

Shree Cement

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	SRCM IN
Equity Shares (m)	36
M.Cap.(INRb)/(USD\$)	1030.3 / 12.4
52-Week Range (INR)	29250 / 22601
1, 6, 12 Rel. Per (%)	0/8/-2
12M Avg Val (INR M)	983

Financial Snapshot (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	195.8	214.4	232.6
EBITDA	42.3	50.1	56.8
Adj. PAT	21.2	21.7	26.6
EBITDA Margin (%)	21.6	23.4	24.4
Cons. Adj. EPS (INR)	587	601	739
EPS Gr. (%)	80.3	2.4	22.9
BV/Sh. (INR)	5,555	6,037	6,625

Ratios

Net D:E	-0.3	-0.2	-0.2
RoE (%)	11.0	10.4	11.7
RoCE (%)	10.7	10.2	11.2
Payout (%)	17.0	20.0	20.3

Valuations

P/E (x)	48.6	47.5	38.6
P/BV (x)	5.1	4.7	4.3
EV/EBITDA(x)	22.6	19.2	17.0
EV/ton (USD)	216	207	171
Div. Yield (%)	0.4	0.4	0.5
FCF Yield (%)	-0.1	-0.9	-0.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	62.6	62.6	62.6
DII	12.6	12.6	12.0
FII	12.3	12.2	12.5
Others	12.6	12.8	13.0

FII Includes depository receipts

CMP: INR28,556 TP: INR27,700 (-3%) Neutral

3Q beats estimates; cement EBITDA/t at INR1,350

New capacities to boost volume growth

- Shree Cement's (SRCM) 3QFY24 EBITDA grew 74% YoY to INR12b (~9% above our estimate). Blended EBITDA/t stood at INR1,388 (est. INR1,290). OPM surged 7.8pp YoY to 25%. Adjusted PAT grew 165% YoY to INR7.3b (~32% above our estimate).
- The management highlighted that it has revamped its brand strategy and has launched 'Bangur' as the master brand for all product categories across markets. It has also streamlined premium offerings, with only one premium product 'Bangur Magna'. The company's objective is to enhance consumer pull in the market and increase its premium product business.
- We raise EBITDA estimates by 3% for FY25/FY26 each, considering higher volumes. The stock is currently trading at 19x/17x FY25E/FY26E EV/EBITDA. We value SRCM at 16x FY26E EV/EBITDA to arrive at a revised TP of INR27,700 (earlier INR27,000) and maintain Neutral rating on the stock.

Capacity utilization at 77% in 3Q; cement realization up 3% YoY

- Standalone revenue/EBITDA/PAT stood at INR49b/INR12b/INR7b, (up 20%/74%/165% YoY and down 3%/up 9%/32% vs. our estimate) in 3QFY24. Sales volumes grew 11% YoY to 8.9mt. Cement realization was up 3% YoY to INR5,006/t in 3QFY24. Capacity utilization stood at 77% vs. 72%/76% in 3QFY23/2QFY24.
- Opex/t declined 1% YoY in 3QFY24. Variable cost/freight cost per ton declined 4%/7% YoY, while other expenses per ton grew 15%. OPM was up 7.8pp YoY at 25% and EBITDA/t increased 57% YoY. Depreciation/interest cost declined 16%/21% YoY, whereas 'Other Income' declined 16%.
- In 9MFY24, revenue grew 20% YoY, driven by ~13% volume growth and 6% surge in realization. EBITDA grew 48% YoY to INR30b and OPM improved 4pp YoY to 21%. EBITDA/t was up 31% YoY at INR1,168. PAT increased 131% YoY to INR18.1b.

Highlights from the management commentary

- Volume growth is estimated at ~11% in FY24 (vs. 13% YoY in 9MFY24). Cement demand grew 12-13% YoY in the north region, ~11% in the south and west regions, and ~7-8% in the east region. The company is targeting ~13% volume growth in FY25 to achieve total sales volume of 40mt.
- Average fuel consumption cost/Kcal stood at INR1.76 vs. INR2.5/INR2.05 in 3QFY23/2QFY24. The management estimates the average fuel cost to be flat QoQ in 4QFY24, based on the carrying inventory.
- Grinding capacity is expected to increase to 56mtpa/62mtpa/75mtpa by Mar'24/Mar'25/Mar'27 from 53mtpa currently. Cumulative capex is pegged at INR125b for the next three years. The capex plans will be funded by internal accruals and the current cash balance of INR60b.

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Valuation expensive; maintain Neutral

- We estimate a 10% CAGR in volume over FY23-26 for SRCM. We expect EBITDA/t at INR1,200/INR1,290/INR1,330 in FY24/FY25/FY26 vs. INR925 in FY23. SRCM's net cash is estimated at INR39b in FY26E vs. INR63b in FY23E.
- The stock trades at 19x/17x FY25E/FY26E EV/EBITDA, which appears rich. We maintain our **Neutral** rating and value the stock at 16x FY26E EV/EBITDA to arrive at our revised TP of INR27,700 (vs. INR27,000 earlier).

Standalone quarterly performance

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE	(%)	
Net Sales	42.0	37.8	40.7	47.9	50.0	45.8	49.0	51.0	168.4	195.8	50.7	-3
YoY Change (%)	21.8	17.9	14.6	16.7	18.9	21.3	20.4	6.5	17.5	16.3	24.6	
Total Expenditure	33.8	32.6	33.6	38.9	40.7	37.1	36.7	39.0	139.0	153.5	39.4	-7
EBITDA	8.2	5.2	7.1	8.9	9.3	8.7	12.3	12.0	29.4	42.3	11.3	9
Margin (%)	19.5	13.8	17.4	18.7	18.7	19.0	25.2	23.5	17.5	21.6	22.4	
Depreciation	3.3	3.6	4.1	4.4	3.1	3.3	3.5	7.4	15.5	17.2	3.9	-11
Interest	0.6	0.7	0.7	0.7	0.8	0.7	0.6	1.0	2.7	3.0	0.8	-31
Other Income	-0.2	1.6	1.6	1.4	1.6	1.3	1.4	1.5	4.3	5.7	1.1	21
PBT before EO Exp.	4.1	2.5	3.8	5.1	7.1	6.0	9.7	5.1	15.6	27.9	7.8	25
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	4.1	2.5	3.8	5.1	7.1	6.0	9.7	5.1	15.6	27.9	7.8	25
Tax	1.0	0.6	1.1	-0.3	1.3	1.1	2.3	2.0	2.3	6.7	2.2	
Rate (%)	23.4	23.9	28.0	23.6	18.2	17.6	24.0	39.4	14.8	24.0	28.0	
Reported PAT	3.2	1.9	2.8	5.5	5.8	4.9	7.3	3.1	13.3	21.2	5.6	32
Tax adjustment prior period	0.0	0.0	0.0	-1.5	0.0	0.0	0.0	0.0	-1.5	0.0	0.0	
Adj. PAT	3.2	1.9	2.8	3.9	5.8	4.9	7.3	3.1	11.7	21.2	5.6	32
YoY Change (%)	-52.3	-66.9	-43.7	-28.1	84.2	159.1	165.3	-20.9	-48.3	80.3	101.7	

Quarterly performance

Sales Dispat. (mt)	7.50	7.46	8.03	8.83	8.92	8.20	8.89	9.41	31.82	35.26	8.80	1
YoY Change (%)	9.7	18.0	22.6	10.0	18.8	9.9	10.7	6.6	14.7	10.8	9.5	
Realization	5,602	5,071	5,065	5,420	5,607	5,594	5,513	5,416	5,292	5,553	5,764	-4
YoY Change (%)	11.1	0.0	-6.6	6.2	0.1	10.3	8.8	-0.1	2.4	4.9	13.8	
Expenditure												
RM Cost	234	496	352	488	646	556	494	514	396	554	581	-15
Staff Cost	290	281	271	250	263	285	264	251	272	266	267	-1
Power and Fuel	1,923	1,646	1,622	1,782	1,709	1,671	1,393	1,407	1,743	1,547	1,601	-13
Freight	1,204	1,148	1,174	1,168	1,192	1,160	1,095	1,121	1,173	1,146	1,203	-9
Other Expenses	859	799	765	721	750	861	880	849	783	838	822	7
Total Op. cost	4,511	4,369	4,184	4,409	4,561	4,533	4,125	4,143	4,367	4,353	4,475	-8
EBITDA	1,091	701	881	1,011	1,046	1,062	1,388	1,272	925	1,201	1,290	8

Source: Company, MOFSL Estimates



Highlights from the management commentary

Cement demand and pricing

- Cement demand is expected to remain robust in the medium term on account of rising expenditure on infrastructure and housing. Capacity utilization stood at 77% in 3QFY24 vs. 72%/76% in 3QFY23/2QFY24. Volume growth is estimated at ~11% in FY24 (vs. 13% YoY in 9MFY24). Demand grew 12-13% YoY in the north region, ~11% in the south and west regions, and ~7-8% in the east region. It is targeting ~13% volume growth in FY25 to achieve sales volume of 40mt.
- Cement realization increased 3% QoQ to INR5,006/t in 3QFY24.

Operational highlights

- Average fuel consumption cost/kcal stood at INR1.76 vs. INR2.5/INR2.05 in 3QFY23/2QFY24. The management estimates the average fuel cost to be flat QoQ in 4QFY24, based on the carrying inventory. The company's fuel mix during the quarter was 73%/15% petcoke/coal and remaining was alternative fuel.
- Green power share stood at 57% in 9MFY24 vs. 51% in FY23. The green power capacity stood at 474MW and further addition of green power capacities (WHRS, solar and wind) will help to increase green power share to 65% by FY25.
- Trade sales stood at 76% in 3QFY24 and blended cement share stood at 72%. Sales of premium products stood at 9.5% vs. 7.2% in 3QFY23.
- Lead distance declined to 448km vs. 472km in 2QFY24. The company now has highly professional logistics teams, who are continuously trying to improve the lead distances. It expects the lead distance to further decrease after the commissioning of new grinding units.
- Revenue from the power business stood at INR3.5b and EBITDA margin was ~10% in 3QFY24. In 9MFY24, power business revenue stood at INR11.73b and EBITDA margin was at ~10%.

Capacity expansion and capex plans

- Capex stood at INR26b in 9MFY24 and is estimated to be INR6b in 4QFY24. The Greenfield expansion at Nawalgarh (Rajasthan), having clinker/grinding capacity of 3.8mtpa/3.5mtpa, has been commissioned in 3Q and it started commercial dispatches in Jan'24. Greenfield integrated cement plant at Guntur, Andhra Pradesh, with clinker/grinding capacity of 1.5mtpa/3.0mtpa, is likely to be commissioned by Mar'24.
- It expects grinding capacity to increase to 56mtpa/62mtpa/75mtpa by Mar'24/Mar'25/Mar'27 from 53mtpa currently. Cumulative capex is pegged at INR125b for the next three years. The capex plans will be funded by internal accruals and the current cash balance of INR60b.

Revamped brand strategy

- In last one year it has worked comprehensively to revamp its brand strategy and has redefined business objectives. During the quarter, the company undertook a major initiative of revamping its brand identity with 'Bangur Cement' as the master brand. This was implemented with a new brand identity through a new logo and pack graphics, along with a new premium product launch - Bangur Magna. A new multi-media advertising campaign has been launched across television, outdoor, print, digital, and retail touchpoints.

Story in charts

Exhibit 1: Sales volume grew 11% YoY

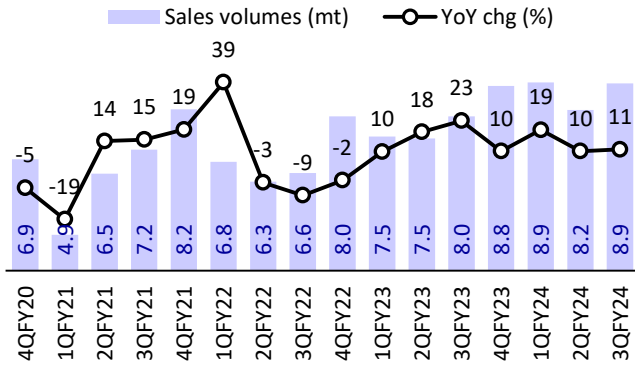


Exhibit 2: Blended realization was up 9% YoY

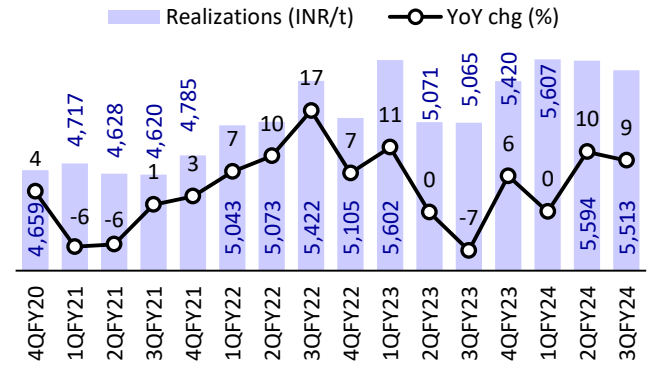


Exhibit 3: Blended OPEX/t was down 1% YoY

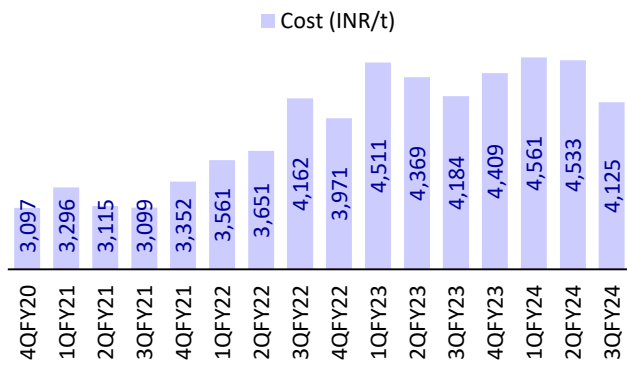
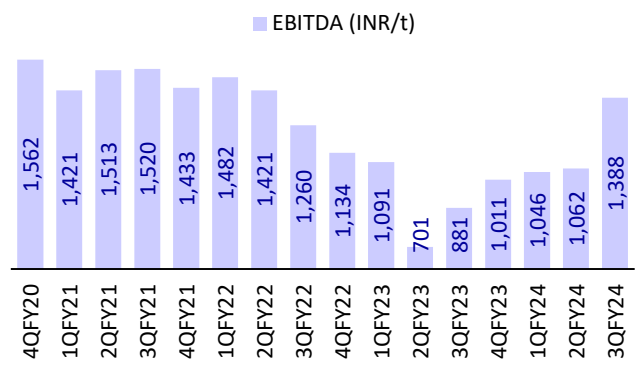


Exhibit 4: EBITDA/t was up 57% YoY



Source: Company, MOFSL

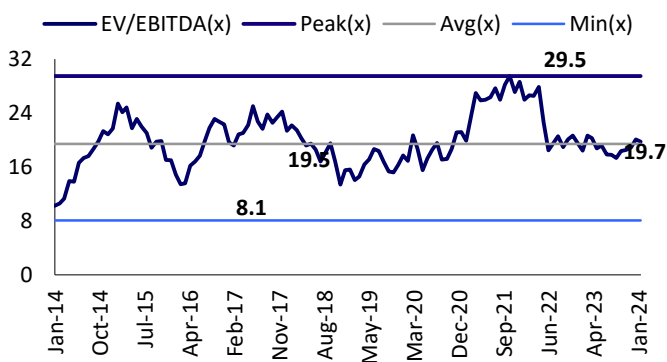
Source: Company, MOFSL

Exhibit 5: Key performance indicators – per tonne analysis

INR/t	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ(%)
Net realization	5,513	5,065	9	5,594	-1
RM Cost	494	352	40	556	-11
Employee Expenses	264	271	-3	285	-7
Power, Oil, and Fuel	1,393	1,622	-14	1,671	-17
Freight and Handling	1,095	1,174	-7	1,160	-6
Other Expenses	880	765	15	861	2
Total Expenses	4,125	4,184	-1	4,533	-9
EBITDA	1,388	881	57	1,062	31

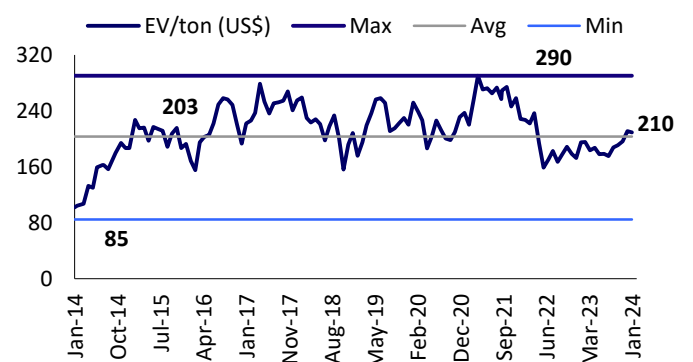
Source: Company, MOFSL

Exhibit 6: One-year forward EV/EBITDA ratio chart



Source: Company, MOFSL

Exhibit 7: One-year forward EV/t chart



Source: Company, MOFSL

Standalone financials and valuations

Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	1,17,599	1,19,301	1,26,037	1,43,297	1,68,375	1,95,811	2,14,387	2,32,581
Change (%)	18.9	1.4	5.6	13.7	17.5	16.3	9.5	8.5
EBITDA	27,869	36,745	39,547	36,478	29,423	42,338	50,101	56,767
Margin (%)	23.7	30.8	31.4	25.5	17.5	21.6	23.4	24.4
Depreciation	13,917	16,994	11,399	10,365	15,462	17,230	22,449	22,842
EBIT	13,952	19,751	28,148	26,114	13,961	25,108	27,652	33,925
Int. and Finance Charges	3,810	2,865	2,471	2,178	2,689	2,953	3,685	3,174
Other Income – Rec.	2,454	2,716	4,580	5,373	4,315	5,697	4,946	4,779
PBT before EO Expense	12,596	19,602	30,257	29,309	15,586	27,852	28,913	35,530
EO Expense/(Income)	1,781	0	0	0	0	0	0	0
PBT after EO Expense	10,814	19,602	30,257	29,309	15,586	27,852	28,913	35,530
Tax	2,177	5,248	7,536	4,382	937	6,684	7,228	8,882
Deferred Tax	-873	-1,348	-398	1,161	1,368	0	0	0
Tax Rate (%)	12.1	19.9	23.6	18.9	14.8	24.0	25.0	25.0
Reported PAT	9,510	15,702	23,119	23,766	13,281	21,168	21,685	26,647
Tax adjustment prior period	0	0	-103	-1,045	-1,543	0	0	0
Adj. PAT for EO items	10,754	15,702	23,017	22,721	11,739	21,168	21,685	26,647
Change (%)	-22.3	46.0	46.6	-1.3	-48.3	80.3	2.4	22.9
Margin (%)	9.1	13.2	18.3	15.9	7.0	10.8	10.1	11.5

Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	348	361	361	361	361	361	361	361
Other Reserves	95,626	1,29,003	1,52,140	1,72,348	1,82,524	2,00,083	2,17,438	2,38,674
Total Reserves	95,626	1,29,003	1,52,140	1,72,348	1,82,525	2,00,085	2,17,440	2,38,676
Net Worth	95,974	1,29,364	1,52,501	1,72,709	1,82,885	2,00,446	2,17,801	2,39,036
Deferred Liabilities	-6126	-7438	-7855	-6695	-6686	-6686	-6686	-6686
Secured Loan	27,980	31,042	21,332	20,142	25,392	28,000	32,424	29,852
Unsecured Loan	0	400	0	0	0	0	0	0
Total Loans	27,980	31,442	21,332	20,142	25,392	28,000	32,424	29,852
Capital Employed	1,17,827	1,53,368	1,65,978	1,86,155	2,01,592	2,21,760	2,43,540	2,62,203
Gross Block	88,365	1,03,634	1,13,644	1,35,229	1,50,803	1,93,803	2,33,803	2,73,803
Less: Accum. Deprn.	43,608	60,445	71,729	82,014	97,476	1,14,706	1,37,156	1,59,998
Net Fixed Assets	44,757	43,189	41,916	53,215	53,327	79,097	96,647	1,13,805
Capital WIP	14,725	12,576	12,836	9,729	23,203	15,203	20,203	25,203
Financial investments	22,856	63,575	83,712	86,014	87,060	82,060	74,060	66,060
Strategic Investment	21,583	25,579	26,794	29,445	29,445	29,445	29,445	29,445
Curr. Assets	41,886	41,022	37,275	49,056	58,467	69,761	76,580	80,716
Inventory	15,891	14,279	14,772	21,614	24,226	26,823	29,368	28,674
Account Receivables	7,324	8,285	4,859	5,957	9,061	10,729	11,747	12,744
Cash and Bank Balance	3,078	1,082	2,098	1,183	1,193	4,623	3,742	2,816
Others	15,593	17,378	15,547	20,303	23,987	27,585	31,723	36,481
Curr. Liability and Prov.	27,980	32,574	36,555	41,304	49,911	53,807	53,397	53,028
Account Payables	27,886	32,470	36,430	41,160	49,756	53,653	53,243	52,873
Provisions	93	104	125	144	155	155	155	155
Net Current Assets	13,907	8,449	721	7,752	8,556	15,954	23,183	27,688
Appl. of Funds	1,17,827	1,53,368	1,65,978	1,86,155	2,01,592	2,21,760	2,43,540	2,62,203

Source: Company, MOFSL

Standalone financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	309	435	638	630	325	587	601	739
Cash EPS	399	471	316	287	429	478	622	633
BV/Share	2,755	3,585	4,227	4,787	5,069	5,555	6,037	6,625
DPS	60.0	110.0	60.0	90.0	100.0	100.0	120.0	150.0
Payout (%)	22.0	25.3	9.4	13.7	27.2	17.0	20.0	20.3
Valuation (x)								
P/E	92.5	65.6	44.7	45.3	87.7	48.6	47.5	38.6
Cash P/E	71.4	60.6	90.3	99.3	66.6	59.8	45.9	45.1
P/BV	10.4	8.0	6.8	6.0	5.6	5.1	4.7	4.3
EV/Sales	8.6	8.2	7.6	6.6	5.6	4.9	4.5	4.2
EV/EBITDA	36.5	26.8	24.1	26.1	32.1	22.6	19.2	17.0
EV/t (USD-Cap)	324	294	265	248	246	216	207	171
Dividend Yield (%)	0.2	0.4	0.2	0.3	0.4	0.4	0.4	0.5
Return Ratios (%)								
RoIC	23.4	25.8	39.2	33.4	15.6	23.9	20.8	21.6
RoE	11.6	13.9	16.3	14.0	6.6	11.0	10.4	11.7
RoCE	11.7	12.6	14.9	13.9	7.8	10.7	10.2	11.2
Working Capital Ratios								
Inventory (Days)	49	44	43	55	53	50	50	45
Debtor (Days)	23	25	14	15	20	20	20	20
Creditor (Days)	87	99	106	105	108	100	91	83
Working Capital Turnover (Days)	43	26	2	20	19	30	39	43
Leverage Ratio (x)								
Current Ratio	1.5	1.3	1.0	1.2	1.2	1.3	1.4	1.5
Net Debt/Equity ratio	0.0	-0.3	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
(INR m)								
OP/(Loss) before Tax	10,814	19,602	30,257	29,309	15,586	27,852	28,913	35,530
Depreciation	13,916	16,994	11,399	10,365	15,462	17,230	22,449	22,842
Interest and Finance Charges	833	1,132	220	-849	-165	0	0	0
Direct Taxes Paid	-2,300	-4,859	-7,439	-1,959	-3,287	-6,684	-7,228	-8,882
(Inc.)/Dec. in WC	-5,302	5,591	8,762	-7,321	967	-3,968	-8,110	-5,431
CF from Operations	17,962	38,460	43,200	29,546	28,563	34,430	36,024	44,059
Others	2,635	-947	-2,264	-2,317	-1,520	0	0	0
CF from Operations incl. EO	20,597	37,513	40,936	27,229	27,043	34,430	36,024	44,059
(Inc.)/Dec. in FA	-18,853	-12,941	-9,984	-19,483	-27,619	-35,000	-45,000	-45,000
Free Cash Flow	1,744	24,572	30,953	7,746	-576	-570	-8,976	-941
(Pur.)/Sale of Investments	10,727	-42,478	-17,791	-77	3,737	5,000	8,000	8,000
Others	51	0	0	0	0	0	0	0
CF from Investments	-8,075	-55,419	-27,774	-19,559	-23,882	-30,000	-37,000	-37,000
Issue of Shares	0	23,833	0	0	0	0	0	0
Inc.)/(Dec.) in Debt	-7,591	1,175	-9,610	-2,707	2,669	2,608	4,424	-2,572
Interest Paid	-2,753	-2,868	-2,514	-2,088	-2,574	0	0	0
Dividend Paid	-2,308	-6,231	-22	-3,789	-3,245	-3,608	-4,330	-5,412
CF from Fin. Activity	-12,653	15,910	-12,146	-8,584	-3,151	-1,000	95	-7,984
Inc./Dec. in Cash	-131	-1,997	1,016	-915	11	3,430	-881	-926
Opening Balance	3,209	3,078	1,081	2,097	1,183	1,193	4,624	3,742
Closing Balance	3,078	1,081	2,097	1,183	1,193	4,623	3,742	2,816

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Explanation of Investment Rating	
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BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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