

**EBITDA Beat Led By Lower Costs**

**Est. Vs. Actual for Q3FY25:** Revenue – **MISS** ; EBITDA Margin – **BEAT**; PAT – **BEAT**  
**Change in Estimates post Q3FY25 (Abs.)**

**FY25E/FY26E:** Revenue: -5%/-4%; EBITDA: 3%/2%; PAT: -2%/-11%

**Recommendation Rationale**

- **Capacity expansion progressing well:** The capacity expansion program announced by the company is progressing as per schedule. These strategic moves are expected to help Shree Cement catch up with larger peers and strengthen its market presence. We estimate the company to achieve a volume growth CAGR of 11% over FY25E-FY27E.
- **Lower cost drives EBITDA margin:** During the quarter, the overall cost of cement production declined sharply by 9% QoQ/YoY to Rs 3,750/tonne, marking the lowest level in the last 12 quarters and reaffirming the company's cost leadership compared to larger peers in the industry. We anticipate an EBITDA margin improvement of 200 bps over FY25-FY27, reaching 23.5%.
- **Robust Cement Demand & Consolidation to benefit large players:** We expect cement demand to remain robust, with the industry projected to grow at a CAGR of 6%-8% over FY24-FY27, driven by infrastructure and housing spending, along with strong real estate demand. Further consolidation in the industry is expected to benefit large players such as Shree Cement, providing advantages in pricing, supply chain efficiency, and incremental demand over the long term.

**Sector Outlook: Positive**

**Company Outlook & Guidance:** The company expects cement demand to grow, driven by an anticipated increase in rural consumption supported by improved farm cash flows, sustained healthy demand for urban housing, and a likely rise in government infrastructure spending. This outlook bodes well for the cement industry going forward.

**Current Valuation: 18x FY27EV/EBITDA (Earlier Valuation: 18x FY26 EV/EBITDA)**

**Current TP: Rs 30,000/share (Earlier TP: Rs 25,560/share)**

**Recommendation:** We change our recommendation from **HOLD** to **BUY** and roll over our estimates to FY27.

**Alternative BUY Ideas from our Sector Coverage:** UltraTech Cement Ltd (TP-13,510/share), JK Cements Ltd (TP-5,380/share), Dalmia Bharat (TP-2,000/share), ACC Ltd (TP-2,380/share), Ambuja Cements Ltd( TP: Rs 655/share)

**Financial Performance**

SCL reported a mixed set of numbers for the quarter. While volume and revenue declined by 1% and 14% YoY (below expectations), EBITDA and PAT declined by 23% and 69% YoY (above expectations). On a QoQ basis, volume, revenue, EBITDA, and PAT grew by 15%, 14%, 60%, and 146%, respectively, driven by better cement realisations and lower costs. The company reported a profit of Rs 229 Cr against Rs 93 Cr in Q2FY25.

EBITDA margin stood at 22.3% (vs. expectations of 18.2%) compared to 25.2% YoY, supported by lower costs. The quarter's volume stood at 8.77 Mn TPA, down 1% YoY. EBITDA/tonne stood at Rs 1,079, down 22% YoY but up 38% QoQ. The company reported a blended realisation/tonne of Rs 4,830, down 12% YoY and 2% QoQ, while cement realisation improved by 3% during the quarter. Cost/tonne declined sharply by 9% YoY/QoQ to Rs 3,750/tonne.

Depreciation costs increased by 116% during the quarter due to the commissioning of a new plant and adopting an accelerated depreciation policy.

**Key Financials (Standalone)**

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	4,235	14	-14	4,612	-8%
EBITDA	946	60	-23	838	13%
EBITDA Margin	22.3%	640bps	(290bps)	18.2%	(410bps)
Net Profit	229	146	-69	210	9%
EPS (Rs)	64	146	-69	58	9%

Source: Company, Axis Securities

 CMP as of 30<sup>th</sup> January 2025)

CMP (Rs)	26,830
Upside/Downside (%)	12
High/Low (Rs)	30,738/23,700
Market Cap (Cr)	96,856
Avg. daily vol. (6M) Shrs.	50090
No. of shares (Cr)	3.61

**Shareholding (%)**

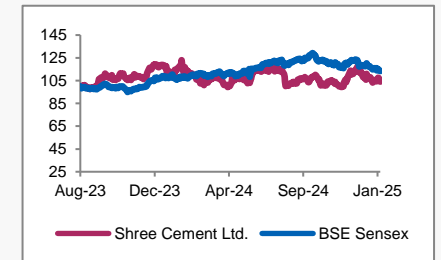
	Jun-24	Sep-24	Dec-24
Promoter	62.6	62.6	62.6
FIIs	12.2	10.4	9.9
MFs / UTI	7.7	9.2	9.9
Banks / FIIs	0.0	0.0	0.0
Others	17.5	17.8	17.7

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	17,818	20,668	22,958
EBITDA	3,811	4,731	5,426
Net Profit	1,226	1,513	1,761
EPS (Rs)	340	419	488
PER (x)	79	64	55
P/BV (x)	4.5	4.3	4.0
EV/EBITDA (x)	23	19	16
ROE (%)	6	7	8

**Change in Estimates (%)**

Y/E Mar	FY25E	FY26E
Sales	-5%	-4%
EBITDA	3%	2%
PAT	-2%	-11%

**Relative Performance**


Source: Ace Equity

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## Outlook

- Cement demand is expected to remain robust, driven by higher government spending on housing and infrastructure. The company's capacity expansion plan is progressing as scheduled, and it remains well-positioned in its key North and East India markets. We expect the company to achieve a CAGR of 11%/14%/19%/20% in Volume/Revenue/EBITDA/PAT over FY25E-FY27E. Pricing remains a key monitorable.

## Valuation & Recommendation

- The stock is currently trading at 19x/16x EV/EBITDA of FY26E/FY27E. We upgrade our recommendation to BUY from HOLD and roll over our estimates to FY27E with a TP of Rs 30,000/share, implying an upside of 12% from the CMP.

## Key Result Highlights

- **Capacity Expansion:** The company's 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. The company continues to explore opportunities to achieve its target of exceeding 80 MTPA capacity by 2028.
- **Volume:** The company aims to grow in line with the industry and reported a 1% volume de-growth during the quarter. Premium products accounted for 15% of total trade cement sales in Q3FY25, up from 14% in Q2FY25, with the company looking to stabilise at this level. Capacity utilisation stood at 58%, while the trade and non-trade mix was 73% and 27%, respectively. Blended cement sales comprised 70% of total sales.
- **Pricing:** Blended realisation declined by 12% YoY and 1% QoQ to Rs 4,830 per tonne. While the company refrained from commenting on cement prices, it reiterated that pricing remains dynamic and will adjust to market conditions. Cement realisation stood at Rs 4,580/tonne, up 3% QoQ. Current prices are marginally better than those in Q3FY25.
- **Power/Fuel:** On a per-tonne basis, power and fuel costs declined by 21% YoY and 25% QoQ to Rs 1,042/tonne. The fuel mix comprised 88% pet coke, with the balance from alternative fuels.
- **Green Power:** The share of green electricity in total consumption stood at 55.1% in Q3FY25, among the highest in the Indian cement industry. The company continues to expand its green power capacity, which reached 522 MW at the end of Q3FY25, up 9% from 480 MW at the beginning of FY25.
- **Freight:** On a per-tonne basis, freight costs declined by 4% QoQ and 3% YoY to Rs 1,042/tonne. The company aims to reduce lead distances further and is working on establishing railway connectivity for most of its plants. It plans to transport 25% of total production via rail within the next 2-3 years to optimise logistics costs. The current rail-to-road transport mix stood at 12:88.
- **RMC Foray:** The company plans to set up approximately 100 Bangur Concrete plants over the next three years across 50 cities, creating around 3,000 direct and indirect employment opportunities.
- **Capex:** The total Capex planned for FY25 is Rs 4,000 Cr, which will be funded through internal accruals.

## Key Risks to Our Estimates and TP

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

## Change in Estimates

	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	17818	20668	18,838	21,602	-5%	-4%
EBITDA	3811	4731	3,717	4,657	3%	2%
PAT	1226	1513	1,257	1,697	-2%	-11%

Source: Company, Axis Securities Research

## Result Review Q3FY25

(Rs Cr)	Quarterly Performance				
	Q3FY25	Q2FY25	Q3FY24	% Chg QoQ	% Chg YoY
Net sales	4235	3727	4,901	14%	-14%
Expenditure	3289	3134	3,667	5%	-10%
EBITDA	946	593	1234	60%	-23%
Other income	115	178	135	-35%	-15%
Interest	53	57	56	-7%	-6%
Depreciation	750	669	347	12%	116%
PBT	259	45	966	478%	-73%
Tax	30	-48	232	-161%	-87%
PAT	229	93	734	146%	-69%
EBITDA margin (%)	22.3%	15.9%	25.2%	640bps	(290bps)
EPS (Rs)	64	26	204	146%	-69%

Source: Company, Axis Securities Research

## Volume/Realization/Cost Analyses

(Rs Cr)	Quarterly Performance				
	Q3FY25	Q2FY25	Q3FY24	% Chg QoQ	% Chg YoY
Volume/mnt	8.77	7.60	8.89	15%	-1.3%
Realisation/tonne (Rs)	4830	4904	5,513	-1.5%	-12%
Cost/tonne (Rs)	3750	4124	4,125	-9%	-9%
Raw material/tonne (Rs)	616	539	494	14%	25%
Staff Cost/tonne (Rs)	270	328	264	-18%	2%
Power & Fuel/tonne (Rs)	1042	1317	1,393	-21%	-25%
Freight/tonne (Rs)	1131	1173	1,095	-4%	3%
Other Expenses /tonne (Rs)	691	766	880	-10%	-21%
EBITDA/tonne (Rs)	<b>1079</b>	<b>780</b>	<b>1,388</b>	38%	-22%

Source: Company, Axis Securities Research

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Net sales	19586	17818	20668	22958
Other operating income	0	0	0	0
Total income	19586	17818	20668	22958
Raw Material	1832	1754	1999	2199
Power & Fuel	5581	4416	4990	5489
Freight & Forwarding	4032	4169	4753	5228
Employee benefit expenses	938	981	1079	1186
Other Expenses	2840	2687	3117	3429
<b>EBITDA</b>	<b>4364</b>	<b>3811</b>	<b>4731</b>	<b>5426</b>
Other income	561	567	537	574
PBIDT	4925	4378	5268	6000
Depreciation	1615	2801	3100	3513
Interest & Fin Chg.	264	225	228	228
E/o income / (Expense)	0	0	0	0
Pre-tax profit	3046	1352	1940	2258
Tax provision	436	126	427	497
<b>RPAT</b>	<b>2610</b>	<b>1226</b>	<b>1513</b>	<b>1761</b>
Minority Interests	0	0	0	0
Associates	0	0	0	0
<b>APAT after EO item</b>	<b>2610</b>	<b>1226</b>	<b>1513</b>	<b>1761</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
<b>Total assets</b>	<b>27419</b>	<b>28299</b>	<b>29726</b>	<b>31380</b>
Net Block	8208	9505	10539	10469
CWIP	1833	1833	1833	1833
Investments	10675	10375	10125	11125
Wkg. cap. (excl cash)	3012	2727	3118	3440
Cash / Bank balance	297	568	690	982
Misc. Assets	3394	3291	3422	3531
<b>Capital employed</b>	<b>27419</b>	<b>28299</b>	<b>29726</b>	<b>31380</b>
Equity capital	36	36	36	36
Reserves	20348	21358	22654	24199
Minority Interests	0	0	0	0
Borrowings	2534	2534	2534	2534
DefTax Liabilities	0	0	0	0
Other Liabilities and Provision	4500	4370	4501	4610

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
<b>Profit before tax</b>	3046	1352	1940	0
Depreciation	1615	2801	3100	0
Interest Expenses	264	225	228	0
Non-operating/ EO item	-561	-567	-537	-574
Change in W/C	-624	285	-391	-322
Income Tax	440	126	427	0
<b>Operating Cash Flow</b>	3300	3970	3913	-896
Capital Expenditure	-2757	-4098	-4134	-3444
Investments	1474	300	250	-1000
Others	158	567	537	574
<b>Investing Cash Flow</b>	-1350	-3231	-3346	-3870
Borrowings	-1895	0	0	0
Interest Expenses	-219	-225	-228	-228
Dividend paid	-379	-216	-216	0
<b>Financing Cash Flow</b>	-2492	-441	-445	-228
Change in Cash	160	298	122	292
Opening Cash	-25	135	432	554
Closing Cash	135	432	554	847

Source: Company, Axis Securities Research

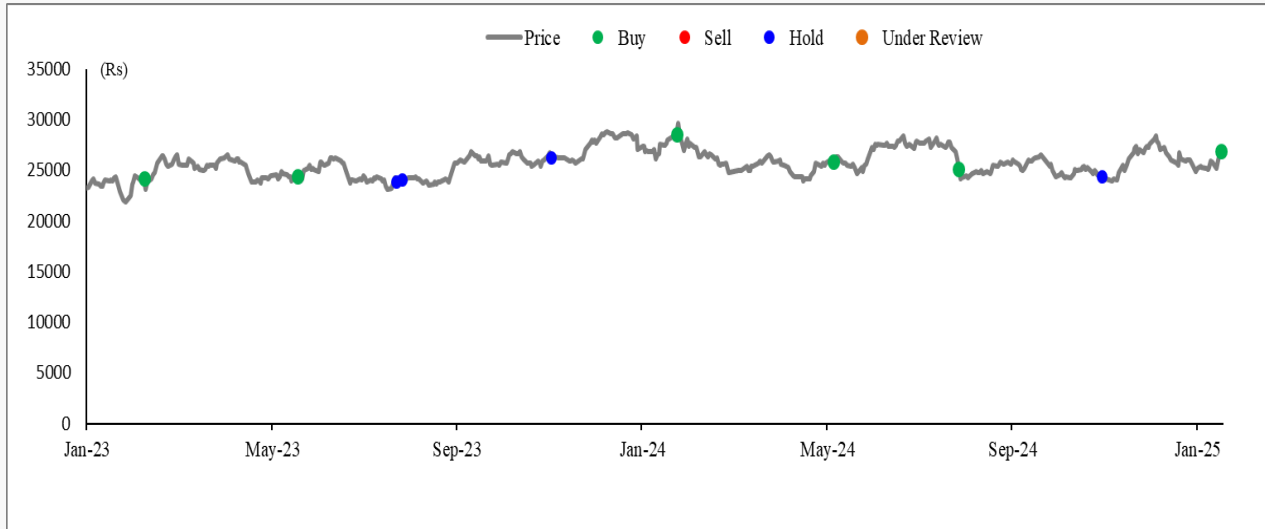
**Ratio Analysis**

(%)

Y/E March	FY24	FY25E	FY26E	FY27E
<b>Operational Ratios</b>				
Sales growth	16%	-9%	16%	11%
OPM	22.3%	21.4%	22.9%	23.6%
Op. profit growth	48%	-13%	24%	15%
COGS / Net sales	58%	58%	57%	56%
Overheads/Net sales	19%	21%	20%	20%
Depreciation / G. block	9.2%	12.9%	12.0%	12.0%
<b>Efficiency Ratios</b>				
Total Asset Turnover (x)	1.1	0.8	0.8	0.8
Sales/Gross block (x)	1.1	0.8	0.8	0.8
Sales/Net block(x)	2.6	2.0	2.1	2.2
Working capital/Sales (x)	0.2	0.2	0.2	0.1
<b>Valuation Ratios</b>				
PE	37	79	64	55
P/BV (x)	4.7	4.5	4.3	4.0
EV/Ebitda (x)	20.2	23.1	18.6	16.0
EV/Sales (x)	4.5	4.9	4.3	3.8
<b>Return Ratios</b>				
ROE	13.5	5.9	6.9	7.5
ROCE	16.3	7.2	9.4	10.2
ROIC	33.9	13.9	17.1	19.4
<b>Leverage Ratios</b>				
Debt/equity (x)	0.1	0.1	0.1	0.1
Net debt/ Equity (x)	-0.4	-0.4	-0.4	-0.4
Debt service coverage ratio (x)	1.9	0.9	1.2	1.4
Interest Coverage ratio (x)	12.5	7.0	9.5	10.9
<b>Cash Flow Ratios</b>				
OCF/Sales	19%	23%	21%	22%
OCF/Ebitda	76%	104%	83%	85%
OCF/Capital Employed (%)	16%	18%	17%	19%
FCF/Sales (%)	3%	-1%	-1%	5%
Payout ratio (Div/NP)	8	18	14	12
AEPS (Rs.)	723	340	419	488
AEPS Growth (%)	11%	11%	11%	11%
CEPS (Rs.)	1171	1116	1278	1462
DPS (Rs.)	110	60	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	HOLD	25,560	Result Update
31-Jan-25	BUY	30,000	Result Update

Source: Axis Securities Research

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