

India

HOLD (no change)

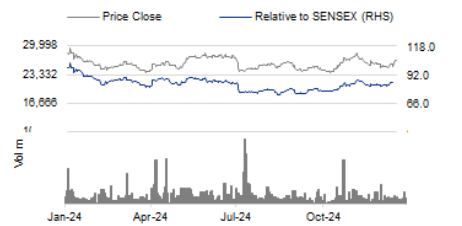
Consensus ratings*: Buy 15 Hold 18 Sell 9

Current price:	Rs26,831
Target price:	Rs27,600
Previous target:	Rs27,700
Up/downside:	2.9%
InCred Research / Consensus:	5.0%
Reuters:	SHCM.NS
Bloomberg:	SRCM IN
Market cap:	US\$11,175m Rs968,065m
Average daily turnover:	US\$11.7m Rs1016.1m
Current shares o/s:	36.1m
Free float:	73.0%

*Source: Bloomberg

Key changes in this note

- Maintain our EBITDA estimates for FY26F-27F.
- Raise our target price slightly to Rs27,600 from Rs26,500 earlier.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.0	5.8	(4.4)
Relative (%)	5.9	9.5	(10.7)

Major shareholders	% held
Promoter & Promoter Group	62.6
SBI Mutual Fund	5.7
LIC	4.5

Research Analyst(s)



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Shree Cement Ltd

Value vs volume tactic seen in unit EBITDA

- 3Q standalone EBITDA stood at Rs9.5bn (~8% above our estimate), down ~23% yoy, led by better costs. Volume was muted & broadly in line (-1% yoy).
- On the other hand, likely realization in grey cement is ~3% qoq vs. our estimate of ~2% qoq, partially offset by lower sales in power business.
- We broadly maintain our FY26F-27F EBITDA estimates. Retain HOLD rating on the stock with a slightly lower target price of Rs27,600.

Value versus volume strategy; prioritizing pricing/premium products

Shree Cement or SRCM's 3QFY25 cement volume declined by ~1% yoy to 8.77mt vs. most large peers reporting growth, and it is in line with the strategy of prioritizing premium, high-value products, coupled with the focus on brand enhancement rather than chasing unrealistic volume (market share) in a subdued demand environment. We believe SRCM continues to lose volume market share. Cement realization likely grew by ~3% qoq, owing to better prices in North India. Blended realization (including power + incentives) fell 11% yoy/ 2% qoq due to lower power sales. Sales of premium products stood at ~15% vs. 14.9% qoq and is committed to increasing the premium mix further. SRCM expects the demand to be better going ahead, with increased consumption in rural areas, healthy urban housing demand, and revival in government infrastructure projects. SRCM has given guidance that its growth will be in line with industry growth for the next few years.

Efficiency initiatives helped in reducing costs sharply in 3QFY25

Blended EBITDA/t improved by Rs293 qoq to Rs1,100 (vs. our estimate of Rs1,035/t) mainly due to lower total costs, with higher savings in P&F costs and fixed costs which declined by ~23% and ~11% qoq, respectively, in 3Q. We believe its energy costs will remain stable in the near term, and, on a kcal basis, we expect fuel costs to be lower than Rs1.6 in 3Q vs. Rs1.64-1.65/kcal, which was highlighted in the last quarter (Rs1.71 in 2Q). The share of green power was ~55% (highest in the industry) and may touch ~62% in 1QFY26F. Green power capacity rose by ~9% in 9MFY25 to 522MW as of Dec 2024-end.

Near-term expansion remains on track; ~80mtpa capacity by FY28F

SRCM's ongoing expansion projects are progressing as per schedule and are expected to get commissioned by 1QFY26F across geographies, aiming to reach >80mtpa ahead of the scheduled FY28F timeline. SRCM expects its annual capex to be ~Rs40bn over the next three years, of which a major portion will be funded from internally generated funds.

Retain HOLD rating with a slightly higher target price of Rs27,600

SRCM trades at an EV/EBITDA of 16.7x & EV/t of US\$145 in FY26F, at a discount to its historical average, due to the profitability gap fill-up by other large peers. We retain our HOLD rating on SRCM with a target price of Rs27,600, set at Mar 2026 EV/EBITDA of 17x.

Upside risks: Better pricing growth & better-than-expected cost control. **Downside risks:** Weak demand, pricing pressure, and delay in commissioning the capacity.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	178,523	204,038	190,390	214,957	244,307
Operating EBITDA (Rsm)	29,595	45,167	37,625	46,785	55,599
Net Profit (Rsm)	12,707	23,957	9,208	15,173	20,917
Core EPS (Rs)	352.2	664.0	255.2	420.5	579.7
Core EPS Growth	(45.5%)	88.5%	(61.6%)	64.8%	37.9%
FD Core P/E (x)	76.18	40.41	105.13	63.80	46.28
DPS (Rs)	100.0	105.0	40.4	66.5	91.7
Dividend Yield	0.37%	0.39%	0.18%	0.30%	0.41%
EV/EBITDA (x)	32.38	20.51	25.10	20.13	16.81
P/FCFE (x)	209.77	118.36	(30.28)	(98.43)	(225.63)
Net Gearing	(5.5%)	(20.3%)	(11.2%)	(11.8%)	(13.9%)
P/BV (x)	5.19	4.68	4.51	4.27	3.97
ROE	7.0%	12.2%	4.4%	6.9%	8.9%
% Change In Core EPS Estimates			(0.76%)	(0.67%)	(0.60%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Value vs volume tactic seen in unit EBITDA

Key takeaways from 3QFY25 results

Demand and pricing outlook:

- **Sales volume (cement+clinker)** stood at 8.77mt, down ~1% yoy (vs. peers reporting growth) and broadly in line with our estimate.
- **Blended realization** stood at Rs5,214/t, down 2.3% qoq and 11% yoy, while 3% below our estimate.
- Sales of premium products in total trade volume stood at ~15%, similar on a qoq basis and in line with its target.
- **Sector outlook:** As per SRCM, cement demand is expected to grow, as per management, with increased consumption from rural areas, healthy urban housing demand, and revival in government infrastructure projects.

Cost & margins:

- **Operating costs/t:** Overall blended costs/t were lower by ~9% qoq and ~7% yoy where a) raw material costs/t were up by ~20% qoq and ~5% yoy at Rs651, b) energy costs/t were down by ~23% qoq and ~26% yoy to Rs1,183, c) logistics costs/t were down qoq by 3% and up 6% yoy to Rs1,196, and d) fixed costs/t were down by ~11% qoq to Rs1,083.
- During 3QFY25, the share of green power consumption in total power consumption stood at ~55%. The company is also steadily increasing its usage of alternative fuels.
- **Consolidated EBITDA** for the quarter came in at ~Rs9.6bn, down by ~24% yoy and up by ~57% qoq (~7% above our expectation). Blended EBITDA/t stood at Rs1,100 during the quarter vs. Rs807 in 2QFY25 and Rs1,421 in 3QFY24.
- **Reported PAT** came in at ~Rs1.94bn vs. our expectation of ~Rs2.5bn; down ~72% yoy and up 1.5x qoq.
- **Depreciation** increased by ~80% yoy to ~Rs8bn. The other income was down by ~25% yoy to Rs1.1bn.

Expansion and capex update:

- For FY25F, the company expects capex to be at Rs40bn and this run rate to be maintained over the next four years.
- Management expects all its current expansion plans to be commissioned by 1QFY26F.
- Besides this, ongoing expansion projects in Jaitaran, Rajasthan (6mtpa), Kodla, Karnataka (3mtpa), Baloda Bazar, Chhattisgarh (3.4mtpa), and Etah, UP (3mtpa) are progressing well and as per schedule, to be commissioned by 1QFY26F.
- Further, SRCM is working on expanding its capacities in different geographies to reach its target of 80mtpa ahead of schedule.

Other business highlights:

- Green power capacity reached 522MW vs. 480MW in 4QFY24.
- SRCM has declared an interim dividend of Rs50/share.

Figure 1: Consolidated quarterly performance

Particulars (Rs m)	3QFY25	3QFY25F	2QFY25	3QFY24	% Change		
					3QFY25F	2QFY25	3QFY24
Net Sales	45,727	47,009	40,542	51,935	-3%	13%	-12%
Raw Materials Consumed	5,709	4,397	4,141	5,509	30%	38%	4%
Freight and Forwarding Expenses	10,492	10,246	9,400	10,025	2%	12%	5%
Power and Fuel Costs	10,379	13,248	11,630	14,235	-22%	-11%	-27%
Employee Costs	2,763	2,913	2,877	2,697	-5%	-4%	2%
Other Expenses	6,736	7,195	6,359	6,828	-6%	6%	-1%
Total Expenditure	36,079	37,999	34,407	39,295	-5%	5%	-8%
EBITDA	9,648	9,010	6,135	12,640	7%	57%	-24%
Depreciation	7,991	6,658	7,159	4,439	20%	12%	80%
EBIT	1,657	2,352	-1,024	8,201	-30%	-262%	-80%
Interest	518	577	557	549	-10%	-7%	-6%
Other Income	1,108	1,681	1,814	1,475	-34%	-39%	-25%
PBT	2,247	3,456	233	9,126	-35%	865%	-75%
Tax	310	968	-534	2,108	-68%	NA	-85%
PAT before MI & Associates	1,937	2,489	766	7,019	-22%	153%	-72%
Minority Interest	0	1	2	0			
Profit from Assoc. Cos	0	0	0	0			
Recurring PAT	1,937	2,488	764	7,019	-22%	153%	-72%
Extraordinary Items	0	0	0	0			
Reported PAT	1,937	2,488	764	7,019	-22%	153%	-72%
EPS (Rs)	53.7	68.9	21.2	194.5	-22%	153%	-72%
Gross Margin	41.9%	40.7%	37.9%	42.7%	120bp	396bp	-81bp
EBITDA Margin	21.1%	19.2%	15.1%	24.3%	193bp	597bp	-324bp
EBIT Margin	3.6%	5.0%	-2.5%	15.8%	-138bp	615bp	-1,217bp
PBT Margin	4.9%	7.4%	0.6%	17.6%	-244bp	434bp	-1,266bp
PAT Margin	4.2%	5.3%	1.9%	13.5%	-106bp	235bp	-928bp
Tax Rate	13.8%	28.0%	-229.2%	23.1%	-1,421bp	24,300bp	-931bp
Cost Items as % of Sales							
RM Costs	12.5%	9.4%	10.2%	10.6%	313bp	227bp	188bp
Freight Costs	22.9%	21.8%	23.2%	19.3%	115bp	-24bp	364bp
P&F Costs	22.7%	28.2%	28.7%	27.4%	-548bp	-599bp	-471bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

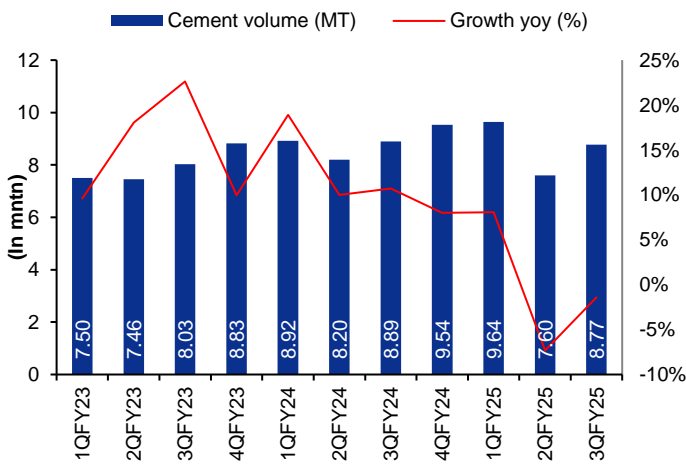
Figure 2: 3QFY25 results: Per tonne analysis

Per tonne analysis	3QFY25	3QFY25F	2QFY25	3QFY24	% Change		
					3QFY25F	2QFY25	3QFY24
Sales Volume (Cement + Clinker)	8.77	8.71	7.60	8.89	0.7%	15.4%	-1.4%
Realization	5,214	5,400	5,334	5,839	-3.4%	-2.3%	-10.7%
EBITDA/t	1,100	1,035	807	1,421	6.3%	36.3%	-22.6%
RM Costs/t	651	505	545	619	28.9%	19.5%	5.1%
P&F Costs/t	1,183	1,522	1,530	1,601	-22.2%	-22.7%	-26.1%
Freight Costs/t	1,196	1,177	1,237	1,127	1.6%	-3.3%	6.1%
Employee Costs/t	315	335	379	303	-5.8%	-16.8%	3.9%
Other Expenses/t	768	827	837	768	-7.1%	-8.2%	0.0%
Total Costs/t	4,114	4,365	4,527	4,418	-5.8%	-9.1%	-6.9%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

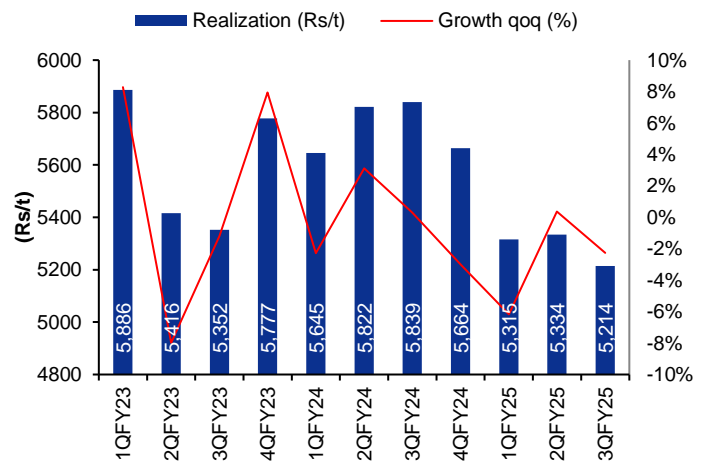
Key charts ➔

Figure 3: Cement sales volume, including clinker, declines by ~1% yoy to ~8.8mt



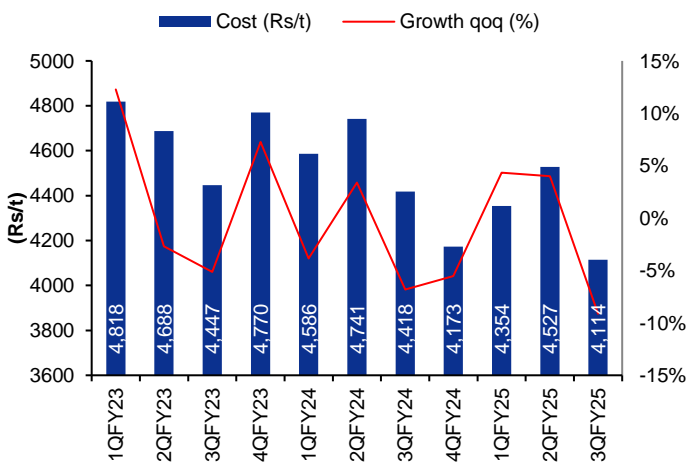
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Blended realization declines by ~2% qoq



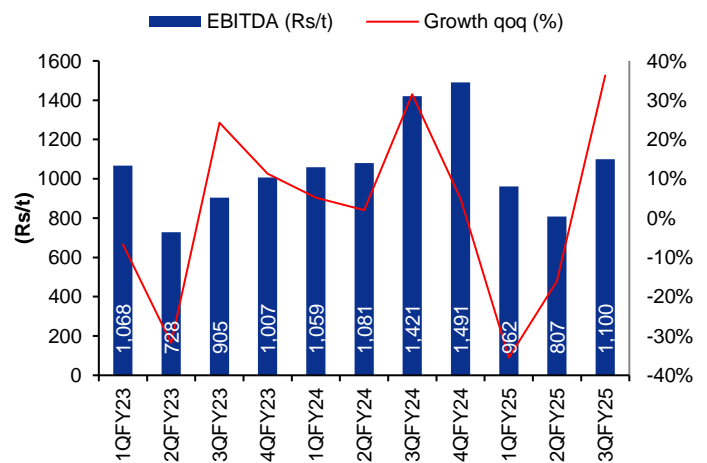
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Total operating blended costs/t down by ~9% qoq and ~7% yoy



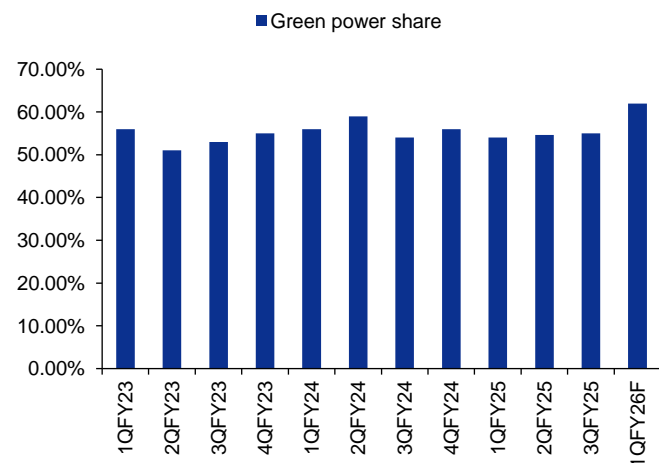
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Blended unit EBITDA stood at Rs1,100, a decline of Rs321 yoy and improvement of Rs293 qoq



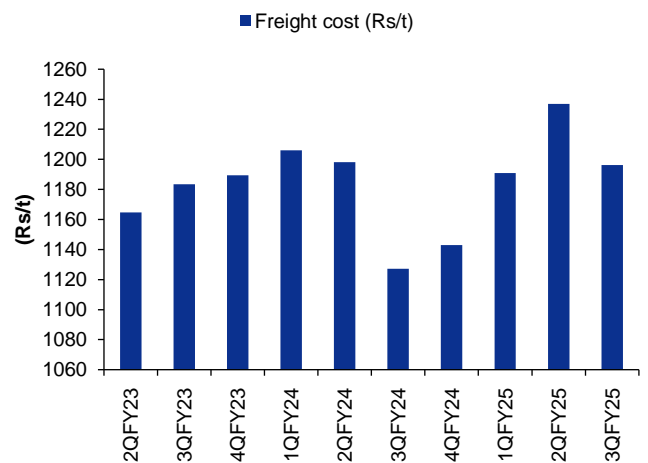
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: SRCM targets to take green power's share to 62% by Jun 2025F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Freight costs in Rs/t during the quarter



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key changes ➤

Figure 9: Our revised earnings estimates

Rs. m	New			Old			Change (%)	
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F
Sales	1,90,390	2,14,957	2,44,307	1,91,931	2,14,257	2,44,831	-1%	0%
EBITDA	37,625	46,785	55,599	39,515	46,767	55,388	-5%	0%
PAT	9,208	15,173	20,917	10,500	15,400	21,300	-14%	-1%
EPS (Rs.)	255.2	420.5	579.7	290.0	430.0	590.0	-14%	-2%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: Changes in our earnings estimates vs. Bloomberg consensus estimates

Rs. m	Incred			Consensus			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Sales	1,90,390	2,14,957	2,44,307	2,03,078	2,32,688	2,57,316	-6%	-8%	-5%
EBITDA	37,625	46,785	55,599	37,764	48,767	57,091	0%	-4%	-3%
PAT	9,208	15,173	20,917	12,782	20,079	23,340	-28%	-24%	-10%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 11: Key assumptions

	FY23	FY24	FY25F	FY26F	FY27F
Volume (mtpa)	31.8	35.5	36.0	39.9	44.6
Yoy	15%	12%	1%	11%	12%
Blended Realization (per t)	5,611	5,741	5,281	5,381	5,478
Yoy	4%	2%	-8%	2%	2%
Cost (per t)	4,681	4,470	4,238	4,210	4,231
Yoy	15%	-5%	-5%	-1%	1%
EBITDA (per t)	930	1,271	1,044	1,171	1,247
Yoy	-30%	37%	-18%	12%	6%
EBITDA (Rs m)	29,595	45,167	37,625	46,785	55,599
Yoy	-20%	53%	-17%	24%	19%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 12: Maintain our HOLD rating on the stock with a target price of Rs27,600, set at EV/EBITDA of 16x

Valuation	TP
Target EV/EBITDA multiple (x)	17.0
Target EV (Rs m)	9,45,190
Net debt (Rs m)	(50,659)
No. of shares (m)	36
Target price (Rs)	27,600

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 13: SRCM's shareholding pattern (as of end-Dec 2024)

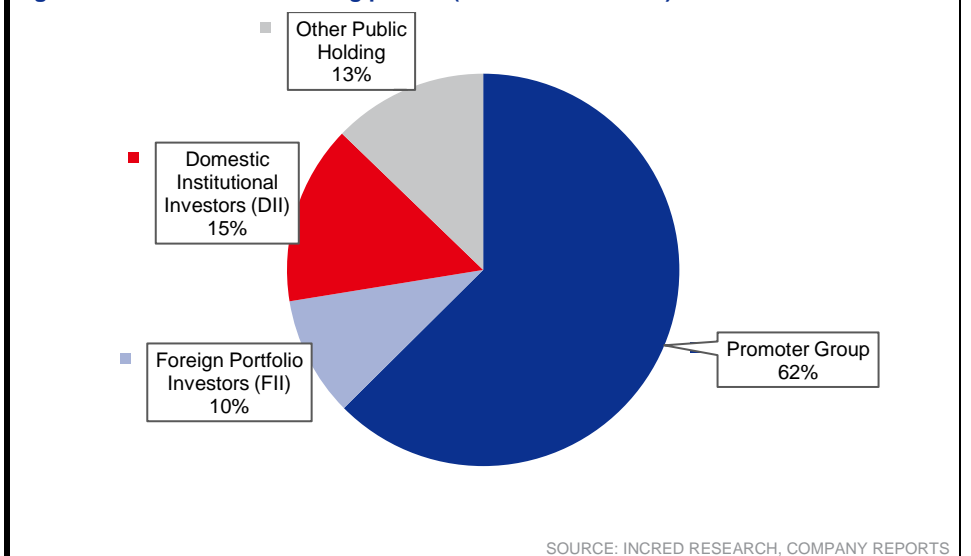
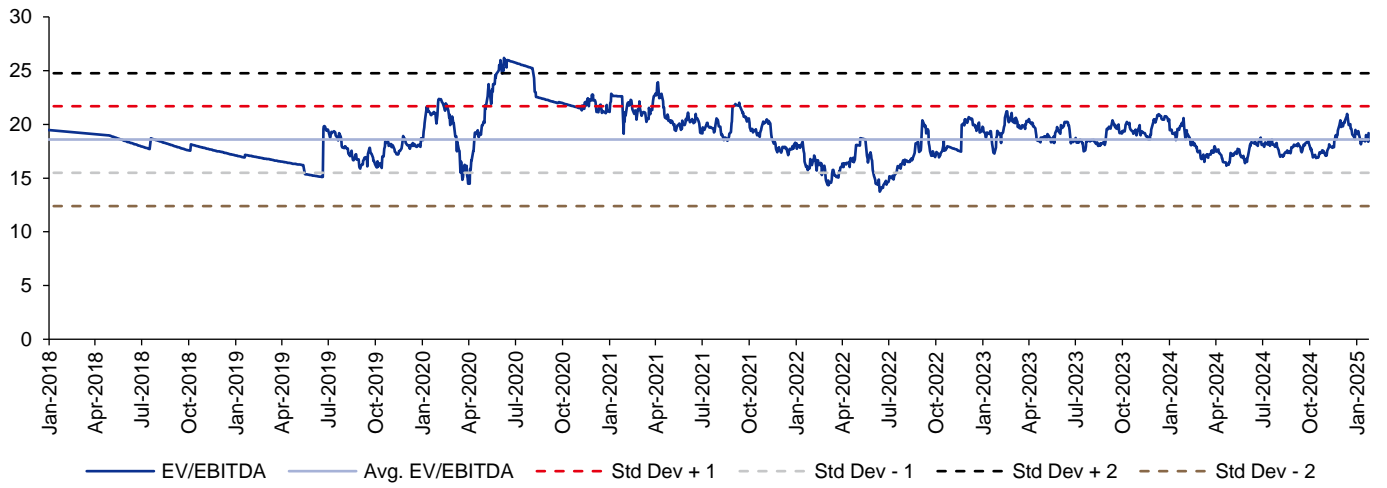
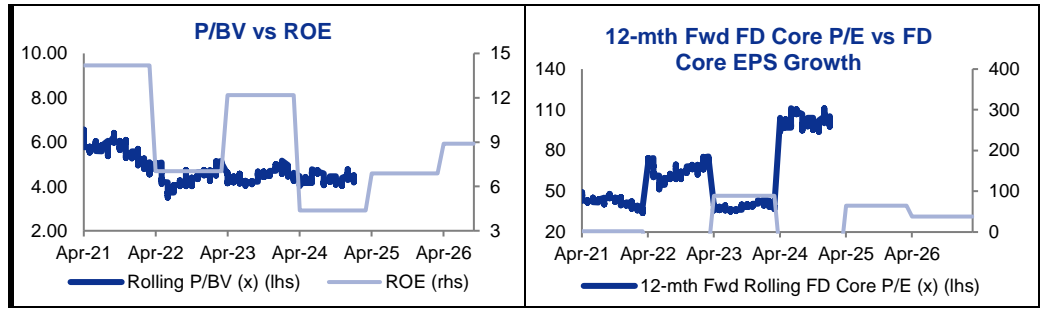


Figure 14: SRCM's one-year forward EV/EBITDA trades close to its historical average



SOURCE: INCRED RESEARCH, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	178,523	204,038	190,390	214,957	244,307
Gross Profit	178,523	204,038	190,390	214,957	244,307
Operating EBITDA	29,595	45,167	37,625	46,785	55,599
Depreciation And Amortisation	(16,607)	(18,973)	(29,408)	(30,585)	(31,808)
Operating EBIT	12,988	26,194	8,217	16,200	23,791
Financial Income/(Expense)	(2,629)	(2,583)	(2,196)	(2,086)	(2,003)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	4,591	5,981	6,101	5,857	5,740
Profit Before Tax (pre-EI)	14,950	29,592	12,122	19,971	27,528
Exceptional Items					
Pre-tax Profit	14,950	29,592	12,122	19,971	27,528
Taxation	(2,259)	(5,630)	(2,909)	(4,793)	(6,607)
Exceptional Income - post-tax					
Profit After Tax	12,691	23,962	9,213	15,178	20,921
Minority Interests	16	(5)	(5)	(5)	(5)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	12,707	23,957	9,208	15,173	20,917
Recurring Net Profit	12,707	23,957	9,208	15,173	20,917
Fully Diluted Recurring Net Profit	12,707	23,957	9,208	15,173	20,917

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	29,595	45,167	37,625	46,785	55,599
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(478)	5,244	6,319	606	(816)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	4,591	5,981	6,101	5,857	5,740
Other Operating Cashflow	(3,133)	(14,704)	(14,704)	(14,704)	(14,704)
Net Interest (Paid)/Received	(2,629)	(2,583)	(2,196)	(2,086)	(2,003)
Tax Paid	(2,259)	(5,630)	(2,909)	(4,793)	(6,607)
Cashflow From Operations	25,687	33,475	30,236	31,665	37,210
Capex	(32,791)	(31,695)	(40,500)	(40,500)	(40,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	8,646	17,510	(21,203)	(500)	(500)
Cash Flow From Investing	(24,145)	(14,185)	(61,703)	(41,000)	(41,000)
Debt Raised/(repaid)	3,072	(11,111)	(500)	(500)	(500)
Proceeds From Issue Of Shares	(9)	(2)	(9)	(9)	(9)
Shares Repurchased					
Dividends Paid	(3,608)	(3,788)	(1,762)	(2,903)	(4,002)
Preferred Dividends					
Other Financing Cashflow	(2,223)	(2,199)	15,209	14,909	14,909
Cash Flow From Financing	(2,767)	(17,101)	12,938	11,496	10,397
Total Cash Generated	(1,225)	2,190	(18,530)	2,161	6,607
Free Cashflow To Equity	4,615	8,179	(31,967)	(9,835)	(4,290)
Free Cashflow To Firm	4,171	21,874	(29,271)	(7,249)	(1,788)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	35,588	56,859	38,329	40,490	47,097
Total Debtors	12,116	12,865	11,476	12,367	14,056
Inventories	27,597	35,551	28,167	31,802	36,144
Total Other Current Assets	14,379	16,848	14,850	16,767	19,056
Total Current Assets	89,679	122,122	92,822	101,426	116,353
Fixed Assets	74,809	95,909	106,501	115,916	124,108
Total Investments	52,853	22,918	23,418	23,918	24,418
Intangible Assets	27,966	19,297	40,000	40,000	40,000
Total Other Non-Current Assets	18,033	19,289	19,789	20,289	20,789
Total Non-current Assets	173,660	157,413	189,707	200,123	209,314
Short-term Debt	19,590	7,618	7,618	7,618	7,618
Current Portion of Long-Term Debt					
Total Creditors	11,960	12,142	12,083	13,266	14,900
Other Current Liabilities	35,772	41,518	37,126	42,991	48,861
Total Current Liabilities	67,321	61,278	56,827	63,876	71,380
Total Long-term Debt	5,809	7,131	6,631	6,131	5,631
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	3,440	3,685	4,185	4,385	4,585
Total Non-current Liabilities	9,249	10,816	10,816	10,516	10,216
Total Provisions					
Total Liabilities	76,570	72,094	67,643	74,392	81,596
Shareholders Equity	186,364	207,029	214,475	226,745	243,660
Minority Interests	406	411	411	411	411
Total Equity	186,770	207,440	214,887	227,156	244,071

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	18.9%	14.3%	(6.7%)	12.9%	13.7%
Operating EBITDA Growth	(20.2%)	52.6%	(16.7%)	24.3%	18.8%
Operating EBITDA Margin	16.6%	22.1%	19.8%	21.8%	22.8%
Net Cash Per Share (Rs)	282.42	1,167.11	667.40	741.15	938.12
BVPS (Rs)	5,165.30	5,738.06	5,944.44	6,284.51	6,753.32
Gross Interest Cover	4.94	10.14	3.74	7.77	11.88
Effective Tax Rate	15.1%	19.0%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	28.4%	15.8%	19.1%	19.1%	19.1%
Accounts Receivables Days	20.44	22.34	23.33	20.24	19.74
Inventory Days	53.74	56.48	61.08	50.91	50.76
Accounts Payables Days	25.57	27.69	28.94	27.51	27.24
ROIC (%)	10.2%	17.9%	4.8%	9.0%	12.5%
ROCE (%)	6.4%	12.1%	3.6%	6.9%	9.6%
Return On Average Assets	6.1%	9.8%	4.1%	5.9%	7.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.