

Price: 31,216

Recommendation: Buy

Industry: Cement & Cement Products

Sector: Commodities

Report Date: 21-Apr-2025

Shree Cement Limited is strategically navigating challenging market conditions by focusing on high EBITDA, high-value products, and premium offerings, which now make up 15% of their trade segment. The company is expanding its capacity to over 80 million tons by FY28, with projects in Jaitaran, Kodla, Baloda Bazaar, and Etah. Emphasizing sustainability, 54.8% of its power is green, with plans to add 90 megawatts by March 2025.

Sales		Profit & Loss		Profitability Matrix	
Current Year	17870 Cr	Operating Profit(Year)	3783 Cr	Operating Profit Margin	21.2 %
Previous Year	16837 Cr	Operating Profit(Quarter)	947 Cr	EBITDA Margin	27.67 %
Current Quarter	4235 Cr	PAT (Year)	2484 Cr	Net Profit Margin	12.7 %
Previous Quarter	3727 Cr	PAT (Quarter)	229 Cr	EPS	361
Revenue (QYoY)	4873 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	86.5	Sales Growth	-6.87 %	Sales Growth	13.63 %
PEG Ratio	4.86	PAT Growth	87.47 %	Sales Growth QYoY	-13.09 %
EV/EBITDA	26.3	EPS Growth	-47.22 %	PAT Growth	145.97 %
P/B	5.44	Dividend Yield	0.34	PAT Growth QYoY	-68.8 %
Capital Allocation		Holdings		Leverage	
RoE	12.8 %	Promoter	62.6 %	Debt/Equity	0.09
RoA	9.33 %	FII	9.70 %	Debt	1758 Cr
RoCE	15.4 %	DII	15.1 %	Market Cap	112629 Cr
RoIC	33.7 %	Public	12.4 %	Enterprise value	114246 Cr
		No of Shares	3.61 Cr	Cash Equivalents	141 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent conference call, Shree Cement Limited outlined several strategic initiatives and business strategies aimed at navigating the challenging market conditions. The company emphasized a shift towards a value-over-volume strategy, focusing on high EBITDA, high-value products. This approach was adopted in response to subdued demand and declining industry-wide cement prices. The company managed to outperform the industry average by maintaining disciplined pricing and focusing on premium products, which now constitute about 15% of their trade segment. This strategic pivot has allowed Shree Cement to maintain a stable revenue per ton, despite a 7% year-on-year decline in volumes.

Shree Cement is actively pursuing diversification and expansion to bolster its market position. The company is on track with its ongoing expansion projects in Jaitaran, Kodla, Baloda Bazaar, and Etah, expecting completion between April and June next year. These expansions are part of a broader goal to reach over 80 million tons of capacity by FY28. Additionally, Shree Cement is making significant strides in sustainability, with green power comprising about 54.8% of its total power use, the highest in the cement industry. The company is working on adding 90 megawatts of green power capacity, expected to be completed by March 2025.

Looking ahead, Shree Cement is optimistic about future growth, driven by government-led infrastructure projects and improved agricultural output due to a good monsoon. The company anticipates a positive demand environment in the next 6 months, which should support better pricing. However, sustained price improvement will depend on a steady recovery in demand across segments. The company is also focusing on operational excellence and brand optimization to navigate current pressures and capture future demand. The management remains committed to maintaining market share by growing across geographies in line with market demand growth.

From a financial perspective, Shree Cement's focus on cash profits over net profits is noteworthy. Despite challenging market conditions, the company has maintained its cash EPS, emphasizing its cash-centric approach. The company plans to continue its annual CAPEX of approximately Rs. 4,000 crore over the next few years to support its expansion goals. While the current strategy has yielded positive results, there is room for improvement in managing lead distances and optimizing regional sales mixes to enhance profitability further. Overall, Shree Cement's strategic initiatives and focus on sustainability position it well for future growth, though careful monitoring of market dynamics and operational efficiencies will be crucial.

SHREECEM Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
JK Lakshmi Cem.	9719.60	36.01	15.39%	21.27%	-12.10%	524.59%	-56.94%
ACC	39300.11	16.35	14.15%	28.48%	20.61%	389.10%	103.06%
J K Cements	38989.93	61.76	15.94%	14.46%	-0.16%	343.66%	-33.19%
UltraTech Cem.	351461.73	55.99	12.19%	9.97%	2.71%	79.20%	-17.20%
Ambuja Cements	142577.94	33.73	9.24%	24.11%	14.76%	280.52%	156.64%

Aspect	Commentary
Revenue	The company shows a positive revenue trend with a year-on-year increase, indicating effective sales strategies. The quarterly growth also suggests strong market positioning and demand for its products, despite industry challenges.
Profit & Loss	Operating profit and PAT figures reflect robust financial health, with significant year-on-year growth in PAT. This suggests efficient cost management and successful revenue conversion into profit.
Profitability Matrix	High operating and EBITDA margins indicate strong operational efficiency. The net profit margin further supports the company's ability to convert sales into actual profit, showcasing financial stability.
Valuation Matrix	The high P/E ratio suggests market confidence in future growth, though the PEG ratio indicates potential overvaluation. The EV/EBITDA and P/B ratios align with industry standards, reflecting balanced valuation.
Growth (YoY)	The company exhibits mixed growth signals, with a notable PAT increase but a decline in sales and EPS. This suggests profitability improvements despite revenue challenges, highlighting strategic cost management.
Growth (QoQ)	Quarterly growth figures show a strong rebound in PAT, indicating effective short-term strategies. However, the decline in sales growth QYoY suggests potential market volatility or competitive pressures.
Capital Allocation	The company demonstrates efficient capital use with strong RoE, RoA, and RoCE figures. High RoIC indicates effective investment strategies, supporting long-term growth and shareholder value.
Holdings	Promoter holding is strong, indicating confidence in the company's prospects. Institutional holdings suggest market trust, while public holding reflects a balanced ownership structure, supporting stability.
Leverage	Low debt/equity ratio indicates prudent financial management, minimizing risk. The company's market cap and enterprise value suggest strong market presence, while cash reserves provide liquidity for operations.

Analyst viewpoint: Shree Cement's strategic initiatives and robust financial performance underscore its potential for short to mid-term growth, making it a compelling buy. With a quarterly sales growth of 13.63% and a remarkable 145.97% increase in PAT, the company demonstrates strong operational efficiency and market resilience. Its focus on high-margin, premium products, which now comprise 15% of trade, supports its value-over-volume strategy in challenging market conditions. Coupled with a low debt-to-equity ratio of 0.09 and robust capital allocation metrics such as a RoE of 12.8% and RoIC of 33.7%, Shree Cement is well-positioned to sustain growth. The recent concall highlighted ongoing expansion projects that are expected to drive capacity to over 80 million tons by FY28, exploiting sector recovery and government infrastructure initiatives.

The peer comparison reveals that while Shree Cement's trailing P/E of 86.5 is on the higher side, it reflects market confidence in its growth prospects. This, alongside its sustainable power initiatives, with 54.8% of energy needs from green power, demonstrate forward-thinking operational management. However, the company might face challenges with market volatility affecting regional sales mixes. Maintaining competitive pricing amidst fluctuating demand will be crucial. Overall, Shree Cement's strategic foresight, backed by financial prudence and market adaptability, positions it well against competitors, with a positive outlook despite potential for minor volatility in sales.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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