

Shree Cement

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	SRCM IN
Equity Shares (m)	36
M.Cap.(INRb)/(USDb)	931.6 / 11.2
52-Week Range (INR)	30738 / 22601
1, 6, 12 Rel. Per (%)	2/-14/-16
12M Avg Val (INR M)	947

Financial Snapshot (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	195.9	211.1	234.8
EBITDA	43.6	49.6	53.7
Adj. PAT	24.7	22.9	24.3
EBITDA Margin (%)	22.3	23.5	22.9
Cons. Adj. EPS (INR)	684	635	674
EPS Gr. (%)	110.3	-7.2	6.1
BV/Sh. (INR)	5,650	6,165	6,688

Ratios

Net D:E	-0.3	-0.3	-0.2
RoE (%)	12.8	10.7	10.5
RoCE (%)	12.6	10.7	10.4
Payout (%)	15.3	18.9	22.3

Valuations

P/E (x)	37.8	40.7	38.4
P/BV (x)	4.6	4.2	3.9
EV/EBITDA(x)	19.5	17.1	15.9
EV/ton (USD)	192	182	158
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	0.5	-0.3	-0.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	62.6	62.6	62.6
DII	12.3	12.6	11.7
FII	12.5	12.3	12.8
Others	12.6	12.6	12.9

FII Includes depository receipts

CMP: INR25,820 TP: INR28,000 (+8%) Neutral

Strong performance; focusing on cost optimization

Plans to increase grinding capacity to 65.8mtpa by Mar'25

- SRCM's earnings beat our estimates in 4QFY24, aided by lower costs and higher power revenues. EBITDA grew 49% YoY to INR13.3b (est. INR11.5b) and EBITDA/t stood at INR1,393 (est. INR1,218). OPM surged 7.4pp YoY to 26% (est. 23%). PAT grew 69% YoY to INR6.6b (est. INR5.7b).
- The management notes that cost reduction is the focus area and that it will continue to invest in logistics optimization (rail connectivity at all plants) and increasing the share of green energy, alternative fuel & raw material. SRCM targets to increase its grinding capacity by ~9-10mtpa to 65.8mtpa by Mar'25 and is on track to achieve capacity of 80mtpa by FY28.
- We largely maintain our earnings estimates for FY25/FY26. The stock is currently trading at 17x/16x FY25E/FY26E EV/EBITDA. We maintain Neutral rating with a TP of INR28,000 (17x FY26E EV/EBITDA).

Capacity utilization at 79% in 4Q; cement realization down 3% YoY

- Standalone revenue/EBITDA/PAT stood at INR51.0b/INR13.3b/INR6.6b (up 7%/49%/69% YoY and up 3%/16%/16% vs. our estimate) in 4QFY24. Sales volumes grew 8% YoY to 9.53mt. Cement realization declined ~3% YoY (~6% QoQ) to INR4,721/t.
- Opex/t declined 10% YoY and 4% QoQ (~3% below our estimate) in 4QFY24. Variable/freight costs per ton dipped 16%/6% YoY. OPM surged 7.4pp YoY and EBITDA/t grew 38% YoY. Depreciation rose 42% YoY/81% QoQ due to the commissioning of a new plant.
- In FY24, revenue increased 16% YoY, mainly led by volume growth of ~12%. Cement realization was flat YoY. EBITDA grew 48% YoY to INR43.6b and OPM surged 4.8pp YoY to 22%. EBITDA/t was up 33% YoY to INR1,228. PAT increased 110% YoY to INR24.7b. OCF increased 22% YoY to INR33b, led by improvement in profits. Capex stood at INR27.6b vs. INR28.1b in FY23. SRCM generated FCF of INR5.5b in FY24 vs. cash outflow of INR1b in FY23.

Highlights from the management commentary

- Cement demand is expected to improve in 2HFY25, with a pickup in govt projects. Cement prices are stable or weak in the company's core markets. SRCM believes prices will improve as demand picks up.
- Fuel consumption cost/kcal stood at INR1.82 vs. INR1.76 in 3QFY24. It is carrying fuel inventory of four months at average cost of INR1.8/Kcal.
- SRCM aims to increase grinding capacity to 65.8mtpa by Mar'25 from 56.4mtpa currently. Capex will be INR40b annually for the next three years.

Valuation and view

- In our [recent report](#) we highlighted SRCM's expansion plans and its focus on improving brand equity. We estimate a CAGR of 9%/11% in revenue/EBITDA over FY24-26. Net cash is estimated to fall to INR50b in FY26 from INR65.5b in FY24 as a majority of expansion will be funded through internal accruals.
- The stock trades fairly at 17x/16x FY25E/FY26E EV/EBITDA. We maintain our **Neutral** rating and value the stock at 17x FY26E EV/EBITDA to arrive at our TP of INR28,000.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Standalone quarterly performance

(INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Net Sales	42.0	37.8	40.7	47.9	50.0	45.8	49.0	51.0	168.4	195.9	49.8	3
YoY Change (%)	21.8	17.9	14.6	16.7	18.9	21.3	20.4	6.6	17.5	16.3	4.0	
Total Expenditure	33.8	32.6	33.6	38.9	40.7	37.1	36.7	37.7	139.0	152.2	38.3	-1
EBITDA	8.2	5.2	7.1	8.9	9.3	8.7	12.3	13.3	29.4	43.6	11.5	16
Margin (%)	19.5	13.8	17.4	18.7	18.7	19.0	25.2	26.0	17.5	22.3	23.0	
Depreciation	3.3	3.6	4.1	4.4	3.1	3.3	3.5	6.3	15.5	16.1	4.4	42
Interest	0.6	0.7	0.7	0.7	0.8	0.7	0.6	0.6	2.7	2.6	0.8	-14
Other Income	-0.2	1.6	1.6	1.4	1.6	1.3	1.4	1.4	4.3	5.6	1.5	-6
PBT before EO Exp.	4.1	2.5	3.8	5.1	7.1	6.0	9.7	7.7	15.6	30.5	7.7	-0
Extra-Ord. Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	4.1	2.5	3.8	5.1	7.1	6.0	9.7	7.7	15.6	30.5	7.7	-0
Tax	1.0	0.6	1.1	-0.3	1.3	1.1	2.3	1.1	2.3	5.8	2.0	
Rate (%)	23.4	23.9	28.0	23.6	18.2	17.6	24.0	14.3	14.8	19.0	26.3	
Reported PAT	3.2	1.9	2.8	5.5	5.8	4.9	7.3	6.6	13.3	24.7	5.7	16
Tax adjustment prior period	0.0	0.0	0.0	-1.5	0.0	0.0	0.0	0.0	-1.5	0.0	0.0	
Adj. PAT	3.2	1.9	2.8	3.9	5.8	4.9	7.3	6.6	11.7	24.7	5.7	16
YoY Change (%)	-52.3	-66.9	-43.7	-28.1	84.2	159.1	165.3	68.8	-48.3	110.3	45.4	

Quarterly performance

Sales Dispat. (mt)	7.50	7.46	8.03	8.83	8.92	8.20	8.89	9.53	31.82	35.53	9.41	1
YoY Change (%)	9.7	18.0	22.6	10.0	18.8	9.9	10.7	8.0	14.7	11.7	6.6	
Realization	5,602	5,071	5,065	5,420	5,607	5,594	5,513	5,353	5,292	5,512	5,287	1
YoY Change (%)	11.1	0.0	-6.6	6.2	0.1	10.3	8.8	-1.3	2.4	4.2	-2.5	
Expenditure												
RM Cost	234	496	352	488	646	556	494	379	396	516	440	-14
Staff Cost	290	281	271	250	263	285	264	247	272	264	251	-2
Power and Fuel	1,923	1,646	1,622	1,782	1,709	1,671	1,393	1,520	1,743	1,571	1,407	8
Freight	1,204	1,148	1,174	1,168	1,192	1,160	1,095	1,097	1,173	1,135	1,121	-2
Other Expenses	859	799	765	721	750	861	880	717	783	799	849	-16
Total Op. cost	4,511	4,369	4,184	4,409	4,561	4,533	4,125	3,960	4,367	4,284	4,069	-3
EBITDA	1,091	701	881	1,011	1,046	1,062	1,388	1,393	925	1,228	1,218	14

Source: Company, MOFSL Estimates



Highlights from the management commentary

Cement demand and pricing

- Cement demand growth in 4QFY24 was largely driven by ~20% YoY growth in the east region. The north region saw ~2% YoY growth, whereas the south region saw a decline of 9-10%. Capacity utilization stood at 79% in 4QFY24 vs. 77% in 4QFY23. Capacity utilization would have touched ~80% in 4Q; however, two events during the quarter, 1) the launch of “Bangur” as the master brand and 2) the migration from old oracle to SAP, impacted three to four days’ dispatches (0.4mt of volume).
- It expects cement demand to improve in 2HFY25 with a pickup in government-led infrastructure projects. Cement prices are stable or weak in the company’s core markets. Prices will improve with a pickup in demand. Cement realization declined 3% YoY (down ~6% QoQ) to INR4,721/t in 4QFY24.

Operational highlights

- Average fuel consumption cost/kcal stood at INR1.82 vs. INR2.53/INR1.76 in 4QFY23/3QFY24. The company has fuel inventory of four months at an average cost of INR1.8/Kcal. The focus is on increasing the usage of alternative fuel. It is setting up advanced technology to increase the usage of municipal solid waste and increase the thermal substitution rate.
- Green power share stood at 56% in FY24 vs. 51% in FY23. Green power capacity increased in FY24 by 94.7MW to 480MW. It is adding another 188MW of green power (34MW of WHRS and 154MW of solar power plant) in the next two years to further increase the green power share.
- Lead distance declined to 435Km from 457km in 3QFY24. The company intends to have rail connectivity at all of its sites by FY28. Currently rail cost per ton/per km stands at INR2.6, while road cost is at INR3.0. Its current road: rail mix is 88:12. SRCM believes that with increasing rail connectivity, the share of rail dispatches can be increased up to 25% in next three years.
- Other expenses were partly lower due to the deferment of advertising expenses (as it was watchful for the reaction of new brand strategy, lower stores and spares expenses) and repair and maintenance due to strong demand.
- Revenue from the power business stood at INR4.5b and EBITDA margin was ~10% in 4QFY24. In FY24, power business revenue stood at INR16.2b and EBITDA margin was ~10%.

Capacity expansion and capex plans

- The company commissioned a greenfield integrated cement plant at Guntur, Andhra Pradesh, with a clinker/grinding capacity of 1.5mtpa/3.0mtpa in Apr’24.
- It targets to increase grinding capacity to 65.8mtpa by Mar’25 from 56.4mtpa currently. Capex will be INR40b annually for the next three years.

Other highlights

- In the RMC business, capex will be INR1b p.a. for the next two years. Initially it targets metro cities, where the RMC demand is strong and the market is big. It is also looking at tier 2 cities, where RMC profitability is high. It targets 5-7% margin in RMC and 100 plants in the medium term (4-5 years).
- Bangur Magna is one premium brand and the aim is to achieve volume share of 12% to 15% from this brand.

Story in charts

Exhibit 1: Sales volume grew 8% YoY

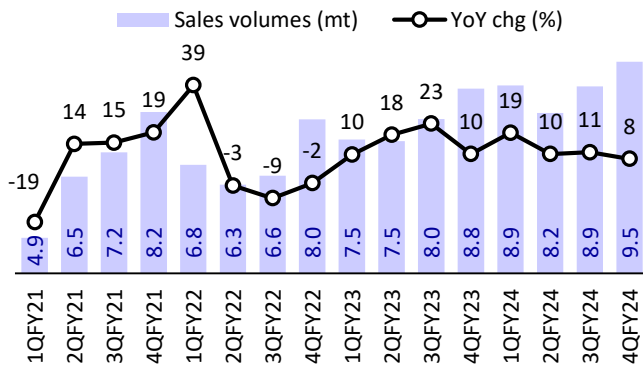


Exhibit 2: Blended realization was down 1% YoY

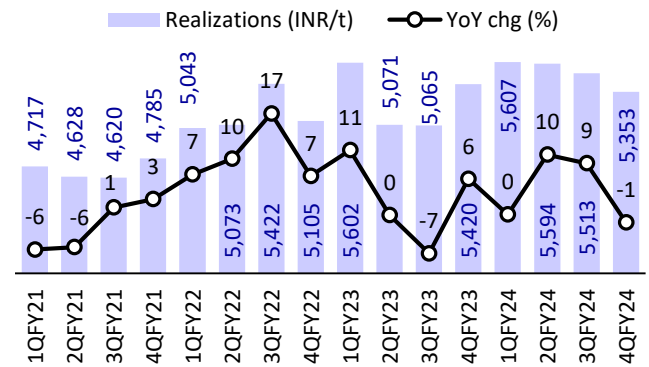
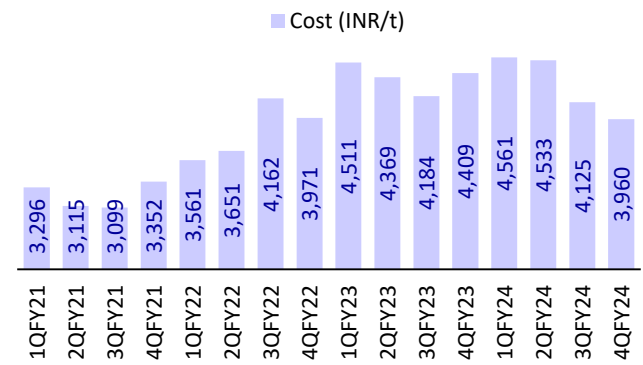
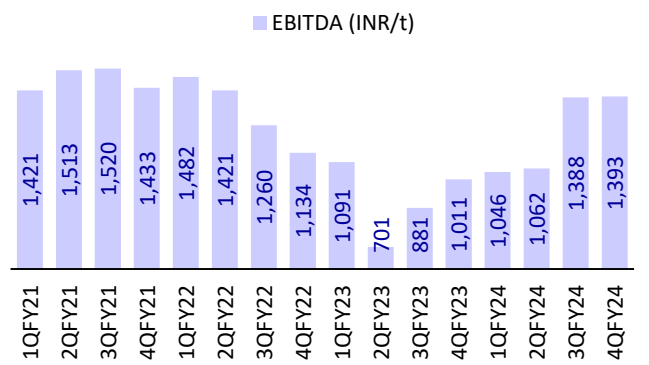


Exhibit 3: Blended OPEX/t was down 10% YoY



Source: Company, MOFSL

Exhibit 4: EBITDA/t was up 38% YoY



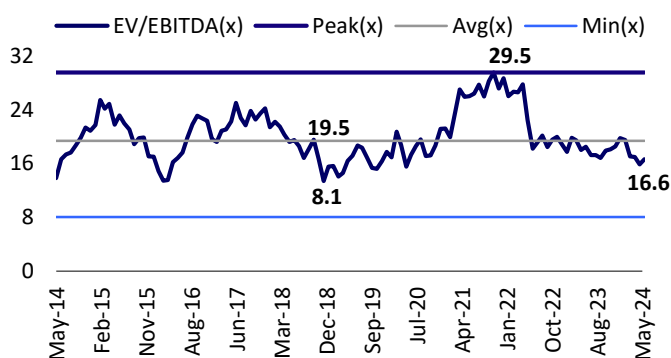
Source: Company, MOFSL

Exhibit 5: Key performance indicators – per ton analysis

INR/t	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ(%)
Net realization	5,353	5,420	-1	5,513	-3
RM Cost	379	488	-23	494	-23
Employee Expenses	247	250	-1	264	-7
Power, Oil, and Fuel	1,520	1,782	-15	1,393	9
Freight and Handling	1,097	1,168	-6	1,095	0
Other Expenses	717	721	-1	880	-18
Total Expenses	3,960	4,409	-10	4,125	-4
EBITDA	1,393	1,011	38	1,388	0

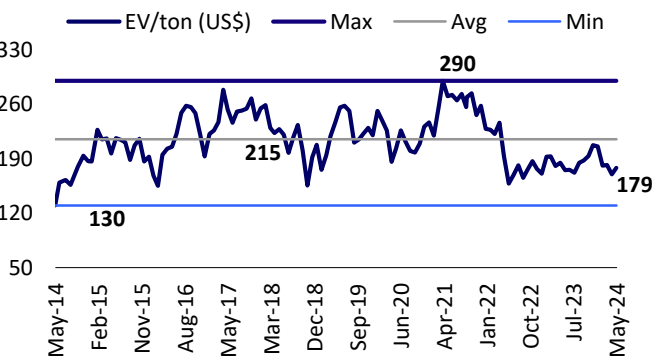
Source: Company, MOFSL

Exhibit 6: One-year forward EV/EBITDA ratio chart



Source: Company, MOFSL

Exhibit 7: One-year forward EV/t chart



Source: Company, MOFSL

Standalone financials and valuations

Income Statement							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	1,17,599	1,19,301	1,26,037	1,43,297	1,68,375	1,95,855	2,11,052	2,34,834
Change (%)	18.9	1.4	5.6	13.7	17.5	16.3	7.8	11.3
EBITDA	27,869	36,745	39,547	36,478	29,423	43,635	49,631	53,692
Margin (%)	23.7	30.8	31.4	25.5	17.5	22.3	23.5	22.9
Depreciation	13,917	16,994	11,399	10,365	15,462	16,147	22,121	23,551
EBIT	13,952	19,751	28,148	26,114	13,961	27,489	27,510	30,141
Int. and Finance Charges	3,810	2,865	2,471	2,178	2,689	2,643	2,253	2,337
Other Income – Rec.	2,454	2,716	4,580	5,373	4,315	5,611	5,489	4,817
PBT before EO Expense	12,596	19,602	30,257	29,309	15,586	30,456	30,745	32,620
EO Expense/(Income)	1,781	0	0	0	0	0	0	0
PBT after EO Expense	10,814	19,602	30,257	29,309	15,586	30,456	30,745	32,620
Tax	2,177	5,248	7,536	4,382	937	5,098	7,840	8,318
Deferred Tax	-873	-1,348	-398	1,161	1,368	674	0	0
Tax Rate (%)	12.1	19.9	23.6	18.9	14.8	19.0	25.5	25.5
Reported PAT	9,510	15,702	23,119	23,766	13,281	24,684	22,905	24,302
Tax adjustment prior period	0	0	-103	-1,045	-1,543	0	0	0
Adj. PAT for EO items	10,754	15,702	23,017	22,721	11,739	24,684	22,905	24,302
Change (%)	-22.3	46.0	46.6	-1.3	-48.3	110.3	-7.2	6.1
Margin (%)	9.1	13.2	18.3	15.9	7.0	12.6	10.9	10.3

Balance Sheet							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	348	361	361	361	361	361	361	361
Other Reserves	95,626	1,29,003	1,52,140	1,72,348	1,82,524	2,03,484	2,22,060	2,40,950
Total Reserves	95,626	1,29,003	1,52,140	1,72,348	1,82,525	2,03,486	2,22,062	2,40,952
Net Worth	95,974	1,29,364	1,52,501	1,72,709	1,82,885	2,03,847	2,22,422	2,41,313
Deferred Liabilities	-6126	-7438	-7855	-6695	-6686	-5992	-5992	-5992
Secured Loan	27,980	31,042	21,332	20,142	25,392	14,737	19,508	17,161
Unsecured Loan	0	400	0	0	0	0	0	0
Total Loans	27,980	31,442	21,332	20,142	25,392	14,737	19,508	17,161
Capital Employed	1,17,827	1,53,368	1,65,978	1,86,155	2,01,592	2,12,591	2,35,939	2,52,481
Gross Block	88,365	1,03,634	1,13,644	1,35,229	1,50,803	1,84,610	2,24,610	2,64,610
Less: Accum. Deprn.	43,608	60,445	71,729	82,014	97,476	1,13,623	1,35,744	1,59,295
Net Fixed Assets	44,757	43,189	41,916	53,215	53,327	70,987	88,866	1,05,315
Capital WIP	14,725	12,576	12,836	9,729	23,203	18,328	23,328	28,328
Financial investments	22,856	63,575	83,712	86,014	87,060	77,307	69,307	61,307
Strategic Investment	21,583	25,579	26,794	29,445	29,445	29,445	29,445	29,445
Curr. Assets	41,886	41,022	37,275	49,056	58,467	72,131	82,044	84,981
Inventory	15,891	14,279	14,772	21,614	24,226	31,462	28,911	28,952
Account Receivables	7,324	8,285	4,859	5,957	9,061	9,298	11,564	12,868
Cash and Bank Balance	3,078	1,082	2,098	1,183	1,193	2,971	8,909	5,602
Others	15,593	17,378	15,547	20,303	23,987	28,400	32,660	37,559
Curr. Liability and Prov.	27,980	32,574	36,555	41,304	49,911	55,610	57,054	56,897
Account Payables	27,886	32,470	36,430	41,160	49,756	55,454	56,898	56,741
Provisions	93	104	125	144	155	156	156	156
Net Current Assets	13,907	8,449	721	7,752	8,556	16,522	24,990	28,084
Appl. of Funds	1,17,827	1,53,368	1,65,978	1,86,155	2,01,592	2,12,591	2,35,939	2,52,481

Source: Company, MOFSL

Standalone financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	309	435	638	630	325	684	635	674
Cash EPS	399	471	316	287	429	448	613	653
BV/Share	2,755	3,585	4,227	4,787	5,069	5,650	6,165	6,688
DPS	60.0	110.0	60.0	90.0	100.0	105.0	120.0	150.0
Payout (%)	22.0	25.3	9.4	13.7	27.2	15.3	18.9	22.3
Valuation (x)								
P/E	83.7	59.4	40.5	41.0	79.5	37.8	40.7	38.4
Cash P/E	64.7	54.9	81.8	90.0	60.3	57.8	42.2	39.6
P/BV	9.4	7.2	6.1	5.4	5.1	4.6	4.2	3.9
EV/Sales	7.8	7.4	6.8	6.0	5.0	4.3	4.0	3.6
EV/EBITDA	33.0	24.1	21.6	23.5	28.8	19.5	17.1	15.9
EV/t (USD-Cap)	293	265	238	223	221	192	182	158
Dividend Yield (%)	0.2	0.4	0.2	0.3	0.4	0.4	0.5	0.6
Return Ratios (%)								
RoIC	23.4	25.8	39.2	33.4	15.6	26.9	22.2	20.7
RoE	11.6	13.9	16.3	14.0	6.6	12.8	10.7	10.5
RoCE	11.7	12.6	14.9	13.9	7.8	12.6	10.7	10.4
Working Capital Ratios								
Inventory (Days)	49	44	43	55	53	59	50	45
Debtor (Days)	23	25	14	15	20	17	20	20
Creditor (Days)	87	99	106	105	108	103	98	88
Working Capital Turnover (Days)	43	26	2	20	19	31	43	44
Leverage Ratio (x)								
Current Ratio	1.5	1.3	1.0	1.2	1.2	1.3	1.4	1.5
Net Debt/Equity ratio	0.0	-0.3	-0.4	-0.4	-0.3	-0.3	-0.3	-0.2

Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	10,814	19,602	30,257	29,309	15,586	30,456	30,745	32,620
Depreciation	13,916	16,994	11,399	10,365	15,462	16,147	22,121	23,551
Interest and Finance Charges	833	1,132	220	-849	-165	139	0	0
Direct Taxes Paid	-2,300	-4,859	-7,439	-1,959	-3,287	-4,400	-7,840	-8,318
(Inc.)/Dec. in WC	-5,302	5,591	8,762	-7,321	967	-6,238	-2,531	-6,400
CF from Operations	17,962	38,460	43,200	29,546	28,563	36,104	42,495	41,453
Others	2,635	-947	-2,264	-2,317	-1,520	-3,068	0	0
CF from Operations incl. EO	20,597	37,513	40,936	27,229	27,043	33,036	42,495	41,453
(Inc.)/Dec. in FA	-18,853	-12,941	-9,984	-19,483	-27,619	-28,057	-45,000	-45,000
Free Cash Flow	1,744	24,572	30,953	7,746	-576	4,979	-2,505	-3,547
(Pur.)/Sale of Investments	10,727	-42,478	-17,791	-77	3,737	14,555	8,000	8,000
Others	51	0	0	0	0	0	0	0
CF from Investments	-8,075	-55,419	-27,774	-19,559	-23,882	-13,503	-37,000	-37,000
Issue of Shares	0	23,833	0	0	0	0	0	0
Inc./(Dec.) in Debt	-7,591	1,175	-9,610	-2,707	2,669	-11,961	4,772	-2,348
Interest Paid	-2,753	-2,868	-2,514	-2,088	-2,574	-2,186	0	0
Dividend Paid	-2,308	-6,231	-22	-3,789	-3,245	-3,790	-4,330	-5,412
CF from Fin. Activity	-12,653	15,910	-12,146	-8,584	-3,151	-17,937	442	-7,760
Inc./Dec. in Cash	-131	-1,997	1,016	-915	11	1,597	5,937	-3,307
Opening Balance	3,209	3,078	1,081	2,097	1,183	1,374	2,971	8,909
Closing Balance	3,078	1,081	2,097	1,183	1,193	2,971	8,909	5,602

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Explanation of Investment Rating	
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BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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