

Shree Cement Ltd.

February 1, 2025 | CMP 27,975 | Target Price: INR 29,760

Excepted Share Price Return: 6.4% | Dividend Yield: 5.0% | Expected Total Return: 11.4%

HOLD

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✗

Company Info	
BB Code	SRCM IN EQUITY
Face Value (INR)	10.0
52 W High/Low (INR)	30,710//23,500
Mkt Cap (Bn)	INR 983 / \$11.3
Shares o/s (Mn)	36.1
3M Avg. Daily Volume	30,287

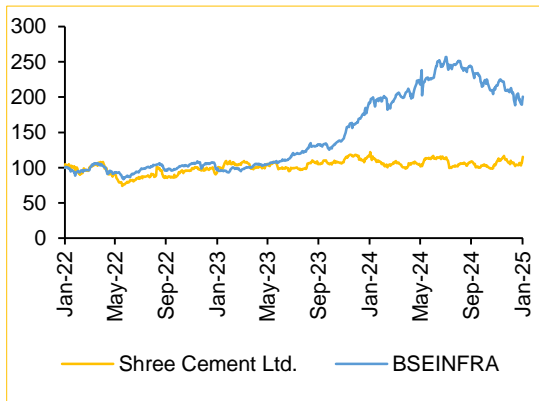
Change in CEBPL Estimates						
	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	191.6	190.3	0.7	213.3	218.1	(2.2)
EBITDA	45.3	44.3	2.2	60.1	59.2	1.4
EBITDAM %	23.6	23.3	31bps	28.2	27.2	97bps
PAT	16.1	15.9	1.2	27.1	25.9	4.4
EPS	447.7	442.6	1.2	748.5	716.7	3.9

Actual vs Consensus			
INR Bn	Q3FY25A	Consensus Est.	Dev. %
Revenue	42.4	44.4	(4.6)
EBITDA	9.5	8.7	9.3
EBITDAM %	22.3	19.5	284bps
PAT	2.3	2.5	(8.4)

Key Financials					
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	168.4	195.9	179.2	191.7	213.3
YoY (%)	17.7	16.3	(8.5)	6.9	11.3
EBITDA	29.4	43.6	39.2	45.2	60.1
EBITDAM %	17.4	22.3	21.8	23.6	28.2
Adj PAT	13.3	24.7	11.2	16.2	27.0
EPS	368.1	684.2	311.7	447.7	748.5
ROE %	7.3	12.1	5.2	7.0	10.5
ROCE %	9.5	15.9	7.9	10.2	14.9
PE(x)	74.0	39.8	87.4	60.9	36.4
EV/EBITDA	30.0	20.4	22.7	19.6	14.7

Shareholding Pattern (%)			
	Dec-24	Sep-24	Jun-24
Promoters	62.56	62.56	62.56
Fills	9.88	10.39	11.85
DlIs	14.78	14.22	12.78
Public	12.78	12.83	12.81

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Infra	100.7	102.5	4.1
Shree Cement Ltd.	15.2	18.0	(2.0)



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EBITDA beat, led by cost optimization

- Q3FY25 revenues at INR42,355 Mn, (vs CEBPL est. INR46,654 Mn), down 13.6% YoY and up 13.6% QoQ. Total volume for Q3 stood at 8.8mnt, (vs CEBPL est. 9.1mnt), down 1.5% YoY and up 15.4% QoQ.
- Net sales realisation for Q3FY25 stood at INR4,830/t, down 12.3% YoY and 1.5% QoQ.
- EBITDA for Q3FY25 was reported at INR9,466 Mn, (vs CEBPL est. INR9,051 Mn) down 23.3% YoY and up 59.8% QoQ. EBITDA/t for Q3 came at INR1,079/t, down 22.1% YoY and up 38.5% QoQ. EBITDA Margins for the quarter was 22.3% (vs CEBPL est. 19.4%), down 282bps YoY and up 645bps QoQ.
- PAT for Q3FY25 reported at INR2,294 Mn, (vs CEBPL est. INR2,413 Mn) down 68.8% YoY and up 146.5% QoQ. EPS for Q3FY25 is INR63.6.

Path to 80 MTPA capacity by FY28 from 52.9 MTPA in FY24 is already 66% done: SRCM ongoing expansion projects in Jaitaran, Rajasthan (6.0 MTPA), Kodla, Karnataka (3.00 MTPA), Baloda Bazar, Chhattisgarh (3.40 MTPA), and Etah, Uttar Pradesh (3.00 MTPA) are nearing completion and are expected to be commissioned in Q1FY26. Additionally, the company is focused on increasing its share of premium products. We expect SRCM's cement sales volume to come at 43.9 Mnt by FY27, driven by its capacity expansion plans and emphasis on premium offerings.

Focus on cost optimization to drive profitability: SRCM remains focused on reducing total cost/t. In Q3FY25, total cost stood at INR 3,750/t, marking a decline of 9.0% YoY and 9.1% QoQ. This reduction was primarily driven by lower fuel prices and the company's consistent efforts to expand its green power capacity. As of Q3FY25, green power capacity reached 522 MW, reflecting a 9% increase from 480 MW at the beginning of FY24-25. We anticipate further cost reductions, with an expected improvement in EBITDA/t by ~INR 300/t by FY28. Supported by these cost-saving initiatives, we project the Company's EBITDA/t to come at INR1,369/t by FY27.

View & Valuation: We revise our FY26/27 EPS estimates by 1.2%/4.4% and maintaining our rating to 'HOLD' with a revised TP of INR29,760, valuing it at 18x (unchanged) on FY27 EV/EBITDA. We anticipate cement demand to grow, driven by an expected rise in rural consumption supported by improved farm cash flows, sustained strong demand for urban housing, and increased government spending on infrastructure projects. These factors create a favorable outlook for the cement industry in the coming years.

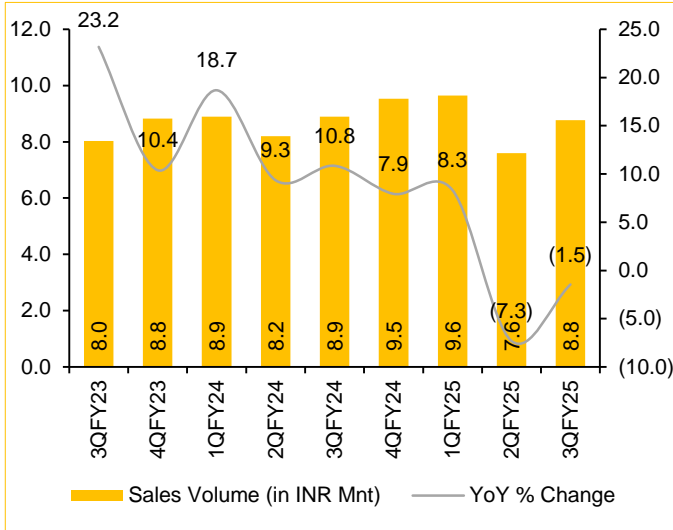
The management haven't host the conference call yet.

Shree Cements Ltd.	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Volumes	8.8	8.9	(1.5)	7.6	15.4
Revenues (INR mn)	42,355	49,008	(13.6)	37,270	13.6
COGS	5,404	4,393	23.0	4,100	31.8
Power and Fuel Cost	9,134	12,381	(26.2)	10,012	(8.8)
Freight Exp.	9,918	9,732	1.9	8,918	11.2
Employee Cost	2,371	2,347	1.0	2,495	(5.0)
Other Expenses	6,062	7,819	(22.5)	5,820	4.2
EBITDA (INR mn)	9,466	12,337	(23.3)	5,925	59.8
EBITDA Margins (%)	22.3	25.2	(282)bps	15.9	645 bps
Depreciation	7,496	3,466	116.3	6,687	12.1
EBIT (INR mn)	1,970	8,871	NA	(762)	NA
EBIT Margin (%)	4.7	18.1	NA	(2.0)	NA
Other Income	1,149	1,354	(15.2)	1,776	(35.3)
Interest	529	561	(5.8)	567	(6.8)
PBT	2,590	9,664	(73.2)	447	479.5
Tax	296	2,322	(87.3)	(484)	(161.2)
PAT (INR mn)	2,294	7,342	(68.8)	931	146.5
Basic EPS (INR)	63.6	203.5	(68.8)	25.8	146.5

Management - Highlights

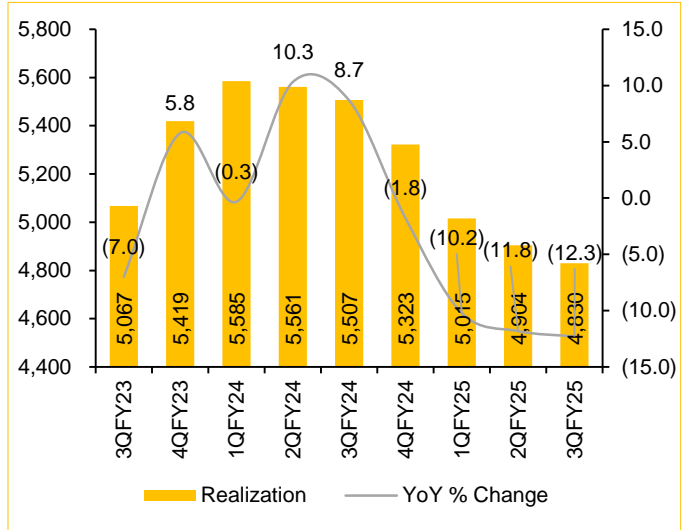
- The company's green electricity share in total power consumption reached 55.1% in Q3 FY25, making it one of the highest in the Indian cement industry. It continues to expand its green power generation capacity, which stood at 522 MW by the end of Q3 FY25, reflecting a 9% increase from 480 MW at the start of FY25.
- The company utilized 0.24 lakh tonnes of agro waste in its cement operations, conserving fossil fuel equivalent to 71 Bn kCal and reducing CO₂ emissions by 0.28 lakh tonnes. As part of this initiative, it procured 7,130/t of stubble during the quarter for its operations in the NCR region. Additionally, the company consumed 1.04 lakh tonnes of hazardous waste in Q3FY25, replacing fossil fuel-based heat by 50.4 Bn kCal.
- All of the company's manufacturing locations are Zero Liquid Discharge, ensuring that 100% of the wastewater generated is treated, recycled, and reused. With a favorable monsoon this year, the company plans to further enhance its water sustainability, aiming to exceed the water positivity level of over 7x achieved in FY23-24.
- During the quarter, the company launched its advanced, end-to-end solid waste feeding system for municipal solid waste at one of its locations, with plans to replicate this system at other plants. This initiative will help increase the proportion of alternative fuel consumption and improve the Total Substitute Rate (TSR) level.
- The Board of Directors declared an interim dividend of ₹50 per share (500%) for the year 2024-25.

Volume declined by 1.5% YoY basis



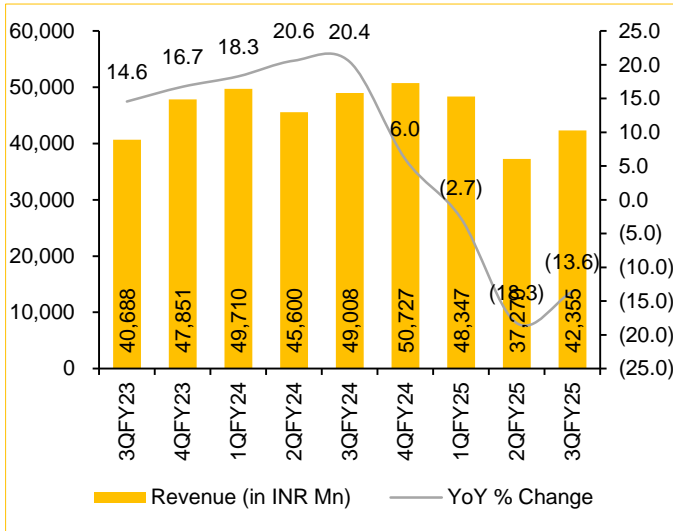
Source: Company, CEBPL

Realisation remained weak



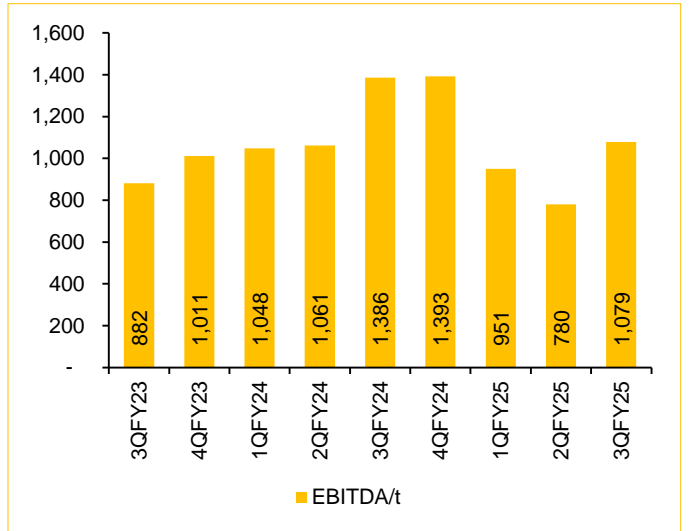
Source: Company, CEBPL

Lower revenue on YoY basis



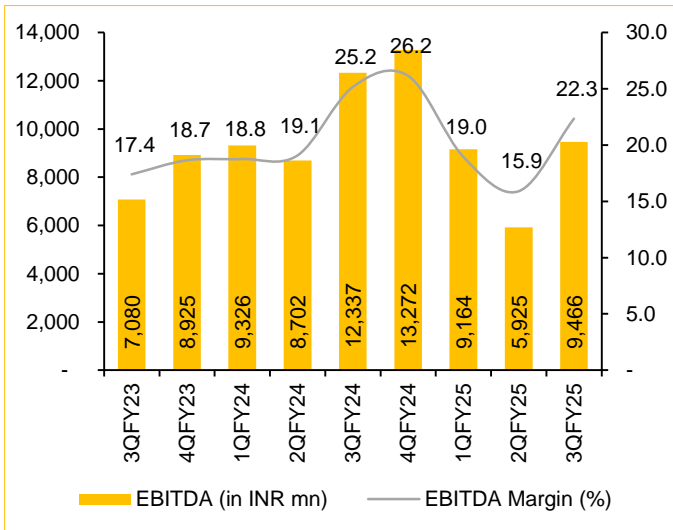
Source: Company, CEBPL

Cost reduction drove robust improvement in EBITDA/t



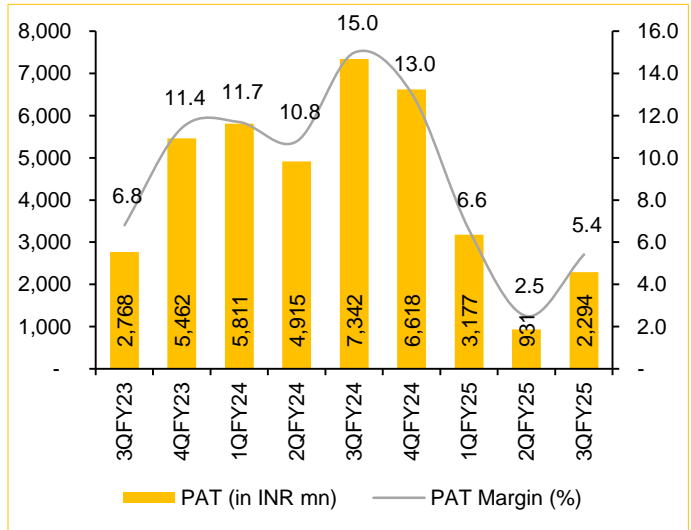
Source: Company, CEBPL

Least decline in EBITDA compared to peers on YoY



Source: Company, CEBPL

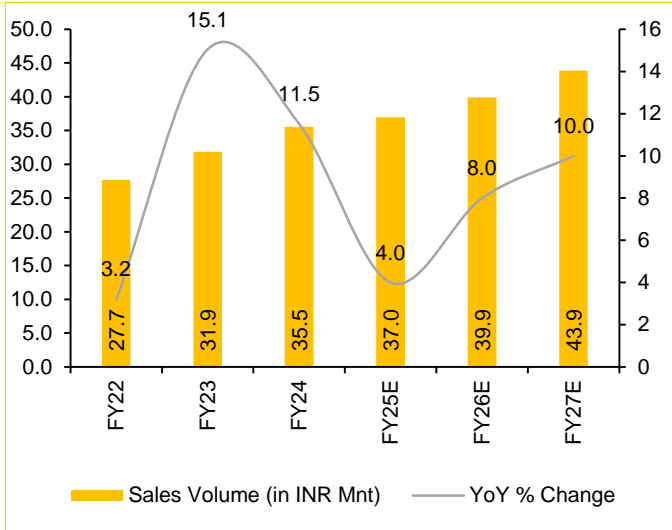
PAT Margins came at 5.4% in Q3FY25



Source: Company, CEBPL

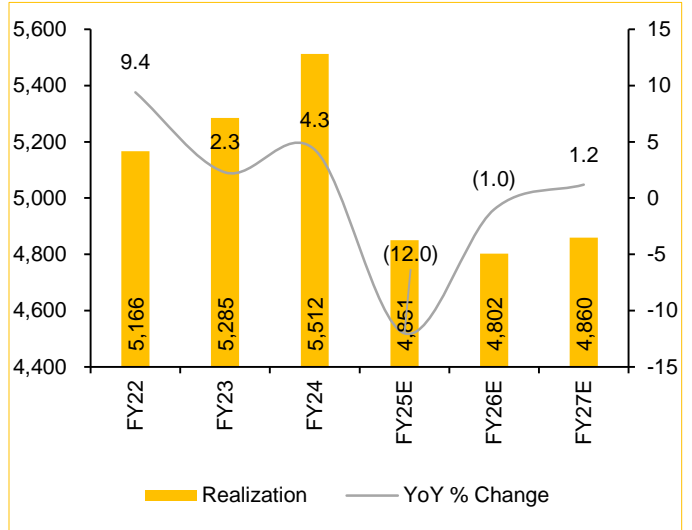
*All figures are in INR Million

Volume expected to come at 43.9 Mnt by FY27



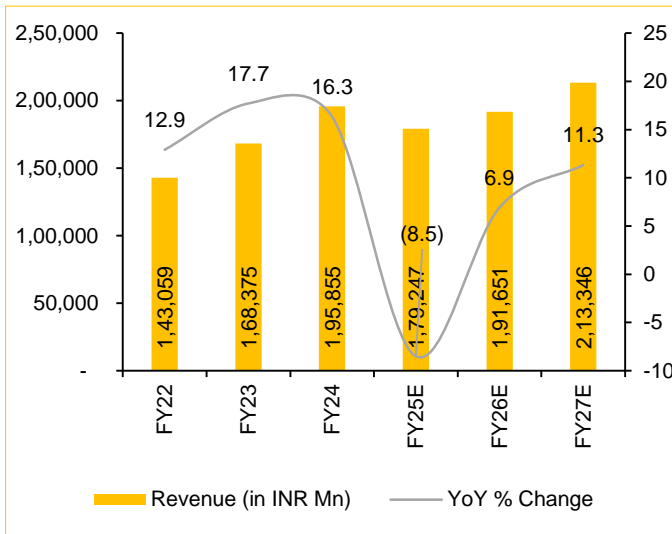
Source: Company, CEBPL

Realisation bottoms out, expected to grow



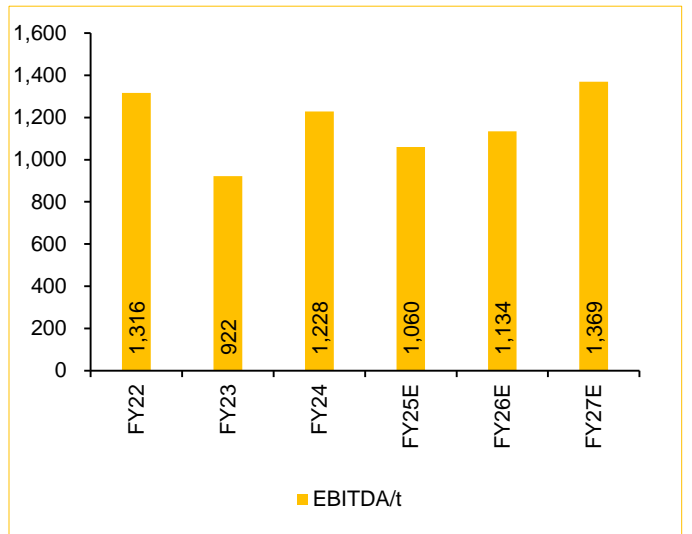
Source: Company, CEBPL

Revenue expected to improve with growing demand



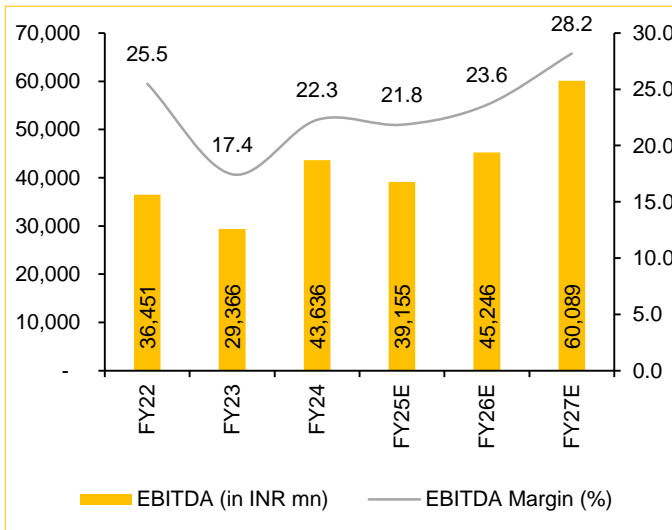
Source: Company, CEBPL

Cost reduction initiatives lead to increase in EBITDA/



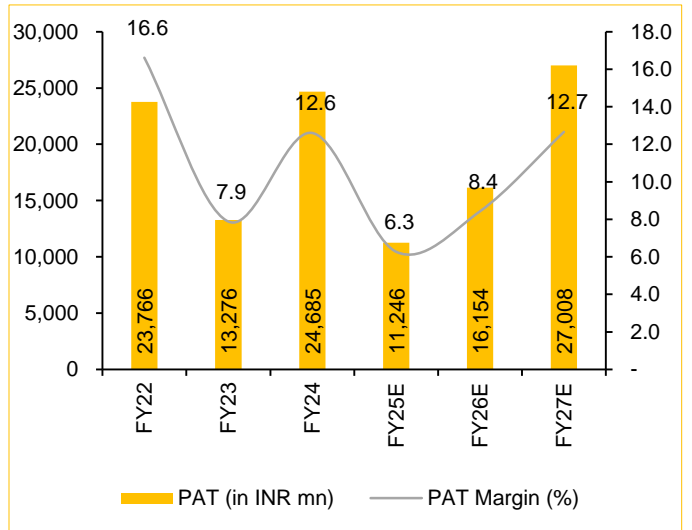
Source: Company, CEBPL

EBITDA Margin expected to reach to above 28% by FY27



Source: Company, CEBPL

PAT is expected to grow at a CAGR of 3.0% over FY24-27



Source: Company, CEBPL

*All figures are in INR Million

Income statement (Standalone in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,68,375	1,95,855	1,79,247	1,91,651	2,13,346
Gross profit	1,56,279	1,77,538	1,59,350	1,70,377	1,89,664
EBITDA	29,366	43,636	39,155	45,246	60,089
Depreciation	15,462	16,147	26,947	26,456	26,738
EBIT	18,276	33,100	17,585	24,156	38,685
Other Income	4,372	5,611	5,377	5,366	5,334
Interest Expenses	2,689	2,643	2,530	2,530	2,530
Exceptional Item	-	-	-	-	-
PAT	13,276	24,685	11,246	16,154	27,008
EPS (INR)	368.1	684.2	311.7	447.7	748.5

Source: Company, CEBPL

Balance sheet (Standalone in INR Mn.)

Balance Sheet (Rs. Mn.)	FY23	FY24	FY25E	FY26E	FY27E
Tangible fixed assets	53,327	70,987	84,040	97,584	1,20,846
Capital Work in Progress	23,203	18,328	17,411	16,541	15,714
Investments	1,16,505	1,06,753	1,06,753	1,06,753	1,06,753
Cash & Cash equivalents	1,193	2,971	3,932	5,475	6,660
Loans & Advances and Other Assets	23,987	34,392	34,392	34,392	34,392
Net Working Capital	22,000	30,120	27,992	29,929	33,317
Total assets	2,40,214	2,63,551	2,74,520	2,90,674	3,17,681
Shareholder's funds	1,82,884	2,03,845	2,15,091	2,31,245	2,58,252
Borrowings	15,518	14,737	14,460	14,460	14,460
Deferred Tax	(6,686)	1,359	1,359	1,359	1,359
Other Liabilities & Provisions	48,497	43,611	43,611	43,611	43,611
Total equity & liabilities	2,40,214	2,63,551	2,74,520	2,90,674	3,17,681
Capital Employed	1,93,315	2,08,101	2,23,927	2,37,627	2,59,208
Invested Capital	1,68,919	1,86,803	2,02,585	2,15,611	2,36,835

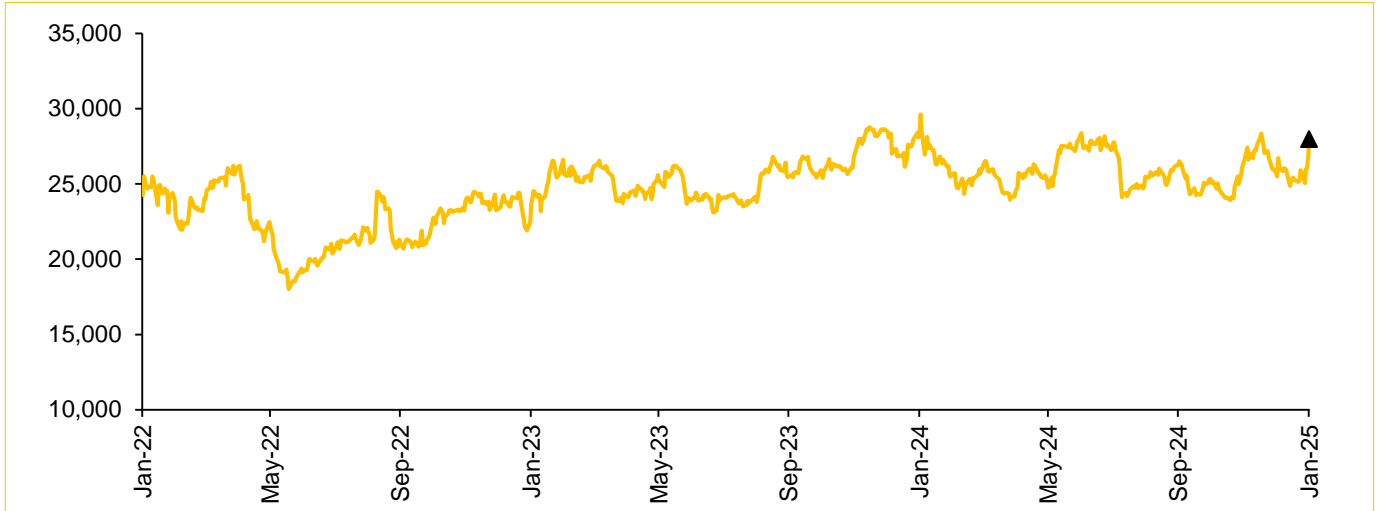
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
CFO	27,043	33,036	42,852	43,204	52,888
Capex	(28,278)	(27,568)	(39,084)	(39,129)	(49,173)
FCF	(1,234)	5,468	3,768	4,074	3,715
CFI	(24,089)	(13,503)	(39,084)	(39,129)	(49,173)
CFF	(3,151)	(17,937)	(2,807)	(2,530)	(2,530)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	17.7	16.3	(8.5)	6.9	11.3
EBITDA	(19.4)	48.6	(10.3)	15.6	32.8
Margin ratios (%)					
EBITDA	17.4	22.3	21.8	23.6	28.2
PAT	7.9	12.6	6.3	8.4	12.7
Performance Ratios (%)					
OCF/EBITDA (X)	0.9	0.8	1.1	1.0	0.9
OCF/IC	16.0	17.7	21.2	20.0	22.3
ROE	7.3	12.1	5.2	7.0	10.5
ROCE	9.5	15.9	7.9	10.2	14.9
Turnover Ratios (Days)					
Inventory	53	59	60	60	60
Debtor	20	17	15	15	15
Payables	24	20	18	18	18
Cash Conversion Cycle	48	56	57	57	57
Financial Stability ratios (x)					
Net debt to Equity	0.1	0.1	0.0	0.0	0.0
Net debt to EBITDA	0.5	0.3	0.3	0.2	0.1
Interest Cover	6.8	12.5	6.9	9.5	15.3
Valuation metrics					
Fully diluted shares (Mn)	36	36	36	36	36
Price (INR)	27,975	27,975	27,975	27,975	27,975
Market Cap(INR Mn)	10,09,338	10,09,338	10,09,338	10,09,338	10,09,338
PE(x)	76.0	40.9	89.8	62.5	37.4
EV (INR Mn)	9,07,158	9,14,351	9,13,113	9,11,569	9,10,385
EV/EBITDA (x)	30.9	21.0	23.3	20.1	15.2
Price to BV (x)	5.5	5.0	4.7	4.4	3.9
EV/IC (x)	5.4	4.9	4.5	4.2	3.8
EV/OCF	33.5	27.7	21.3	21.1	17.2

Source: Company, CEBPL

Historical Price Chart: Shree Cement Limited



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