

Lower realisation impacted profitability...

About the stock: Shree Cement is the 3rd largest cement producer in India with the installed capacity of 56.4 million tonnes (mtpa) as of June 2024

- Standalone revenue has increased by 15.6% CAGR over the period FY21-24 while EBITDA and PAT have grown at 3.1% and 2.2% CAGR respectively

Q1FY25 result: Standalone revenue decreased by 3.3% YoY (-5.2% QoQ) to ₹ 4834 crores, mainly due to lower realisations which negated the impact of healthy volume growth. Volume increased by 8.1% YoY (+1.2% QoQ) to 9.6 million tonnes. Blended EBITDA/ton decreased by 9.1% YoY (-31.7% QoQ) to ₹ 951/ton. EBITDA declined by 1.7% YoY (-31% QoQ) to ₹ 916 crores. Net profit decreased by 45.3% YoY (-52% QoQ) to ₹ 317.7 crores

Investment Rationale:

- Aggressive capacity expansion plan to drive volume:** Company has been aggressively expanding its cement capacity over the year (~16 mtpa capacity added in the last 4 years), which resulted in healthy volume CAGR of ~9% over FY20-24. Going ahead, we believe the company will continue to post healthy volumes, as the aggressive expansion plan continues coupled with pick-up in demand and ramp-up of recently commissioned units. Total cement capacity is expected to reach 71.8 mtpa by FY26E from 56.4 mtpa at present (as 15.4 mtpa expansion plan is under process over the same period). We estimate company's volume growth at 10% CAGR over FY24-26E to 42.4 mtpa
- EBITDA/ton to improve further going forward led by cost efficiencies:** Company's Blended EBITDA/ton improved substantially in FY24 to ₹ 1228/ton (+₹ 303/ton YoY), led by sharp reduction in power & fuel cost and improvement in realisation. However, we expect EBITDA/ton to decline a bit in FY25E on account of lower realisations, though the focus on operational efficiencies continues (like reduction in fuel cost by enhancing utilization of alternative fuel, increase in share of renewable power, freight optimisation by developing rail connectivity across all its plants coupled with increase the usage of municipal solid waste). For FY26E, we believe that EBITDA/ton would improve to ₹ 1285/ton (vs ₹ 1184/ton in FY24), factoring in the improvement in realisations from Q3FY25 onwards coupled with cost saving measures.

Rating and Target Price

- Though the aggressive capacity expansion plan would help the company in maintaining healthy volume growth rate at ~10% CAGR over FY24-26E, we believe that company's profitability growth over the next 2 years would lag behind the other large-cap peers
- Valuation at 15.1x EV/EBITDA on FY26E basis looks fair. We recommend Hold on Shree Cement with a target price of ₹ 27140 per share (based on 17x FY26E EV/EBITDA)

Key Financial Summary

(₹ crore)	FY21	FY22	FY23	FY24	3 Year CAGR (FY21-24)	FY25E	FY26E	2 Year CAGR (FY24-26E)
Revenues	12,669	14,306	16,837	19,586	15.6%	20,247	22,900	8.1%
EBITDA	3,980	3,648	2,942	4,364	3.1%	4,458	5,524	12.5%
EBITDA margin (%)	31.4	25.5	17.5	22.3		22.0	24.1	
Net Profit	2,312	2,377	1,328	2,468	2.2%	2,125	2,693	4.4%
EPS (₹)	642.2	660.2	368.9	685.7		590.3	748.0	
P/E (x)	38.0	36.9	66.1	35.6		41.3	32.6	
EV/EBITDA (x)	21.5	23.6	29.5	19.2		18.9	15.2	
EV/ton (\$)	237.7	223.8	225.5	188.9		148.5	140.9	
RoCE (%)	19.2	16.3	8.8	15.1		12.1	13.8	
RoE (%)	15.2	13.8	7.3	12.1		9.6	11.0	

Source: Company, ICICI Direct Research



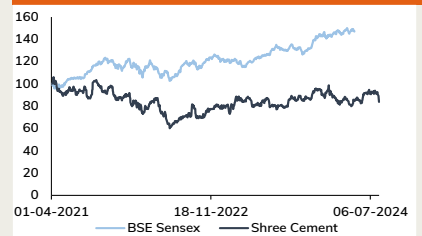
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	87,455
FY24 Gross Debt (₹ Crore)	1,474
FY24 Cash (₹ Crore)	5,516
EV (₹ Crore)	83,413
52 Week H/L (₹)	30738 / 23432
Equity Capital	36.1
Face Value	10.0

Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promoter	62.6	62.6	62.6	62.6
FII	12.2	12.3	12.5	11.9
DII	12.3	12.1	12.1	12.8
Others	13.0	13.0	12.8	12.8

Price Chart



Key risks

- (i) Slowdown in demand (ii) Delay in capacity expansion (iii) Increase in commodity prices (iv) High competition

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Q1FY25 Result Highlights:

- Standalone revenue declined by 3.3% YoY (-5.2% QoQ) to ₹ 4834 crores, led by decline in sales realisation by 10.5% YoY (-6.3% QoQ), though sales volume grew by 8.1% (+1.2% QoQ) to 9.6 million tonnes
- EBITDA/ton declined by 9.1% YoY (-31.7% QoQ) to ₹ 951/ton, driven by decline in sales realisation, despite lower cost/tonne. EBITDA decreased by 1.7% YoY (-31% QoQ) to ₹ 916 crores
- Net profit declined by 45.3% YoY (-52% QoQ) to ₹ 317.7 crores, primarily due to higher depreciation

Q1FY25 Earnings Call Highlights:

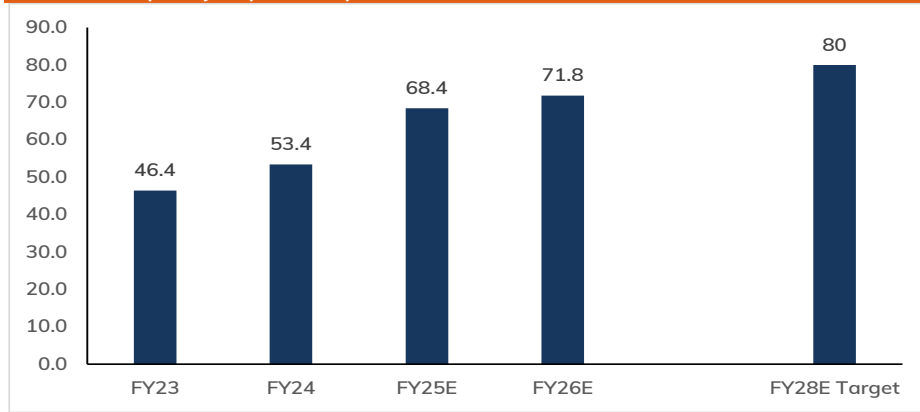
- Q1FY25 was the challenging quarter for the industry due to general election & extreme weather condition. There is no major impact on cement industry due to Bangladesh crisis
- Demand was very weak in Q1FY25 and it will continue to be weak in Q2FY25, while no major change in demand scenarios expected in Q3FY25. The company do not expect any demand distortion due to capacity expansion
- The company has trimmed the volume guidance and expect the growth to be in-line with industry growth rate (earlier 11% volume growth)
- In terms of region wise volume growth on YoY basis, North (7%), East (15%), South (-5%), while volume growth on sequential basis stood at North (-3%), East (11%), South (-4%)
- There has been geographical shift (due to intense competition in northern region) of sale volume from North region (high realisation market) to East region (Low realisation market) which has negatively impacted EBITDA
- Going ahead, the company plans for higher volume from Nawalgarh plant, Rajasthan
- In terms of region wise dispatch mix, north contribute 55%, followed by east (35%) & south India (10%)
- The company has guided capex of ₹ 4000-4500 crores for FY25E & FY26E
- During the quarter, the company commissioned its integrated cement unit in Guntur, Andhra Pradesh with a capacity of 3 mtpa. The company's ongoing capacity expansion plan in Jaitaran, Rajasthan (6 mtpa), Kodla, Karnataka (3 mtpa), Baloda Bazar, Chhattisgarh (3.40 mtpa) & Etah, UP (3 mtpa) are on schedule
- In regard to capacity utilization, cement capacity utilization stood at 76% vs 79% in Q4FY24.
- The company's focus remains on driving growth & expanding its market presence coupled with cost optimisation measures
- The share of green power mix stood at 54% in Q1FY25 (target of 62% by June25). It is increasing its solar power capacity by 135 MW across Rajasthan, Panipat, Uttar Pradesh, Jharkhand & Uttarakhand
- Fuel consumption cost was 1.76/kcal in Q1FY25 vs 2.34/kcal YoY & 1.82/kcal QoQ. The company expects the fuel cost to marginally decline to 1.72/kcal in Q2FY25. The company is steadily increasing its investment for usage of alternative fuels
- An increase in logistic cost/t was attributed to higher lead distance (increased by 21 kms). Lead distance increased to 456 km vs 435 kms in Q4FY24
- "Other Expense" was higher due to higher advertising expense & higher expenditure of ₹ 52 crores at Nawalgarh (Rajasthan) & Guntur (Andhra Pradesh) plant. The company has guided depreciation of ₹ 2600 crores in FY25

Exhibit 1: Quarterly Analysis – Q1FY25

	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comments
Operating Income	4,834.7	4,999.1	-3.3	5,101.0	-5.2	Revenue declined due to lower realisation
Other income	134.6	161.7	-16.8	137.9	-2.4	
Total Revenue	4,969.3	5,160.8	-3.7	5,238.9	-5.1	
Raw materials costs	406.5	575.9	-29.4	360.8	12.7	
Employees Expenses	244.6	234.9	4.1	235.2	4.0	
Other Expenses	746.9	668.8	11.7	683.8	9.2	
Total Expenditure	3,918.3	4,066.5	-3.6	3,773.8	3.8	
EBITDA	916.3	932.6	-1.7	1,327.2	-31.0	EBITDA decreased due to lower sales realisation despite lower cost per tonne
EBITDA margins (%)	19.0	18.7	30 bps	26.0	-707 bps	
Interest	57.3	75.3		64.8		
Depreciation	642.8	308.5	108.4	628.1	2.3	
Tax	33.1	129.4	-74.4	110.5	-70.0	
PAT	317.7	581.1	-45.3	661.8	-52.0	

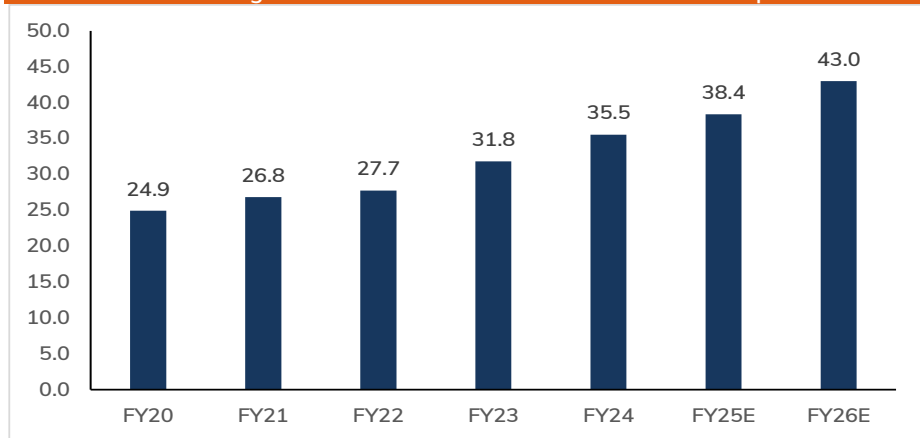
Source: Company, ICICI Direct Research

Exhibit 2: Capacity expansion plan over FY24-FY26E



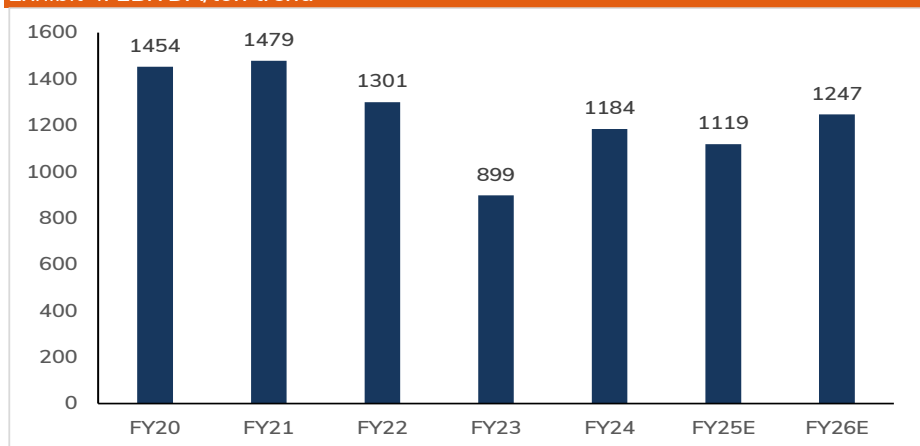
Source: Company, ICICI Direct Research

Exhibit 3: Volumes to grow at ~10% CAGR over FY24-26E to 43 mtpa



Source: Company, ICICI Direct Research

Exhibit 4: EBITDA/ton trend



Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(₹ Crore)	FY23	FY24	FY25E	FY26E
Revenue	16,837.5	19,585.5	20,246.9	22,900.4
% Growth	17.7	16.3	3.4	13.1
Other income	431.5	561.1	617.2	625.0
Total Revenue	16,837.5	19,585.5	20,246.9	22,900.4
% Growth	17.7	16.3	3.4	13.1
Total Raw Material Costs	1,259.8	1,831.7	1,631.3	1,848.5
Employee Expenses	865.8	937.9	1,015.0	1,111.4
other expenses	11,769.6	12,452.3	13,142.7	14,416.7
Total Operating Expenditure	13,895.2	15,222.0	15,789.0	17,376.6
Operating Profit (EBITDA)	2,942.3	4,363.5	4,457.9	5,523.7
% Growth	(19.3)	48.3	2.2	23.9
Interest	268.9	264.3	191.8	195.0
PBDT	3,104.9	4,660.3	4,883.3	5,953.7
Depreciation	1,546.2	1,614.7	2,227.2	2,587.7
PBT before Exceptional Items	1,558.6	3,045.6	2,656.2	3,366.0
Total Tax	230.5	577.2	531.2	673.2
PAT before MI	1,328.1	2,468.4	2,124.9	2,692.8
PAT	1,328.1	2,468.4	2,124.9	2,692.8
% Growth	(44.1)	85.9	(13.9)	26.7
EPS	368.9	685.7	590.3	748.0

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(₹ Crore)	FY23	FY24	FY25E	FY26E
Profit after Tax	1,328.1	2,468.4	2,124.9	2,692.8
Depreciation	1,546.2	1,614.7	2,227.2	2,587.7
Interest	268.9	264.3	191.8	195.0
Cash Flow before WC change	3,143.3	4,347.4	4,543.9	5,475.5
Changes in inventory	(261.2)	(723.6)	(126.5)	(428.9)
Changes in debtors	(310.4)	(23.7)	(41.0)	(127.2)
Changes in loans & Advances	18.4	(119.0)	67.8	(16.0)
Changes in other current assets	53.7	(277.2)	(67.8)	(120.3)
Net Increase in Current Asset	(578.2)	(1,048.6)	(167.5)	(692.4)
Changes in creditors	324.8	(64.7)	45.4	145.4
Changes in provisions	(0.1)	0.9	(0.2)	0.3
Net Inc in Current Liabilities	795.6	613.2	(63.9)	427.2
Net CF from Operating activities	3,360.6	3,912.0	4,312.5	5,210.3
Changes in deferred tax assets	1.0	69.3	-	-
(Purchase)/Sale of Fixed Assets	(2,904.8)	(2,893.2)	(4,250.0)	(4,250.0)
Net CF from Investing activities	(3,305.1)	(2,031.9)	(3,596.5)	(4,257.4)
Dividend and Dividend Tax	(324.7)	(378.0)	(378.0)	(450.0)
Net CF from Financing Activities	(54.5)	(1,702.9)	(569.7)	(645.0)
Net Cash flow	1.0	177.2	146.2	307.9
Opening Cash/Cash Equivalents	118.2	119.3	296.5	442.7
Closing Cash/ Cash Equivalents	119.3	296.5	442.7	750.6

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(₹ Crore)	FY23	FY24	FY25E	FY26E
Equity Capital	36.1	36.1	36.1	36.1
Reserve and Surplus	18,252.4	20,347.7	22,094.7	24,337.5
Total Shareholders funds	18,288.4	20,383.8	22,130.7	24,373.5
Total Debt	2,539.2	1,473.7	1,473.7	1,473.7
Total Liabilities	21,180.2	22,166.8	23,913.7	26,156.5
Gross Block	12,787.8	17,432.3	21,715.1	25,965.1
Acc: Depreciation	9,540.7	11,155.4	13,382.6	15,970.3
Net Block	4,591.1	6,276.9	8,332.5	9,994.7
Capital WIP	2,320.3	1,832.8	1,800.0	1,800.0
Total Fixed Assets	7,652.9	8,931.4	10,954.3	12,616.5
Non Current Assets	10,029.6	7,256.3	7,302.8	7,310.2
Inventory	2,422.6	3,146.2	3,272.8	3,701.7
Debtors	906.1	929.8	970.7	1,098.0
Other Current Assets	1,032.0	1,309.2	1,376.9	1,497.2
Cash	119.3	296.5	442.7	750.6
Total Current Assets	4,785.4	6,011.2	6,324.9	7,325.2
Current Liabilities	1,128.7	1,064.0	1,109.4	1,254.8
Provisions	13.0	12.3	90.0	90.0
Total Current Liabilities	4,638.4	5,251.6	5,187.7	5,614.9
Net Current Assets	147.0	759.6	1,137.2	1,710.3
Total Assets	21,180.2	22,166.8	23,913.7	26,156.5

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY23	FY24	FY25E	FY26E
EPS	368.9	685.7	590.3	748.0
Cash per Share	963.9	1,532.2	1,378.4	1,463.9
BV	5,080.1	5,662.2	6,147.4	6,770.4
EBITDA Margin	17.5	22.3	22.0	24.1
PAT Margin	7.9	12.6	10.5	11.8
RoE	7.3	12.1	9.6	11.0
RoCE	8.8	15.1	12.1	13.8
RoIc	6.7	12.7	9.6	11.7
EV / EBITDA	29.4	19.1	18.8	15.1
EV/ton (\$)	224.7	188.2	147.9	140.4
P/E	65.8	35.4	41.2	32.5
EV / Net Sales	5.1	4.3	4.1	3.7
Sales / Equity	0.9	1.0	0.9	0.9
Market Cap / Sales	5.2	4.5	4.3	3.8
Price to Book Value	4.8	4.3	4.0	3.6
Asset turnover	0.8	0.9	0.9	0.9
Debtors Turnover Ratio	22.4	21.3	21.3	22.1
Creditors Turnover Ratio	17.4	17.9	18.6	19.4
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	1.5	1.9	2.0	2.1
Quick Ratio	0.7	0.8	0.8	0.9

Source: Company, ICICI Direct Research

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Sell: <-15%



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