



India

HOLD (previously REDUCE)

Consensus ratings*: Buy 16 Hold 16 Sell 11

Current price:	Rs25,820
Target price: ▲	Rs27,700
Previous target:	Rs25,200
Up/downside:	7.3%
InCred Research / Consensus:	-2.2%
Reuters:	SHCM.NS
Bloomberg:	SRCM IN
Market cap:	US\$11,157m Rs931,592m
Average daily turnover:	US\$11.6m Rs969.1m
Current shares o/s:	36.1m
Free float:	73.7%

*Source: Bloomberg

Key changes in this note

- Raise EBITDA by 2-3% for FY25F-26F.
- Raise target price to Rs27,700 from Rs25,200 earlier.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.8	(1.8)	5.8
Relative (%)	3.7	(2.6)	(10.2)

Major shareholders	% held
Promoter & Promoter Group	62.6
SBI Mutual Fund	4.5
LIC	3.9

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Shree Cement Ltd

Growth drivers intact; favourable valuation

- 4QFY24 consol. EBITDA stood at Rs14.2bn (Incred estimate: ~Rs11.4bn), up 60% yoy. Volume grew by ~8% yoy to 9.53mt, ~2% above our estimate.
- SRCM has reiterated its target to achieve grey cement capacity of 75mt/80mt by FY27F/28F, respectively. Annual capex of Rs40bn over the next three years.
- Upgrade our rating to HOLD (from REDUCE) on strong operational performance & reasonable valuation as it's trading at a discount to large peers.

In-line volume; cement realization moderates in line with industry

Shree Cement or SRCM's 4QFY24 cement volume rose by ~8% yoy to 9.53mt led by East/North India regions (+20%/5% yoy) while South India saw ~10% yoy fall. Volume in FY24 stood at 35.5mt. It aims to achieve ~80% utilization in FY25/26F (vs. 77% in FY24). Grey cement realization (adj. for power sales amounting to Rs4.4bn in 4Q) was down ~5.6% qoq. Management noted that prices have been stable-to-down (vs. Mar 2024 exit prices). SRCM expects the prices to recover from 2HFY25F, once the market returns to its normal scale of operations. It has given FY25F volume guidance of ~8-10% (39-40mt).

Profitability improves further in 4Q vs peers led by cost optimization

Blended EBITDA/t was largely flat qoq at Rs1,393 (vs. our estimate of Rs1,200/t) vs. ~Rs1,173 of Ultratech Cement and ~Rs1,026 of Ambuja Cements. Adj. EBITDA/t (excl. power business) was at ~Rs1,336/t. Consumption of fuel on a Kcal basis was at Rs1.82 (vs. Rs1.78 qoq and Rs2.53 yoy) and SRCM expects it to be stable in the near term. The share of green power rose to 56% in FY24 (vs. 51% in FY23) & it targets ~63% in FY25F.

On track to achieve ~75mtpa capacity by FY27F with strong B/S

During 4Q, SRCM commissioned ~3.5mt grinding unit or GU and 3.8mt clinker in Rajasthan; further ~3mt cement and 1.5mt clinker at Guntur in Andhra Pradesh in Apr 2024. With other ongoing expansions such as 1) 6mt cement capacity at Pali in Rajasthan and Etah in Uttar Pradesh with 3.6mt of clinker at Pali, 2) 6mt of cement capacity in Kodla and Bengaluru in Karnataka with 3.6mt clinker at Kodla, 3) 3.4mt brownfield grinding unit in Chhattisgarh, and 4) 3mt of cement capacity in Rajasthan. All these would take cement capacity to ~75mt (clinker to ~42mt) by FY27F, with 9.4-10mt addition in FY25F vs. current capacity of 56mt. It has given annual capex guidance of Rs40bn over the next three years.

See some valuation gap opportunity; upgrade to HOLD rating

SRCM trades at an EV/EBITDA of 15.5x & EV/t of US\$150 in FY26F, at a discount to most of its large peers (historically, SRCM was always given a premium multiple over UTCEM, which has reversed recently - our thesis regarding parity with UTCEM has played out well), which should catch up as the profitability premium should be given. We believe there is limited room for a downside. We upgrade to HOLD with a higher TP of Rs27,700, set at Mar 2026F EV/EBITDA of 16.5x. **Upside risks:** Better pricing growth & better-than-expected cost control. **Downside risks:** Pricing pressure and delay in commissioning.

Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	150,096	178,523	205,210	224,265	254,741
Operating EBITDA (Rsm)	37,079	29,595	45,167	50,292	57,399
Net Profit (Rsm)	23,319	12,707	23,957	23,976	27,691
Core EPS (Rs)	646.3	352.2	664.0	664.5	767.5
Core EPS Growth	2.0%	(45.5%)	88.5%	0.1%	15.5%
FD Core P/E (x)	39.95	73.31	38.89	38.85	33.64
DPS (Rs)	90.0	100.0	55.0	55.0	63.6
Dividend Yield	0.35%	0.39%	0.21%	0.26%	0.30%
EV/EBITDA (x)	24.65	31.15	19.70	17.94	15.56
P/FCFE (x)	356.34	201.87	113.90	(40.79)	758.76
Net Gearing	(10.3%)	(5.5%)	(20.3%)	(12.9%)	(15.3%)
P/BV (x)	5.34	5.00	4.50	4.08	3.67
ROE	14.2%	7.0%	12.2%	11.0%	11.5%
% Change In Core EPS Estimates				(0.48%)	(0.47%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Growth drivers intact; favourable valuation

Key takeaways from 4QFY24 results and earnings call

Demand and pricing outlook:

- SRCM's management expects a volume growth of 8-10% in FY25F and sees demand accelerating from 2HFY25F, once normalcy returns to the market.
- **Industry outlook:** SRCM continues to remain optimistic on cement demand growth with the government's continuous focus on infrastructure and housing.
- Regional demand growth yoy during 4Q was as follows: 20% East, 5% North and 10% decline in South India. Overall growth was 7%.
- Management highlighted that current cement prices are stable-to-weak from Mar 2024 exit prices in its markets.
- **Capacity utilization** was at 77% in FY24 vs. 70% in FY23. Capacity utilization touched 79% in 4QFY24 vs. 77% in 4QFY23. It lost four days' volume in Mar 2024 due to certain brand events or else its capacity utilization should have been around ~80%. Aims to have 80% capacity utilization in FY25F and FY26F.
- **Sales volume (cement+clinker)** stood at 9.53mt, up ~8% yoy and 2% above our estimate. For FY24, volume stood at 35.5mt, up by ~12%yoy.
- **Blended realization** stood at Rs5,701/t, down by ~3% qoq and ~1.3% yoy while ~2% above our estimate.
- **Cement realization (excluding power)** was Rs4,721/t in 4QFY24 vs. Rs4,847/t in 4QFY23.
- SRCM aims to have 12-15% of sales from premium products (MAGNA). The company highlighted that its premium products have received a great response from the market.
- **RMC:** The company aims to have Rs1bn revenue for the next two years in readymix concrete or RMC business and its focus will be on the cities with large RMC market and Tier-2 cities offering higher profitability. It expects 5-7% margin from the segment. The company's five plants in Mumbai have an established customer base while the Hyderabad greenfield plant should stabilize in six months.

Costs:

- Management expects to have rail connectivity across all its sites by FY28F. Current rail cost stands at Rs2.6/t/km and road cost at Rs3/t/km. The difference in rail and road costs is ~10%. The current road mix is 88% and rail mix at 12%. Aims to have ~25% movement through rail lines in the next three-to-four years.
- **Overall blended costs/t** were lower by ~6% qoq and ~12% yoy on account of a) raw material costs/t down 31% qoq and 41% yoy to Rs357, b) energy costs/t up by 5% qoq and down by 12% qoq to Rs1,711, c) logistics cost/t rising by 1% qoq and declining by 4% yoy to Rs1,144, and d) fixed costs/t down by ~15% qoq to Rs997.
- Depreciation was higher during the period due to the Nawalgarh unit, which commenced operations in Jan 2024, and it should be in the range of Rs15bn-16bn in FY25F.
- Current coal inventory stands at 1.4mt, which can last for four months. The average fuel cost is Rs1.8/unit. The company highlighted that coal prices have come down by 0.75 paise in the last one year.
- Lead distance stood at 435km in 4QFY24 vs. 448km in 3QFY24.
- Currently, green power stands at 56% vs. 54% qoq and the company is aiming to have a 62-63% mix by FY25F.

- Other expenses were lower due to a decrease in branding expenditure. Also, a few repairs & maintenance timelines were deferred during the quarter.
- Fuel costs stood at Rs1.82/Kcal in 4Q vs. Rs1.78/kcal qoq and the company gave guidance of having sufficient inventory to sustain the current cost levels.

Expansion and capex update:

- SRCM has commissioned its integrated cement plant in the Guntur district of Andhra Pradesh, with a cement capacity of 3mtpa during the current quarter. Work on ~18mtpa is progressing as per schedule. Upon completing the current projects, it will have capacity of 74.8mtpa in India.
- The company highlighted that most of its current year capacity expansion should come by 4QFY25F. Its Etah GU to be commissioned by 4QFY25F. Targeting 65.8mtpa by FY25F.
- **RMC foray:** During the quarter, SRCM purchased five RMC plants in the Mumbai Metropolitan Region or MMR and commissioned a greenfield unit of 90 cum/hr in Hyderabad under the 'Bangur Concrete' brand. It plans to set up 100 more plants in the next three years, operating in 50 cities.

Other business highlights:

- **Power business:** The segment had a revenue of Rs4.4bn (3.43bn in 4QFY23) and EBITDA margin of 10% in 4QFY24. Management highlighted that its power plant is old and so it's not able to gain much from the changes in coal prices. Management highlighted that it would continue to run this plant until it generates additional returns.
- **Consolidated cash and cash equivalents** including investments stood at ~Rs57bn as of Mar 2024-end vs. ~Rs36bn as of Mar 2023-end.
- The company's board recommended a total dividend of Rs55/share for FY24.
- **Cash flow from operations** in FY24 stood at Rs33.5bn vs. Rs25.7bn in FY23. Capex stood at ~Rs31bn in FY24 vs. ~Rs33bn in FY23.
- SRCM is adding 188MW green power in the next two years, out of which 148MW will come in FY25F and the remaining in FY26F. During FY25F, it will add 34MW in WHRS and 114MW in solar energy. The remaining 40MW will be in solar energy during FY26F.
- The company will be using its cash for capex, while cash generated from operations should be used for limestone auctions.
- Management highlighted that Shree Cement and its subsidiaries (Shree Cement East and North) have tax advantage on a standalone basis.

Figure 1: Consolidated quarterly performance

Particulars (Rs m)	4QFY24	4QFY24F	3QFY24	4QFY23	% Change		
					4QFY24F	3QFY24	4QFY23
Net Sales	54,328	52,205	52,232	51,002	4%	4%	7%
Raw Materials Consumed	3,400	5,124	4,628	5,322	-34%	-27%	-36%
Freight and Forwarding Expenses	10,898	10,358	10,025	10,501	5%	9%	4%
Power and Fuel Costs	16,307	14,501	14,463	17,219	12%	13%	-5%
Employee Costs	2,625	2,758	2,697	2,482	-5%	-3%	6%
Other Expenses	6,881	8,099	7,779	6,586	-15%	-12%	4%
Total Expenditure	40,110	40,841	39,592	42,110	-2%	1%	-5%
EBITDA	14,218	11,365	12,640	8,892	25%	12%	60%
Depreciation	7,023	4,527	4,439	4,728	55%	58%	49%
EBIT	7,195	6,838	8,201	4,164	5%	-12%	73%
Interest	621	566	549	713	10%	13%	-13%
Other Income	1,496	1,497	1,475	1,457	0%	1%	3%
PBT	8,071	7,769	9,126	4,908	4%	-12%	64%
Tax	1,313	1,787	2,108	-344	-26%	-38%	-482%
PAT before MI & Associates	6,758	5,982	7,019	5,252	13%	-4%	29%
Minority Interest	9	-4	0	-6			
Profit from Assoc.	0	0	0	0			
Recurring PAT	6,749	5,986	7,019	5,258	13%	-4%	28%
Extraordinary Items	0	0	0	0			
Reported PAT	6,749	5,986	7,019	5,258	13%	-4%	28%
EPS (Rs)	187.1	165.9	194.5	145.7	13%	-4%	28%
Gross Margin	44%	43%	44%	35%	110 bp	-59 bp	845 bp
EBITDA Margin	26.2%	21.8%	24.2%	17.4%	440 bp	197 bp	874 bp
EBIT Margin	13%	13%	16%	8%	15 bp	-246 bp	508 bp
PBT Margin	15%	15%	17%	10%	-3 bp	-262 bp	523 bp
PAT Margin	12%	11%	13%	10%	96 bp	-102 bp	211 bp
Tax Rate	16%	23%	23%	-7%	-673 bp	-682 bp	2,328 bp
Cost items as % of Sales							
RM	6%	10%	9%	10%	-356 bp	-260 bp	-418 bp
Freight costs	20%	20%	19%	21%	22 bp	87 bp	-53 bp
P&F costs	30%	28%	28%	34%	224 bp	233 bp	-375 bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

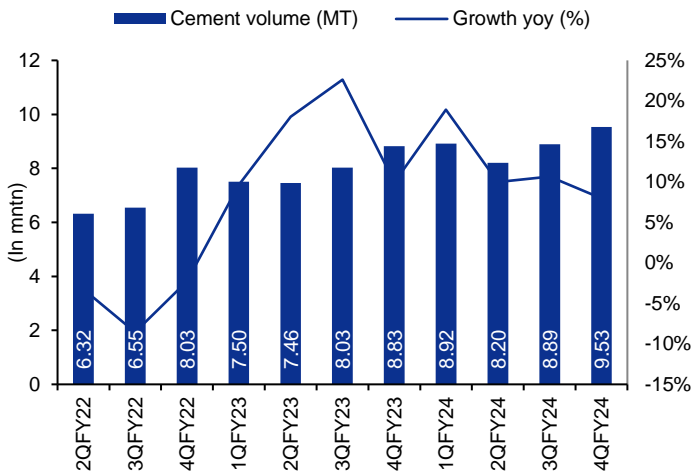
Figure 2: 4QFY24 results: Per tonne analysis

Per tonne analysis	4QFY24	4QFY24F	3QFY24	4QFY23	% Change		
					4QFY24F	3QFY24	4QFY23
Sales volume (Cement + Clinker)	9.53	9.37	8.89	8.83	1.7%	7.2%	8.0%
Realization	5,701	5,570	5,875	5,777	2.4%	-3.0%	-1.3%
EBITDA/t	1,492	1,213	1,422	1,007	23%	4.9%	48.1%
RM costs	357	547	521	603	-35%	-31%	-41%
P&F costs/t	1,711	1,547	1,627	1,950	11%	5%	-12%
Freight costs/t	1,144	1,105	1,128	1,189	3%	1%	-4%
Employee costs/t	275	294	303	281	-6%	-9%	-2%
Other expenses/t	722	864	875	746	-16%	-17%	-3%
Total cost/t	4,209	4,357	4,454	4,770	-3.4%	-5.5%	-11.8%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

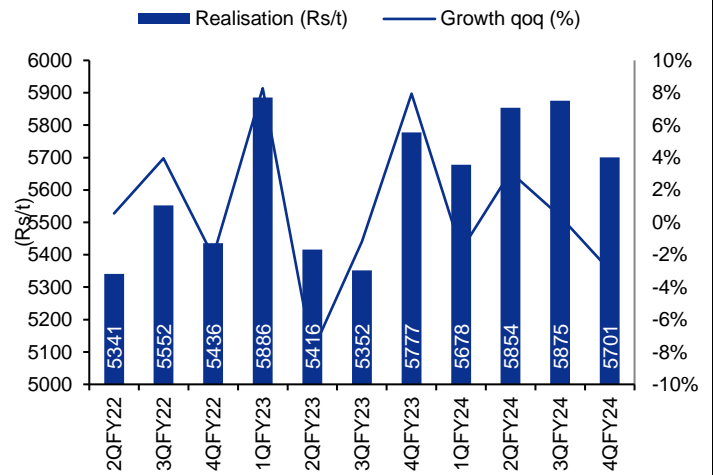
Key charts ➤

Figure 3: Cement sales volume, including clinker, increased by ~18% yoy to 9.53mnt



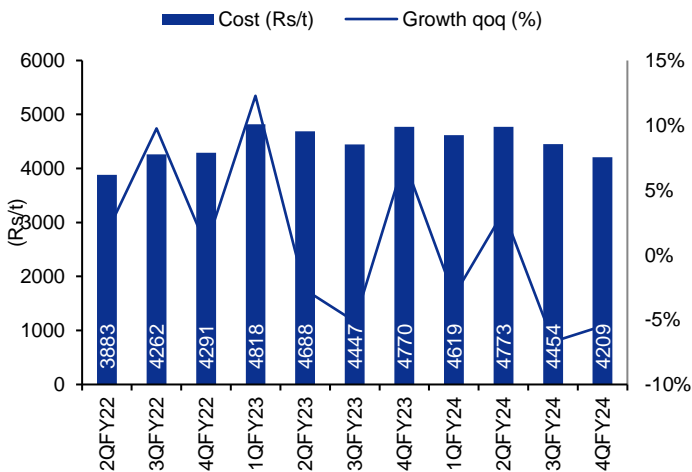
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Blended realization declined by ~3% qoq



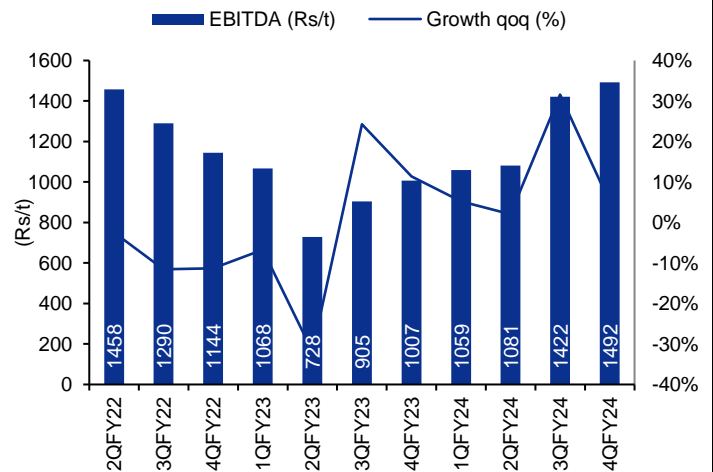
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Total operating blended costs/t down by ~5% qoq and ~12% yoy



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Blended unit EBITDA stood at Rs1,492, an improvement by Rs70 qoq and Rs485 yoy



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key changes ➤

Figure 7: Our revised earnings estimates

Rs. m	New		Old		Change (%)	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Sales	2,24,265	2,54,741	224,919	252,062	0%	1%
EBITDA	50,292	57,399	49,203	55,396	2%	3%
PAT	23,976	27,691	25,718	29,149	-7%	-5%
EPS (Rs.)	664.5	767.5	713	808	-7%	-5%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 8: Changes in our earnings estimates vs. Bloomberg consensus estimates

Rs. m	Incred		Consensus		Change (%)	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Sales	2,24,265	2,54,741	2,25,237	2,56,597	0%	-1%
EBITDA	50,292	57,399	51,373	58,594	-2%	-2%
PAT	23,976	27,691	26,409	30,072	-9%	-8%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 9: Key assumptions

	FY22	FY23	FY24F	FY25F	FY26F
Volume (mtpa)	27.7	31.8	35.5	38.8	43.6
yoy	3%	15%	12%	9%	12%
Blended Realisation (per t)	5,411	5,611	5,774	5,780	5,849
yoy	7%	4%	3%	0%	1%
Cost (per t)	4,075	4,681	4,503	4,483	4,531
yoy	15%	15%	-4%	0%	1%
EBITDA (per t)	1,337	930	1,271	1,296	1,318
yoy	-12%	-30%	37%	2%	2%
EBITDA (Rs m)	37,079	29,595	45,167	50,292	57,399
yoy	-9%	-20%	53%	11%	14%

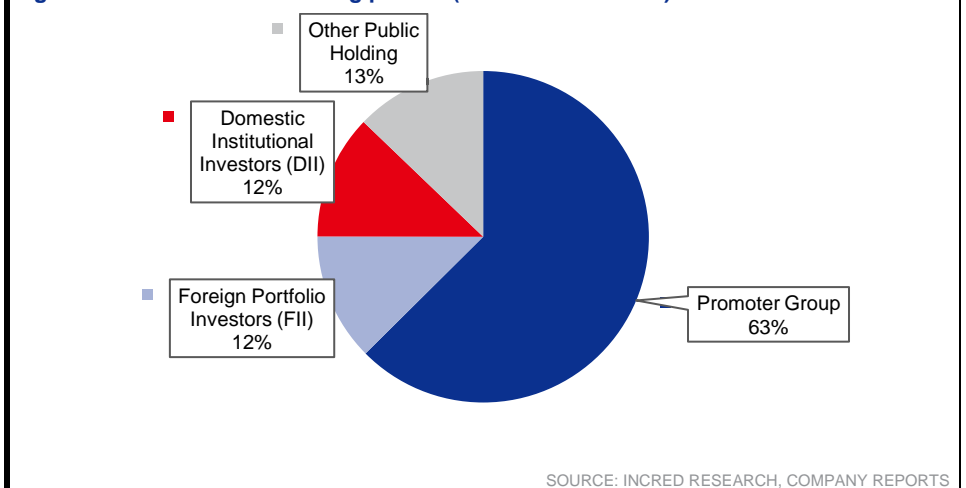
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: Upgrade to HOLD rating with a target price of Rs27,700, set at one-year forward EV/EBITDA of 16.5x

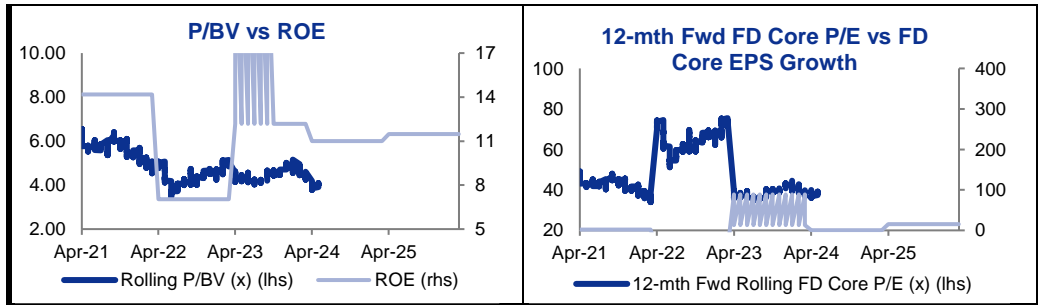
Valuation	TP
Target EV/EBITDA multiple (x)	16.5
Target EV (Rs m)	9,46,427
Net debt (Rs m)	(52,998)
No. of shares (m)	36
Target price per share (Rs)	27,700

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 11: SRCM's shareholding pattern (as of end-Mar 2024)



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	150,096	178,523	205,210	224,265	254,741
Gross Profit	150,096	178,523	205,210	224,265	254,741
Operating EBITDA	37,079	29,595	45,167	50,292	57,399
Depreciation And Amortisation	(11,459)	(16,607)	(18,973)	(22,009)	(24,210)
Operating EBIT	25,621	12,988	26,194	28,283	33,189
Financial Income/(Expense)	(2,161)	(2,629)	(2,583)	(2,532)	(2,608)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	5,459	4,591	5,981	5,802	5,860
Profit Before Tax (pre-EI)	28,918	14,950	29,592	31,553	36,442
Exceptional Items					
Pre-tax Profit	28,918	14,950	29,592	31,553	36,442
Taxation	(5,552)	(2,259)	(5,630)	(7,573)	(8,746)
Exceptional Income - post-tax					
Profit After Tax	23,366	12,691	23,962	23,980	27,696
Minority Interests	(47)	16	(5)	(5)	(5)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	23,319	12,707	23,957	23,976	27,691
Recurring Net Profit	23,319	12,707	23,957	23,976	27,691
Fully Diluted Recurring Net Profit	23,319	12,707	23,957	23,976	27,691

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	37,079	29,595	45,167	50,292	57,399
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,984	(478)	5,244	5,082	1,026
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	5,459	4,591	5,981	5,802	5,860
Other Operating Cashflow	(10,129)	(3,133)	(14,704)	(13,204)	(11,704)
Net Interest (Paid)/Received	(2,161)	(2,629)	(2,583)	(2,532)	(2,608)
Tax Paid	(5,552)	(2,259)	(5,630)	(7,573)	(8,746)
Cashflow From Operations	26,680	25,687	33,475	37,868	41,228
Capex	(22,094)	(32,791)	(31,695)	(40,500)	(40,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	581	8,646	17,510	(21,203)	(500)
Cash Flow From Investing	(21,514)	(24,145)	(14,185)	(61,703)	(41,000)
Debt Raised/(repaid)	(2,552)	3,072	(11,111)	1,000	1,000
Proceeds From Issue Of Shares	(8)	(9)	(2)	(9)	(9)
Shares Repurchased					
Dividends Paid	(3,247)	(3,608)	(1,984)	(2,403)	(2,775)
Preferred Dividends					
Other Financing Cashflow	(2,687)	(2,223)	(4,003)	13,709	11,909
Cash Flow From Financing	(8,494)	(2,767)	(17,101)	12,296	10,124
Total Cash Generated	(3,328)	(1,225)	2,190	(11,539)	10,352
Free Cashflow To Equity	2,614	4,615	8,179	(22,836)	1,228
Free Cashflow To Firm	7,327	4,171	21,874	(21,304)	2,835

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	38,160	35,588	56,859	45,319	55,671
Total Debtors	7,883	12,116	12,865	13,517	14,656
Inventories	24,970	27,597	35,551	33,179	37,688
Total Other Current Assets	13,691	14,379	16,848	17,493	19,870
Total Current Assets	84,703	89,679	122,122	109,508	127,885
Fixed Assets	72,822	74,809	95,909	113,900	129,690
Total Investments	55,063	52,853	22,918	23,418	23,918
Intangible Assets	10,535	27,966	19,297	40,000	40,000
Total Other Non-Current Assets	14,365	18,033	19,289	19,789	20,289
Total Non-current Assets	152,786	173,660	157,413	197,107	213,897
Short-term Debt	7,158	19,590	7,618	8,118	8,618
Current Portion of Long-Term Debt					
Total Creditors	8,904	11,960	12,142	13,936	15,771
Other Current Liabilities	30,802	35,772	41,518	43,732	50,948
Total Current Liabilities	46,864	67,321	61,278	65,786	75,337
Total Long-term Debt	12,983	5,809	7,131	7,631	8,131
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2,535	3,440	3,685	4,185	4,385
Total Non-current Liabilities	15,519	9,249	10,816	11,816	12,516
Total Provisions					
Total Liabilities	62,383	76,570	72,094	77,602	87,853
Shareholders Equity	174,603	186,364	207,029	228,602	253,518
Minority Interests	503	406	411	411	411
Total Equity	175,106	186,770	207,440	229,013	253,929

Key Ratios

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	10.7%	18.9%	14.9%	9.3%	13.6%
Operating EBITDA Growth	(9.1%)	(20.2%)	52.6%	11.3%	14.1%
Operating EBITDA Margin	24.7%	16.6%	22.0%	22.4%	22.5%
Net Cash Per Share (Rs)	499.38	282.42	1,167.11	819.57	1,078.76
BVPS (Rs)	4,839.32	5,165.30	5,738.06	6,335.98	7,026.54
Gross Interest Cover	11.85	4.94	10.14	11.17	12.73
Effective Tax Rate	19.2%	15.1%	19.0%	24.0%	24.0%
Net Dividend Payout Ratio	13.9%	28.4%	8.3%	10.0%	10.0%
Accounts Receivables Days	17.92	20.44	22.22	21.47	20.18
Inventory Days	51.22	53.74	56.16	55.93	50.77
Accounts Payables Days	28.64	25.57	27.48	27.36	27.47
ROIC (%)	24.5%	10.2%	17.9%	15.7%	17.0%
ROCE (%)	13.9%	6.4%	12.1%	12.1%	12.9%
Return On Average Assets	11.3%	6.1%	9.8%	9.0%	9.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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