




Shree Cement

Estimate change 
TP change 
Rating change 

Bloomberg	SRCM IN
Equity Shares (m)	36
M.Cap.(INRb)/(USD\$)	763.6 / 9.3
52-Week Range (INR)	29825 / 17900
1, 6, 12 Rel. Per (%)	-8/-16/-19
12M Avg Val (INR M)	1234

Financial Snapshot (INR b)

Y/E Mar	2023E	2024E	2025E
Sales	162.3	171.0	188.6
EBITDA	30.1	38.9	45.7
Adj. PAT	12.9	17.7	21.4
EBITDA Margin (%)	18.5	22.8	24.2
Cons. Adj. EPS (INR)	357	490	592
EPS Gr. (%)	-43.3	37.3	20.9
BV/Sh. (INR)	5,084	5,493	5,936

Ratios

Net D:E	-0.3	-0.3	-0.3
RoE (%)	7.2	9.3	10.4
RoCE (%)	7.5	9.3	10.3
Payout (%)	16.8	16.3	25.3

Valuations

P/E (x)	59.3	43.2	35.7
P/BV (x)	4.2	3.9	3.6
EV/EBITDA(x)	22.6	17.7	15.2
EV/ton (USD)	178	158	151
Div. Yield (%)	0.3	0.4	0.7
FCF Yield (%)	-0.2	0.6	0.9

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	62.6	62.6	62.6
DII	11.2	11.2	10.5
FII	11.9	12.2	13.0
Others	14.4	14.1	14.0

FII Includes depository receipts

CMP: INR21,163 TP: INR21,510 (+2%) Neutral

Cost pressures and weak realization hurt

Announces changes in the Board's composition

- SRCM, as expected, reported a weak 2QFY23, led by higher variable costs and weak realization. EBITDA fell 42% YoY to INR5.2b (est. INR5.4b) and EBITDA/t came in at a 28-quarter low at INR701 (est. INR770), down 51% YoY and 36% QoQ. Profit fell 67% YoY to INR1.9b (est. INR2.1b).
- Changes in the Board composition: 1) Mr. B. G. Bangur will be Chairman Emeritus (earlier: Chairman); 2) Mr. H. M. Bangur will be Chairman (earlier: MD); 3) Mr. Prashant Bangur will be Vice Chairman (earlier: Joint MD); and 4) Mr. Neeraj Akhoury (former MD & CEO of ACEM/ACC) has been designated as MD for a period of five years.
- We have kept our earnings estimates largely intact. Valuations, at 17.7x FY24E EV/EBITDA, appears rich considering the narrowing of cost benefits v/s its peers. We maintain our Neutral rating on the stock, valuing it at 16x Sep'24E EV/EBITDA (from Mar'24 earlier).

Sales volume above our estimate, but realization disappoints

- Revenue/EBITDA/profit stood at INR37.8b/INR5.2b/INR1.9b, +18%/-42%/-67% YoY and 1%/3%/9% below our estimates. Sales volumes rose 18% YoY as Cement volume grew 14.5%. Realization was flat YoY, but declined by 9% QoQ (7% lower than our estimate). Lower power sales and higher clinker volumes (impact of ~1% on realization) aided pressure on realization.
- OPEX/t increased by 20% YoY, led by: 1) a 66% increase in variable costs on higher coal and petcoke prices, and 2) a 3% rise in freight cost. Employee cost/t fell 12% on higher volumes and other expense declined by 10% YoY. Higher costs led to 14pp YoY and 6pp QoQ decline in OPM to 13.8%.
- Depreciation/interest cost rose 45%/22% YoY. Higher interest cost was largely due to an increase in short-term borrowings (up INR6.9b in 1HFY23).
- Revenue grew 20% YoY in 1HFY23, backed by a 6%/14% YoY rise in blended realization/volume. OPEX/t increased by 23% YoY, which led to 30% drop in EBITDA to INR13.4b and ~12pp YoY decline in OPM to 16.8%. Profit declined by 59% YoY to INR5.1b.
- OCF in 1HFY23 declined by 26% YoY to INR7.3b due to lower profitability, which was partly offset by an improvement in working capital and lower tax outgo. FCF turned negative (INR4.6b) v/s INR2.3b in 1HFY22, due to higher capex of INR12b v/s INR7.6b in 1HFY22.

Expensive valuation, maintain our Neutral rating

- SRCM is expanding its domestic grinding capacity by 9.5mtpa to 55.9mtpa by FY25. Volume growth over FY20-22 has been lower than its peers. Its cost benefits v/s its peers is shrinking as other companies are increasing their green power usage, dependence on split grinding units, etc.
- The stock trades at 17.7x FY24E EV/EBITDA (v/s its 10-year average one-year forward EV/EBITDA of 18x), which restrict any material upside. We maintain our **Neutral** rating and value it at 16x Sep'24E EV/EBITDA (v/s Mar'24 earlier) to arrive at our TP of INR21,510.

Sanjeev Kumar Singh - Research analyst (Sanjeev.Singh@MotilalOswal.com)

Mudit Agarwal - Research analyst (Mudit.Agarwal@MotilalOswal.com)

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Standalone quarterly performance

(INR b)

	FY22				FY23				FY22	FY23E	FY23E	Var.
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	34.5	32.1	35.5	41.0	42.0	37.8	39.5	42.9	143.3	162.3	38.2	-1
Change (YoY %)	48.3	6.1	7.3	4.3	21.8	17.9	11.3	4.6	13.7	13.2	19.1	
Total Expenditure	24.4	23.1	27.3	31.9	33.8	32.6	32.0	33.7	106.8	132.2	32.8	-1
EBITDA	10.1	9.0	8.3	9.1	8.2	5.2	7.5	9.2	36.5	30.1	5.4	-3
Margin (%)	29.4	28.0	23.2	22.2	19.5	13.8	18.9	21.4	25.5	18.5	14.2	
Depreciation	2.3	2.5	2.5	3.0	3.3	3.6	3.4	4.2	10.4	14.4	3.3	9
Interest	0.5	0.6	0.6	0.5	0.6	0.7	0.7	0.7	2.2	2.6	0.6	18
Other Income	1.4	1.5	1.1	1.4	-0.2	1.6	1.2	1.2	5.4	3.7	1.1	42
PBT before EO Exp.	8.7	7.4	6.3	6.9	4.1	2.5	4.6	5.5	29.3	16.8	2.6	-4
Extra-Ord. Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	8.7	7.4	6.3	6.9	4.1	2.5	4.6	5.5	29.3	16.8	2.6	-4
Tax	2.0	1.6	1.4	0.5	1.0	0.6	1.1	1.3	5.5	3.9	0.5	
Rate (%)	23.6	22.1	21.7	7.0	23.4	23.9	23.0	23.3	18.9	23.3	20.0	
Reported PAT	6.6	5.8	4.9	6.5	3.2	1.9	3.6	4.2	23.8	12.9	2.1	-9
Adj. PAT	6.6	5.7	4.9	5.5	3.2	1.9	3.6	4.2	22.7	12.9	2.1	-9
Change (YoY %)	78.5	6.8	-21.4	-29.0	-52.3	-66.9	-27.3	-22.0	-1.3	-43.3	-63.7	

Quarterly performance

Sales Dispat. (mt)	6.84	6.32	6.55	8.03	7.50	7.46	7.60	8.30	27.74	30.86	7.02	6
Change (YoY %)	38.7	-3.2	-8.6	-2.3	9.7	18.0	16.1	3.4	3.3	11.3	11.0	
Realization	5,043	5,073	5,422	5,105	5,602	5,071	5,201	5,166	5,166	5,112	5,442	-7
Change (YoY %)	6.9	9.6	17.4	6.7	11.1	0.0	-4.1	1.2	10.0	-1.1	7.3	
Expenditure												
RM Cost	280	330	589	440	234	496	453	477	410	417	366	36
Staff Cost	309	321	300	245	290	281	287	268	291	281	304	-7
Power and Fuel	954	994	1,233	1,336	1,923	1,646	1,496	1,417	1,140	1,472	1,973	-17
Freight	1,217	1,118	1,162	1,172	1,204	1,148	1,160	1,206	1,169	1,180	1,180	-3
Other Expenses	802	889	877	778	859	799	820	695	841	773	850	-6
Total Op. cost	3,561	3,651	4,162	3,971	4,511	4,369	4,215	4,063	3,851	4,123	4,672	-6
EBITDA	1,482	1,421	1,260	1,134	1,091	701	986	1,103	1,315	989	770	-9

Source: Company, MOFSL Estimates

Exhibit 1: Revisions to our estimates

(INR b)	Revised estimate		Old estimate		Change (%)	
	FY23	FY24	FY23	FY24	FY23	FY24
Revenue	162.3	171.0	163.2	171.6	-1	0
EBITDA	30.1	38.9	30.0	38.6	0	1
PAT	12.9	17.7	13.4	18.1	-4	-2
EPS (INR)	356.8	489.9	372.5	500.6	-4	-2

Source: Company, MOFSL Estimates

Story in charts

Exhibit 2: Sales volume grew 18% YoY, but fell 1% QoQ

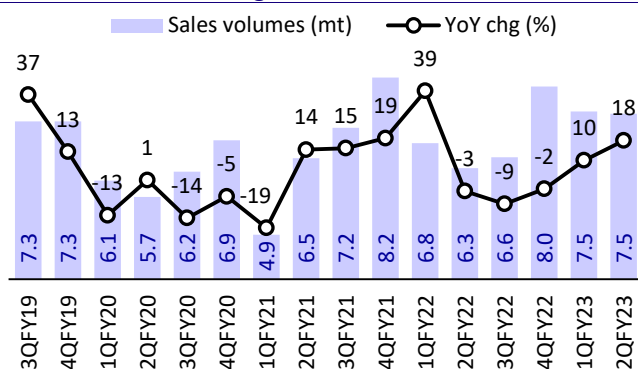


Exhibit 3: Blended realization flat YoY, but declined 9% QoQ

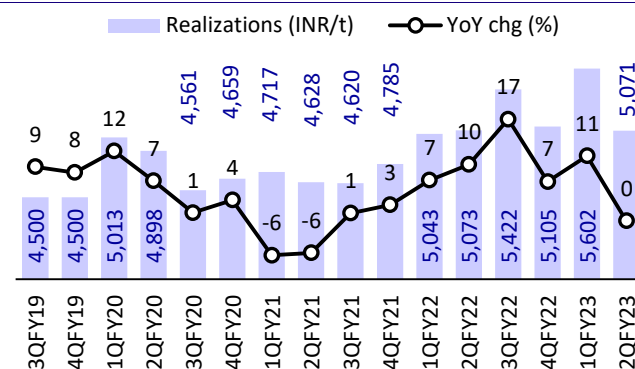
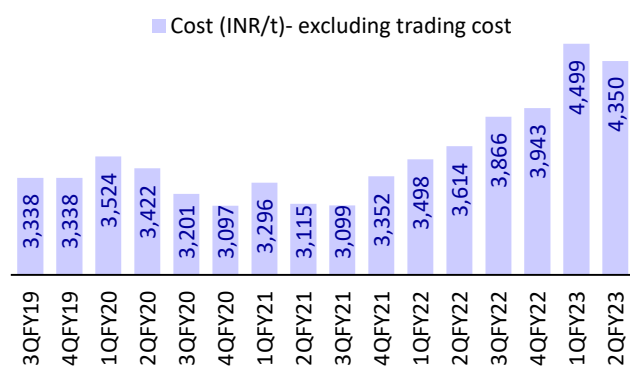
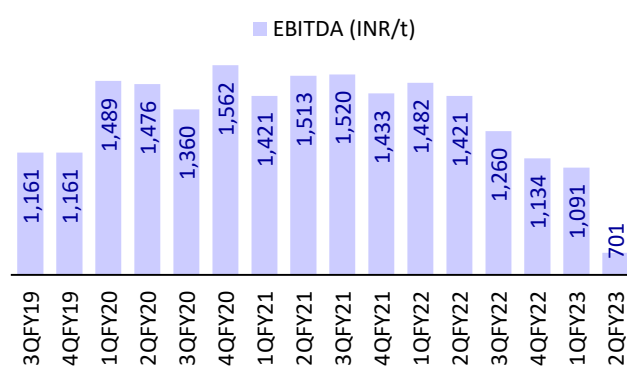


Exhibit 4: OPEX/t up 20% YoY, but down 3% QoQ



Source: Company, MOFSL

Exhibit 5: EBITDA/t fell 51% YoY, at a 28 quarter low



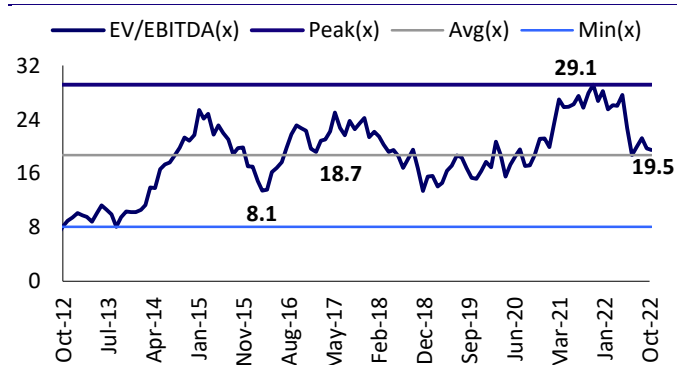
Source: Company, MOFSL

Exhibit 6: Key performance indicators – per tonne analysis

INR/t	2QFY23	2QFY22	YoY (%)	1QFY23	QoQ (%)
Net realization	5,071	5,073	-0	5,602	-9
RM Cost	496	330	50	234	111
Employee Expenses	281	321	-12	290	-3
Power, Oil, and Fuel	1,646	994	66	1,923	-14
Freight and Handling	1,148	1,118	3	1,204	-5
Other Expenses	799	889	-10	859	-7
Total Expenses	4,369	3,651	20	4,511	-3
EBITDA	701	1,421	-51	1,091	-36

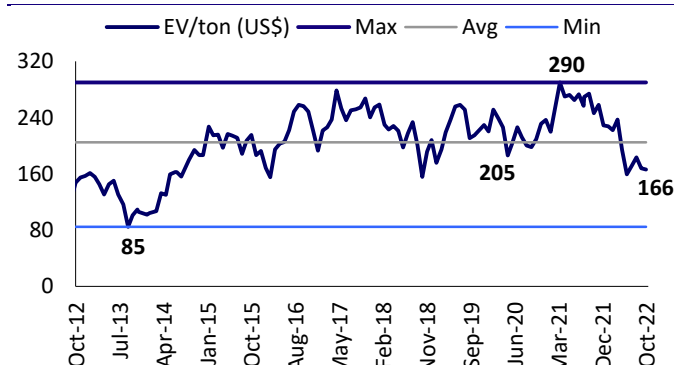
Source: Company, MOFSL

Exhibit 7: One-year forward EV/EBITDA ratio chart



Source: Company, MOFSL

Exhibit 8: One-year forward EV/t chart



Source: Company, MOFSL

Standalone financials and valuations

Income Statement								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	98,894	1,17,599	1,19,301	1,26,037	1,43,297	1,62,258	1,70,981	1,88,646
Change (%)	17.0	18.9	1.4	5.6	13.7	13.2	5.4	10.3
EBITDA	24,728	27,869	36,745	39,547	36,478	30,067	38,921	45,703
Margin (%)	25.0	23.7	30.8	31.4	25.5	18.5	22.8	24.2
Depreciation	8,994	13,917	16,994	11,399	10,365	14,416	17,173	19,782
EBIT	15,734	13,952	19,751	28,148	26,114	15,652	21,748	25,922
Int. and Finance Charges	1,353	3,810	2,865	2,471	2,178	2,562	2,370	1,955
Other Income – Rec.	3,891	2,454	2,716	4,580	5,373	3,702	4,188	4,525
PBT before EO Expense	18,272	12,596	19,602	30,257	29,309	16,791	23,566	28,492
EO Expense/(Income)	0	1,781	0	0	0	0	0	0
PBT after EO Expense	18,272	10,814	19,602	30,257	29,309	16,791	23,566	28,492
Tax	4,466	2,177	5,248	7,536	4,382	4,198	5,891	7,123
Deferred Tax	-36	-873	-1,348	-398	1,161	-282	0	0
Tax Rate (%)	24.2	12.1	19.9	23.6	18.9	23.3	25.0	25.0
Reported PAT	13,842	9,510	15,702	23,119	23,766	12,875	17,674	21,369
Adj. PAT for EO items	13,842	11,292	15,702	23,017	22,721	12,875	17,674	21,369
Change (%)	3.4	-18.4	39.1	46.6	-1.3	-43.3	37.3	20.9
Margin (%)	14.0	9.6	13.2	18.3	15.9	7.9	10.3	11.3

Balance Sheet								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	348	348	361	361	361	361	361	361
Other Reserves	88,620	95,626	1,29,003	1,52,140	1,72,348	1,83,058	1,97,846	2,13,802
Total Reserves	88,620	95,626	1,29,003	1,52,140	1,72,348	1,83,059	1,97,848	2,13,804
Net Worth	88,968	95,974	1,29,364	1,52,501	1,72,709	1,83,420	1,98,209	2,14,165
Deferred Liabilities	-5131	-6126	-7438	-7855	-6695	-6695	-6695	-6695
Secured Loan	23,761	27,980	31,042	21,332	20,142	20,858	17,070	14,216
Unsecured Loan	10,269	0	400	0	0	0	0	0
Total Loans	34,030	27,980	31,442	21,332	20,142	20,858	17,070	14,216
Capital Employed	1,17,868	1,17,827	1,53,368	1,65,978	1,86,155	1,97,582	2,08,584	2,21,686
Gross Block	65,480	88,365	1,03,634	1,13,644	1,35,229	1,50,229	1,93,229	2,23,229
Less: Accum. Deprn.	29,586	43,608	60,445	71,729	82,014	96,430	1,13,603	1,33,384
Net Fixed Assets	35,895	44,757	43,189	41,916	53,215	53,799	79,626	89,845
Capital WIP	18,303	14,725	12,576	12,836	9,729	20,729	7,729	2,729
Financial investments	54,341	22,856	63,575	83,712	86,014	82,514	79,514	79,514
Strategic Investment	3	21,583	25,579	26,794	29,445	29,445	29,445	29,445
Curr. Assets	37,749	41,886	41,022	37,275	49,056	53,676	58,760	64,585
Inventory	15,690	15,891	14,279	14,772	21,614	22,227	22,485	24,808
Account Receivables	4,593	7,324	8,285	4,859	5,957	8,002	8,432	9,303
Cash and Bank Balance	3,209	3,078	1,082	2,098	1,183	1,927	3,093	2,013
Others	14,258	15,593	17,378	15,547	20,303	21,521	24,749	28,461
Curr. Liability and Prov.	28,422	27,980	32,574	36,555	41,304	42,583	46,493	44,434
Account Payables	28,338	27,886	32,470	36,430	41,160	42,439	46,349	44,291
Provisions	85	93	104	125	144	144	144	144
Net Current Assets	9,327	13,907	8,449	721	7,752	11,093	12,267	20,151
Appl. of Funds	1,17,868	1,17,827	1,53,368	1,65,978	1,86,155	1,97,582	2,08,584	2,21,686

Source: Company, MOFSL

Standalone financials and valuations

Ratios								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)								
EPS	396.3	324.1	435.2	637.9	629.7	356.8	489.9	592.3
Cash EPS	776.7	399.5	471.0	315.9	287.3	399.5	476.0	548.3
BV/Share	2,553.6	2,754.7	3,585.5	4,226.7	4,786.8	5,083.6	5,493.5	5,935.7
DPS	50.0	60.0	110.0	60.0	90.0	60.0	80.0	150.0
Payout (%)	12.6	22.0	25.3	9.4	13.7	16.8	16.3	25.3
Valuation (x)								
P/E ratio		65.3	48.6	33.2	33.6	59.3	43.2	35.7
Cash P/E ratio		53.0	44.9	67.0	73.7	53.0	44.5	38.6
P/BV ratio		7.7	5.9	5.0	4.4	4.2	3.9	3.6
EV/Sales ratio		6.4	6.0	5.4	4.8	4.2	4.0	3.7
EV/EBITDA ratio		26.9	19.5	17.4	18.8	22.6	17.7	15.2
EV/t (USD-Cap)		241	216	192	180	178	158	151
Dividend Yield (%)		0.3	0.5	0.3	0.4	0.3	0.4	0.7
Return Ratios (%)								
RoIC	43.5	23.4	25.8	39.2	33.4	17.2	20.6	20.3
RoE	16.7	12.2	13.9	16.3	14.0	7.2	9.3	10.4
RoCE	14.0	11.7	12.6	14.9	13.9	7.5	9.3	10.3
Working Capital Ratios								
Inventory (Days)	58	49	44	43	55	50	48	48
Debtor (Days)	16	23	25	14	15	18	18	18
Creditor (Days)	105	87	99	106	105	95	99	86
Working Capital Turnover (Days)	34	43	26	2	20	25	26	39
Leverage Ratio (x)								
Current Ratio	1.3	1.5	1.3	1.0	1.2	1.3	1.3	1.5
Net Debt/Equity ratio	-0.3	0.0	-0.3	-0.4	-0.4	-0.3	-0.3	-0.3

Cash Flow Statement								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	18,272	10,814	19,602	30,257	29,309	16,791	23,566	28,492
Depreciation	8,994	13,916	16,994	11,399	10,365	14,416	17,173	19,782
Interest and Finance Charges	-740	833	1,132	220	-849	0	0	0
Direct Taxes Paid	-5,068	-2,300	-4,859	-7,439	-1,959	-3,916	-5,891	-7,123
(Inc.)/Dec. in WC	-1,131	-5,302	5,591	8,762	-7,321	-2,598	-6	-8,965
CF from Operations	20,327	17,962	38,460	43,200	29,546	24,693	34,841	32,186
Others	-1,540	2,635	-947	-2,264	-2,317	0	0	0
CF from Operations incl. EO	18,788	20,597	37,513	40,936	27,229	24,693	34,841	32,186
(Inc.)/Dec. in FA	-25,263	-18,853	-12,941	-9,984	-19,483	-26,000	-30,000	-25,000
Free Cash Flow	-6,475	1,744	24,572	30,953	7,746	-1,307	4,841	7,186
(Pur.)/Sale of Investments	-10,685	10,727	-42,478	-17,791	-77	3,500	3,000	0
Others	-3	51	0	0	0	0	0	0
CF from Investments	-35,950	-8,075	-55,419	-27,774	-19,559	-22,500	-27,000	-25,000
Issue of Shares	0	0	23,833	0	0	0	0	0
Inc.)/(Dec.) in Debt	20,353	-7,591	1,175	-9,610	-2,707	716	-3,787	-2,854
Interest Paid	-1,248	-2,753	-2,868	-2,514	-2,088	0	0	0
Dividend Paid	-1,843	-2,308	-6,231	-22	-3,789	-2,165	-2,886	-5,412
CF from Fin. Activity	17,262	-12,653	15,910	-12,146	-8,584	-1,449	-6,674	-8,266
Inc./Dec. in Cash	99	-131	-1,997	1,016	-915	744	1,167	-1,081
Opening Balance	3,110	3,209	3,078	1,081	2,097	1,183	1,927	3,093
Closing Balance	3,209	3,078	1,081	2,097	1,183	1,927	3,093	2,013

NOTES

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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