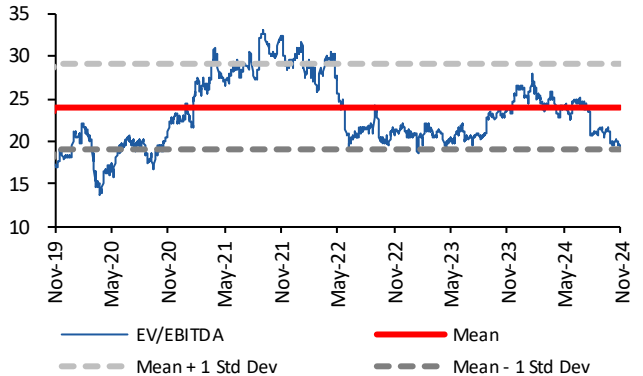
We have rolled our valuation forward to Sep26 and continue to value SRCM based on 16x Sep26E EV/EBITDA to arrive at our TP of Rs25,562 (earlier Rs26,300). We are building in 8%/12% revenue/EBITDA CAGR for the company over FY24-27E. We maintain our ADD rating on the stock.

Particulars	(Rs mn)
Sep26E EBITDA	55,554
Target multiple (x)	16.0
Enterprise value	8,88,867
Less: Net debt	(33,417)
Equity value	9,22,284
No of shares (mn)	36.1
Target Price (Rs)	25,562

EV/MT mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap		CAGR (FY24-26E)			EV/EBITDA (x)			EV/mt (US\$)			FY26E	
	(Rs bn)	Sales	EBITDA	EPS	FY24	FY25E	FY26E	FY24	FY25E	FY26E	RoE (%)	ROCE (%)	
ACC	427	4.6%	5.4%	-6.9%	12.5	13.8	11.2	118.3	113.1	106.7	10%	14%	
Ambuja Cement	1,379	12.1%	22.8%	14.7%	24.1	22.5	15.2	238.0	166.3	145.5	8%	10%	
Birla Corporation	88	1.3%	3.1%	4.0%	8.2	9.6	7.4	73.8	72.6	63.2	6%	8%	
Heidelberg Cement	51	1.4%	20.9%	30.6%	14.8	15.1	9.9	90.0	90.2	88.3	18%	21%	
Jk Cement	314	8.5%	12.5%	13.2%	18.0	22.2	14.5	196.0	182.7	146.7	17%	12%	
Jk Lakshmi Cement	87	2.8%	10.8%	8.9%	9.5	12.2	7.9	73.2	69.3	60.8	15%	12%	
Nuvoco Vistas	123	3.8%	5.0%	67.2%	10.1	11.1	8.3	78.9	76.5	71.6	5%	8%	
Sagar Cements	28	11.1%	36.7%	NA	16.3	18.6	9.2	48.0	46.0	45.4	3%	7%	
Shree Cements	881	5.4%	7.6%	0.5%	19.7	23.8	17.2	193.9	160.0	145.8	10%	17%	
Star Cements	79	18.5%	27.0%	26.6%	14.1	10.6	8.5	123.7	113.7	111.5	14%	19%	
The Ramco Cements	205	9.8%	12.5%	31.3%	16.3	14.7	12.8	143.0	144.7	130.0	9%	10%	
Ultratech Cements	3,232	9.3%	16.7%	20.8%	25.2	25.2	18.6	281.3	240.1	224.2	15%	16%	

Source: Company, Centrum Broking

Exhibit 1: 2QFY25 result summary

Y/E March (Rsmn)	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	YoY (%)
Net Sales	45,846	48,347	37,270	(18.7)	(22.9)	95,837	85,617	(10.7)
Expenditure								
Chg. in stock	(289)	(349)	171	(159.1)	(149.1)	200	(178)	NA
RM consumption	3,216	3,723	3,400	5.7	(8.7)	6,830	7,122	4.3
Purchase of traded goods	1,630	691	528	-	-	3,287	1,220	0.0
Employee costs	2,332	2,446	2,495	7.0	2.0	4,681	4,942	5.6
Freight Costs	9,508	11,151	8,918	(6.2)	(20.0)	20,138	20,069	(0.3)
Power and fuel	13,696	14,052	10,012	(26.9)	(28.7)	28,936	24,064	(16.8)
Other exp	7,053	7,469	5,820	(17.5)	(22.1)	13,740	13,289	(3.3)
Total Operating Expenses	37,146	39,183	31,345	(15.6)	(20.0)	77,811	70,528	(9.4)
EBITDA	8,701	9,164	5,925	(31.9)	(35.3)	18,026	15,089	(16.3)
EBITDA Margin (%)	19.0%	19.0%	15.9%	(308)bps	(306)bps	18.8%	17.6%	-119bps
Other Income	1,261	1,346	1,776	40.8	31.9	2,878	3,122	8.5
Finance Costs	681	573	567	(16.8)	(1.0)	1,435	1,140	(20.5)
Depreciation	3,315	6,428	6,687	101.7	4.0	6,400	13,115	104.9
PBT	5,965	3,508	448	(92.5)	(87.2)	13,070	3,956	(69.7)
Tax	1,052	331	-484	(146.0)	(246.0)	2,346	(152)	(106.5)
Exceptional Items	-	-	-	-	-	-	-	-
Reported PAT	4,913	3,177	931	(81.0)	(70.7)	10,725	4,108	(61.7)
Adjusted PAT	4,913	3,177	931	(81.0)	(70.7)	10,725	4,108	(61.7)
NPM(%)	10.7%	6.6%	2.5%	(822)bps	(407)bps	11.2%	4.8%	-639bps
EPS (Rs.)	136.1	88.0	25.8	(81.0)	(70.7)	297	114	(61.7)

Source: Centrum Broking, Company Data

Exhibit 2: Operational data

Operational Data	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	YoY (%)
Volume (mn mt)	8.2	9.6	7.6	(7.3)	(21.2)	17.1	17.2	0.7
Cement Realisation (Rs/mt)	5,591	5,015	4,904	(12.3)	(2.2)	5,598	4,966	(11.3)
Operating Costs (Rs/mt)	4,530	4,065	4,124	(9.0)	1.5	4,545	4,091	(10.0)
EBITDA (Rs/mt)	1,061	951	780	(26.5)	(18.0)	1,053	875	(16.9)

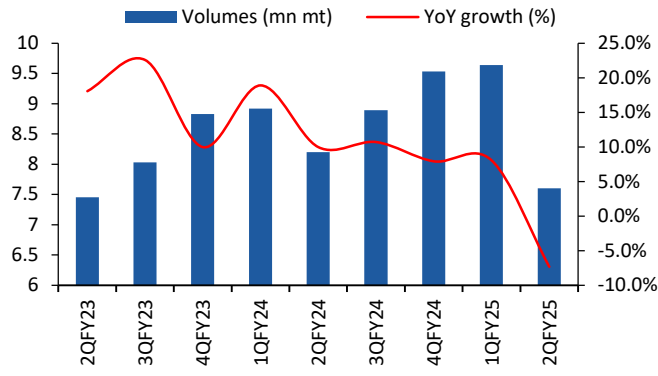
Source: Centrum Broking, Company Data

Exhibit 3: Trend in operating cost per tonne

Costs/mt (Rs)	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	YoY (%)	QoQ (%)
RM consumption	496	352	488	646	556	494	379	422	539	(3.0)	27.9
Employee cost	281	271	250	263	284	264	247	254	328	15.5	29.4
Freight Cost	1,148	1,174	1,167	1,192	1,160	1,095	1,097	1,157	1,173	1.2	1.4
Power and fuel	1,646	1,622	1,781	1,708	1,670	1,393	1,520	1,458	1,317	(21.1)	(9.6)
Other exp	799	765	721	750	860	880	717	775	766	(11.0)	(1.2)
Op exp /mt	4,369	4,185	4,408	4,559	4,530	4,125	3,960	4,065	4,124	(9.0)	1.5
EBITDA/mt	701	882	1,011	1,045	1,061	1,388	1,393	951	780	(26.5)	(18.0)

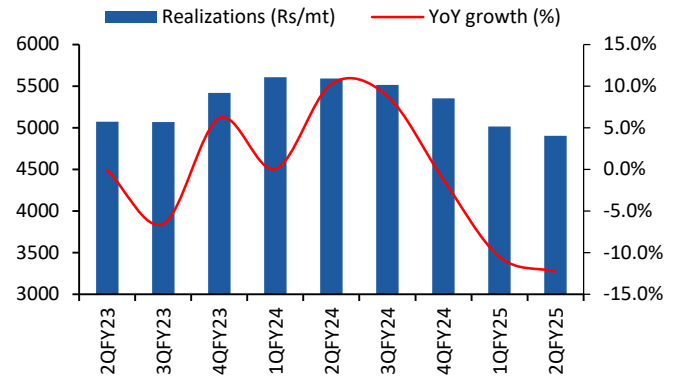
Source: Centrum Broking, Company Data

Exhibit 4: 7.3% YoY volume de-growth



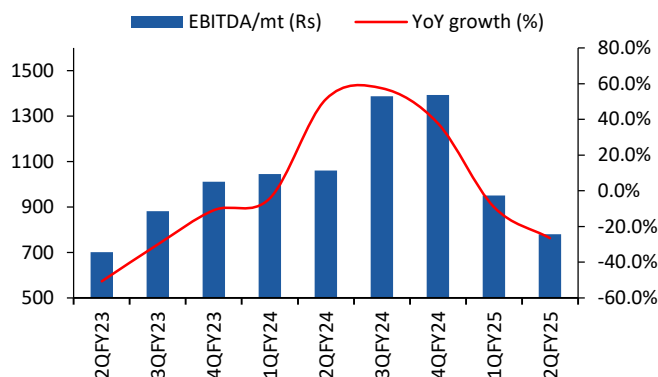
Source: Centrum Broking, Company Data

Exhibit 5: Blended realizations down 2.2% QoQ



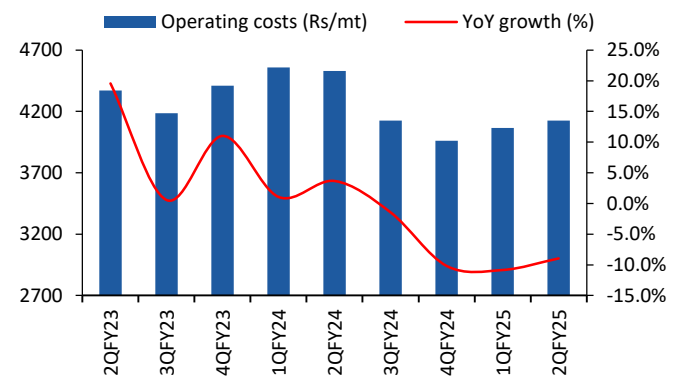
Source: Centrum Broking, Company Data

Exhibit 6: EBITDA/mt at Rs780



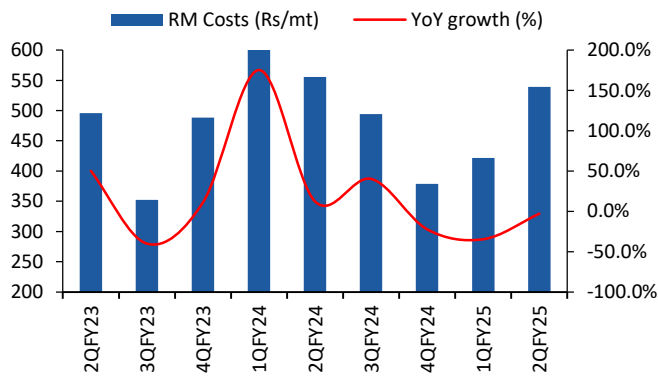
Source: Centrum Broking, Company Data

Exhibit 7: Operating costs down 9% QoQ basis



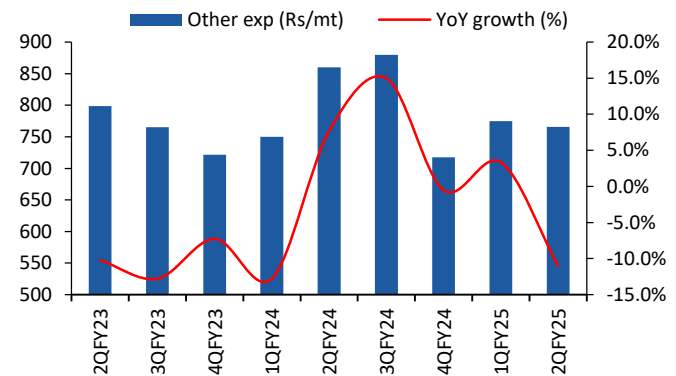
Source: Centrum Broking, Company Data

Exhibit 8: RM costs flat YoY



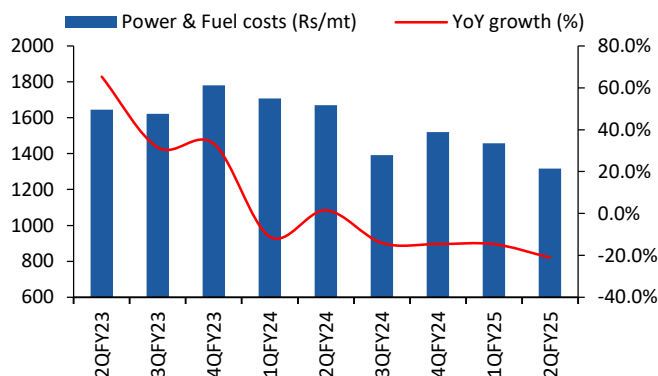
Source: Centrum Broking, Company Data

Exhibit 9: Other expenses down 11% YoY



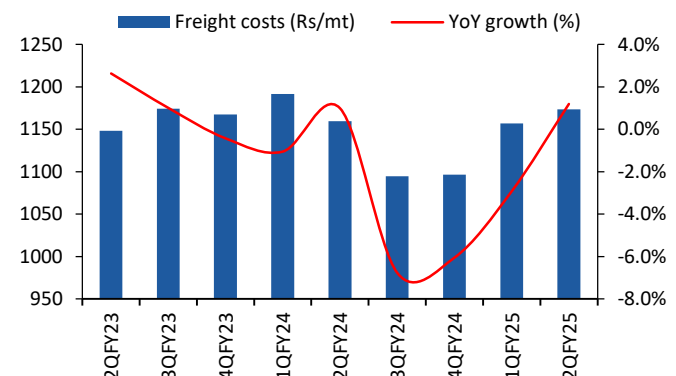
Source: Centrum Broking, Company Data

Exhibit 10: Power & fuel costs down 21% YoY



Source: Centrum Broking, Company Data

Exhibit 11: Freight costs flat YoY



Source: Centrum Broking, Company Data

2QFY25 conference call highlights

Company focused on its strategy of value over volumes and increased premium cement sales (15% of trade sales) which resulted in minimizing the fall in realisations.

Volumes- Company sold 0.3mn mt clinker vs 0.4mn mt in 1QFY25. Regional sales mix: north- 58%, East- 31%, 11%- South. Company expects uptick in the demand in 2HFY25. Region wise volumes de-growth: North- 6%, East- 8%, South- 10%

Pricing- Cement realisations at Rs4,447/mt in 2Q vs Rs4,464 in 1Q. Overall prices are marginally better compared to 2Q average prices.

Costs- Average fuel cost for the quarter was Rs1.71/kcal vs Rs2.05 last year. Cost is expected to be decline to Rs1.6/kcal in 3Q. Company secured fuel at Rs1.5/kcal which should come into effect in 1QFY26. Pet coke mix for the quarter was 88%.

Capex- Ongoing capex is expected to be completed by 1QFY26 for both, cement and clinker units. Capex is expected to be Rs40bn every year for the next 4 years.

Other- Lead distance- 433kms vs 453 kms last quarter, blended cement- 70%, road/rail mix- 88%/12%, trade sales- 74%, capacity utilization- 56%.

Exhibit 12: Key changes to our estimates and assumption

YE Mar (Rs mn)	FY25E	FY25E	% chg	FY26E	FY26E	% chg
	New	Old		New	Old	
Revenue	1,87,508	2,10,079	-10.7	2,17,617	2,36,923	-8.1
EBITDA	36,519	49,091	-25.6	50,512	55,957	-9.7
EBITDA margin	19.5	23.4	(389) bps	23.2	23.6	(41) bps
Adj. PAT	12,643	21,695	-41.7	21,071	25,160	-16.3
Diluted EPS (Rs)	350.4	601.3	-41.7	584.0	697.3	-16.3

YE Mar	FY25E	FY25E	% chg	FY26E	FY26E	% chg
	New	Old		New	Old	
Volumes (mn mt)	37.0	38.7	-4.6	41.4	43.4	-4.6
Realization (Rs/mt)	4,689	4,943	-5.2	4,876	5,042	-3.3
Operating exp/mt	4,085	4,156	-1.7	4,037	4,171	-3.2
EBITDA/mt	988	1,267	-22.0	1,220	1,290	-5.4

Source: Centrum Broking, Company Data

Exhibit 13: Valuation summary

Particulars	(Rs mn)
Sep26E EBITDA	55,554
Target multiple (x)	16.0
Enterprise value	8,88,867
Less: Net debt	(33,417)
Equity value	9,22,284
No of shares (mn)	36.1
Target Price (Rs)	25,562

Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenues	1,68,375	1,95,855	1,87,508	2,17,617	2,47,312
Operating Expense	1,04,877	1,14,444	1,12,752	1,26,064	1,43,468
Employee cost	8,658	9,379	10,063	10,445	11,056
Others	25,417	28,396	28,174	30,596	32,192
EBITDA	29,423	43,636	36,519	50,512	60,596
Depreciation & Amortisation	15,462	18,039	21,763	24,170	26,201
EBIT	13,961	25,597	14,755	26,343	34,395
Interest expenses	2,689	1,927	2,378	2,310	2,130
Other income	4,315	5,288	5,183	5,234	5,555
PBT	15,586	28,958	17,560	29,266	37,820
Taxes	2,305	8,108	4,917	8,194	10,590
Effective tax rate (%)	14.8	28.0	28.0	28.0	28.0
PAT	13,281	20,850	12,643	21,071	27,230
Minority/Associates	0	0	0	0	0
Recurring PAT	13,281	20,850	12,643	21,071	27,230
Extraordinary items	0	0	0	0	0
Reported PAT	13,281	20,850	12,643	21,071	27,230

Ratios					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
Growth (%)					
Revenue	17.7	16.3	(4.3)	16.1	13.6
EBITDA	(19.3)	48.3	(16.3)	38.3	20.0
Adj. EPS	(44.1)	57.0	(39.4)	66.7	29.2
Margins (%)					
Gross	92.8	90.6	89.8	90.0	89.9
EBITDA	17.5	22.3	19.5	23.2	24.5
EBIT	8.3	13.1	7.9	12.1	13.9
Adjusted PAT	7.9	10.6	6.7	9.7	11.0
Returns (%)					
ROE	7.5	10.9	6.2	9.8	11.7
ROCE	8.0	10.7	6.5	9.8	11.6
ROIC	7.1	10.2	5.4	8.9	11.0
Turnover (days)					
Gross block turnover ratio (x)	1.1	1.0	0.8	0.8	0.8
Debtors	16	18	20	19	19
Inventory	692	507	508	466	454
Creditors	292	236	235	216	210
Net working capital	54	56	44	38	44
Solvency (x)					
Net debt-equity	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Interest coverage ratio	10.9	22.6	15.4	21.9	28.4
Net debt/EBITDA	(0.7)	(0.5)	(0.3)	(0.2)	(0.3)
Per share (Rs)					
Adjusted EPS	368.1	577.9	350.4	584.0	754.7
BVPS	5,068.9	5,526.7	5,737.2	6,161.2	6,735.9
CEPS	796.7	1,077.9	953.6	1,253.9	1,480.9
DPS	89.9	120.0	140.0	160.0	180.0
Dividend payout (%)	24.4	20.8	40.0	27.4	23.8
Valuation (x)					
P/E	66.3	42.3	69.7	41.8	32.4
P/BV	4.8	4.4	4.3	4.0	3.6
EV/EBITDA	28.3	19.0	23.0	16.6	13.7
Dividend yield (%)	0.4	0.5	0.6	0.7	0.7

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity share capital	361	361	361	361	361
Reserves & surplus	1,82,524	1,99,044	2,06,636	2,21,935	2,42,671
Shareholders fund	1,82,884	1,99,405	2,06,997	2,22,295	2,43,031
Minority Interest	0	0	0	0	0
Total debt	15,518	16,518	17,518	16,018	14,518
Non Current Liabilities	3,396	1,854	1,775	2,060	2,341
Def tax liab. (net)	0	0	0	0	0
Total liabilities	2,01,799	2,17,776	2,26,289	2,40,373	2,59,890
Gross block	1,50,755	1,98,972	2,43,987	2,74,002	3,19,017
Less: acc. Depreciation	(97,428)	(1,15,484)	(1,37,265)	(1,61,451)	(1,87,669)
Net block	53,327	83,488	1,06,723	1,12,551	1,31,348
Capital WIP	23,203	15,000	10,000	20,000	15,000
Net fixed assets	76,529	98,488	1,16,723	1,32,551	1,46,348
Non Current Assets	10,612	13,918	13,722	13,964	14,368
Investments	82,999	68,492	66,492	64,492	62,492
Inventories	24,226	26,690	26,475	29,301	32,739
Sundry debtors	9,061	10,732	10,274	11,924	13,551
Cash & Cash Equivalents	34,700	37,915	30,227	27,915	34,455
Loans & advances	138	126	134	144	154
Other current assets	13,237	15,985	17,677	21,377	24,027
Trade payables	11,287	12,365	12,265	13,574	15,167
Other current liab.	44,947	48,723	49,675	54,209	59,549
Provisions	155	167	182	197	215
Net current assets	24,973	30,193	22,667	22,680	29,996
Total assets	2,01,799	2,17,776	2,26,289	2,40,373	2,59,890

Cashflow					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Profit Before Tax	15,586	28,958	17,560	29,266	37,820
Depreciation & Amortisation	15,462	18,039	21,763	24,170	26,201
Net Interest	2,689	1,927	2,378	2,310	2,130
Net Change – WC	8,094	(2,017)	(176)	(2,342)	(793)
Direct taxes	(2,305)	(8,108)	(4,917)	(8,194)	(10,590)
Net cash from operations	39,526	38,799	36,608	45,210	54,769
Capital expenditure	(29,047)	(39,998)	(39,998)	(39,998)	(39,998)
Acquisitions, net	0	0	0	0	0
Investments	(1,046)	15,507	7,000	3,000	2,000
Others	(3,392)	(3,211)	299	(128)	(278)
Net cash from investing	(33,486)	(27,703)	(32,699)	(37,126)	(38,276)
FCF	10,479	(1,199)	(3,390)	5,212	14,771
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	(670)	1,000	1,000	(1,500)	(1,500)
Dividend paid	(3,245)	(4,330)	(5,051)	(5,773)	(6,494)
Interest paid	(2,689)	(1,927)	(2,378)	(2,310)	(2,130)
Others	574	(1,624)	(169)	186	173
Net cash from financing	(6,030)	(6,881)	(6,598)	(9,397)	(9,952)
Net change in Cash	10	4,215	(2,688)	(1,313)	6,541

Source: Company, Centrum Broking

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Shree Cement



Source: Bloomberg

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