

HOLD Shree Cement

Your success is our success

On track to achieve 80mt capacity by 2028

Cement ▶ Result Update ▶ November 8, 2023

TARGET PRICE (Rs) : 25,500

Shree Cement (Shree)'s Q2FY24 standalone EBITDA at Rs8.7bn came broadly in line with Consensus estimates. Blended EBITDA/t was up 51% YoY at Rs1,062. The company has announced a new brownfield expansion of 3.4mt cement capacity in Chhattisgarh, at a capex of Rs5.5bn (USD20/t), to be commissioned by Sep-25. Accordingly, with the ongoing expansion, Shree's domestic capacity is likely to rise to 72mt by FY26. Company is accelerating its growth plans and targeting to reach 80mt capacity by FY28 (12% CAGR). Higher prices, along with operating leverage benefit, are likely to further improve profitability in coming quarters. We broadly maintain our FY24-26 estimates and our HOLD rating on the stock, with Sep-24E TP of Rs25,500/share (post the quarterly rollover), based on 15x EV/E.

Shree Cement: Financial Snapshot (Consolidated)

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------|----------|----------|----------|----------|----------|
| Revenue | 1,50,096 | 1,78,523 | 2,15,255 | 2,42,717 | 2,74,942 |
| EBITDA | 37,079 | 29,595 | 42,539 | 51,765 | 61,849 |
| Adj. PAT | 23,319 | 12,707 | 23,832 | 29,744 | 36,946 |
| Adj. EPS (Rs) | 646.3 | 352.2 | 660.5 | 824.4 | 1,024.0 |
| EBITDA margin (%) | 24.7 | 16.6 | 19.8 | 21.3 | 22.5 |
| EBITDA growth (%) | (8.5) | (20.2) | 43.7 | 21.7 | 19.5 |
| Adj. EPS growth (%) | 2.0 | (45.5) | 87.5 | 24.8 | 24.2 |
| RoE (%) | 14.2 | 7.0 | 12.2 | 13.7 | 15.1 |
| RoIC (%) | 27.1 | 12.7 | 23.2 | 25.1 | 25.3 |
| P/E (x) | 40.6 | 74.6 | 39.8 | 31.9 | 25.7 |
| EV/EBITDA (x) | 23.6 | 29.9 | 20.8 | 16.9 | 13.9 |
| P/B (x) | 5.4 | 5.1 | 4.6 | 4.1 | 3.7 |
| FCFF yield (%) | 0.5 | (0.8) | 0.2 | 1.1 | 1.9 |

Source: Company, Emkay Research

Result Summary: Volumes increased 10% YoY/ declined 8% QoQ to 8.2mt, in line with estimates. Cement realizations inched up 1% YoY (2% QoQ) to Rs4,843/t, as per the management. Power revenue during the quarter stood at Rs3.4bn, with EBITDA of Rs300mn (margin: 9%). Overall CoP grew 4% YoY (flattish QoQ) to Rs4,533/t. RM+PF cost declined by Rs128/t QoQ (Kcal: Rs2.05 vs. Rs2.34 in Q1FY24). Company aspires to increase its domestic capacity, from 50mt to 56mt/62mt by FY24/25, respectively. Shree is well on track to achieve its guided capacity of 80mt by FY28 (12% CAGR). Despite its aggressive expansion plans, we expect the company to generate positive FCF in coming years. Consolidated FCF generation stood at Rs2.1bn, post working-capital release of Rs585mn and capex spend of Rs16bn in H1FY24. Consolidated net cash stands at Rs65bn, as of Sep23.

What we like: Acceleration in growth plans, new project announcement

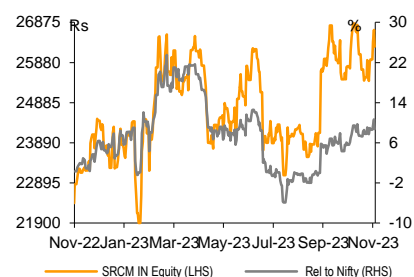
What we do not like: Lower than expected realizations

KTAs from the earnings call: i) Utilization rates in the East stood at 74% in Q2FY24 (vs 91% in Q1FY24). Decline in utilization was owing to heavy rains and commissioning of new capacity. Company has guided for volume growth of 12% YoY in FY24. ii) Company's East CC ratio is 1.9x-2x, owing to composite/slag cement. Hence, current clinker capacity of 9.2mt in the East can support capacity of 21mt in the region. iii) Fuel cost stood at Rs2.05/Kcal in Q2FY24 (vs Rs2.34 in Q1FY24 and Rs2.8 in Q2FY23) which the company expects to decline to an average of Rs1.9/Kcal in H2FY24. In terms of fuel mix, share of pet coke and coal stood at 90% and AFR at around 10% in Q2FY24. iv) The IT survey is now complete, and there have been no further enquiries since the past couple of months. v) Power revenue stood at Rs8.2bn and EBITDA at Rs750mn in H1FY24. The company generated 8.8bn units in Q2FY24 of which 4bn were sold outside. vi) Share of green power increased by 700bps YoY to 58% in Q2 which Shree targets increasing to 62% by Jun-24. vii) Lead distance increased to 472km from 456km in Q1FY24. ix) Share of blended cement stood at 75%, while trade share stood at 80% in Q2FY24.

| | |
|-------------------------|------------|
| Target Price – 12M | Sep-24 |
| Change in TP (%) | 2.0 |
| Current Reco. | HOLD |
| Previous Reco. | HOLD |
| Upside/(Downside) (%) | (2.9) |
| CMP (08-Nov-23) (Rs) | 26,270.5 |

| Stock Data | Ticker |
|-----------------------------|-----------|
| 52-week High (Rs) | 27,299 |
| 52-week Low (Rs) | 21,410 |
| Shares outstanding (mn) | 36.1 |
| Market-cap (Rs bn) | 948 |
| Market-cap (USD mn) | 11,382 |
| Net-debt, FY24E (Rs mn) | -62,471 |
| ADTV-3M (mn shares) | - |
| ADTV-3M (Rs mn) | 729.9 |
| ADTV-3M (USD mn) | 8.8 |
| Free float (%) | - |
| Nifty-50 | 19,444 |
| INR/USD | 83.3 |
| Shareholding, Sep-23 | |
| Promoters (%) | 62.6 |
| FPIs/MFs (%) | 12.2/12.6 |

| Price Performance | | | |
|-------------------|-----|-----|------|
| (%) | 1M | 3M | 12M |
| Absolute | 1.9 | 8.2 | 12.2 |
| Rel. to Nifty | 3.0 | 9.0 | 5.1 |

1-Year share price trend (Rs)**Dharmesh Shah**

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Quarterly Analysis

Exhibit 1: Actual vs. Estimates (Q2FY24)

| Standalone (Rs mn) | Actual | Estimates | | Variation (%) | | Comment |
|------------------------------|--------------|--------------|--------------|---------------|--------------|---|
| | | Emkay | Consensus | Emkay | Consensus | |
| Net sales | 45,846 | 46,754 | 44,947 | (1.9) | 2.0 | |
| EBITDA | 8,701 | 9,014 | 8,790 | (3.5) | (1.0) | Broadly in line with consensus estimates |
| PAT | 4,913 | 5,030 | 4,435 | (2.3) | 10.8 | |
| Volumes (mt) | 8.2 | 8.2 | | (0.0) | | |
| Blended realization (Rs/ton) | 5,594 | 5,704 | | (1.9) | | |
| EBITDA (Rs/ton) | 1,062 | 1,100 | | (3.5) | | |

Source: Bloomberg, Emkay Research

Exhibit 2: Standalone quarterly analysis

| (Rs mn) | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | YoY (%) | QoQ (%) | H1FY23 | H1FY24 | YoY (%) |
|--------------------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|--------------|
| Revenue | 37,809 | 40,688 | 47,851 | 49,991 | 45,846 | 21.3 | (8.3) | 79,836 | 95,837 | 20.0 |
| Expenditure | 32,579 | 33,608 | 38,927 | 40,665 | 37,146 | 14.0 | (8.7) | 66,417 | 77,811 | 17.2 |
| Total RM | 3,697 | 2,830 | 4,312 | 5,759 | 4,558 | 23.3 | (20.9) | 5,456 | 10,317 | 89.1 |
| Power & Fuel | 12,270 | 13,027 | 15,729 | 15,240 | 13,696 | 11.6 | (10.1) | 26,693 | 28,936 | 8.4 |
| Freight | 8,561 | 9,429 | 10,308 | 10,630 | 9,508 | 11.1 | (10.5) | 17,595 | 20,138 | 14.5 |
| Staff cost | 2,097 | 2,179 | 2,209 | 2,349 | 2,332 | 11.2 | (0.7) | 4,270 | 4,681 | 9.6 |
| Other expenditure | 5,955 | 6,143 | 6,369 | 6,688 | 7,053 | 18.4 | 5.5 | 12,403 | 13,740 | 10.8 |
| EBITDA | 5,230 | 7,080 | 8,925 | 9,326 | 8,701 | 66.3 | (6.7) | 13,419 | 18,026 | 34.3 |
| Depreciation | 3,628 | 4,136 | 4,419 | 3,085 | 3,315 | (8.6) | 7.5 | 6,907 | 6,400 | (7.4) |
| EBIT | 1,602 | 2,944 | 4,505 | 6,241 | 5,386 | 236.1 | (13.7) | 6,511 | 11,627 | 78.6 |
| Other income | 1,566 | 1,612 | 1,353 | 1,617 | 1,261 | (19.5) | (22.0) | 1,350 | 2,878 | 113.2 |
| Interest | 676 | 714 | 726 | 753 | 681 | 0.8 | (9.6) | 1,249 | 1,435 | 14.9 |
| PBT | 2,493 | 3,842 | 5,132 | 7,105 | 5,965 | 139.3 | (16.0) | 6,612 | 13,070 | 97.7 |
| Total Tax | 597 | 1,074 | (330) | 1,294 | 1,052 | 76.3 | (18.7) | 1,561 | 2,346 | 50.3 |
| Adjusted PAT | 1,896 | 2,768 | 5,462 | 5,811 | 4,913 | 159.1 | (15.5) | 5,051 | 10,725 | 112.3 |
| Extraordinary items | - | - | - | - | - | - | - | - | - | - |
| Reported PAT | 1,896 | 2,768 | 5,462 | 5,811 | 4,913 | 159.1 | (15.5) | 5,051 | 10,725 | 112.3 |
| Adjusted EPS (Rs) | 52.5 | 76.7 | 151.4 | 161.1 | 136.2 | 159.1 | (15.5) | 140.0 | 297.2 | 112.3 |
| (%) | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | YoY (bps) | QoQ (bps) | H1FY23 | H1FY24 | YoY (bps) |
| EBITDA | 13.8 | 17.4 | 18.7 | 18.7 | 19.0 | 514 | 32 | 16.8 | 18.8 | 200 |
| EBIT | 4.2 | 7.2 | 9.4 | 12.5 | 11.7 | 751 | (74) | 8.2 | 12.1 | 398 |
| EBT | 6.6 | 9.4 | 10.7 | 14.2 | 13.0 | 642 | (120) | 8.3 | 13.6 | 536 |
| PAT | 5.0 | 6.8 | 11.4 | 11.6 | 10.7 | 570 | (91) | 6.3 | 11.2 | 486 |
| Effective Tax rate | 23.9 | 28.0 | (6.4) | 18.2 | 17.6 | | | 23.6 | 17.9 | |

Source: Company, Emkay Research

Exhibit 3: Quarterly analysis, on a per-ton basis

| Rs/ton | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | YoY (%) | QoQ (%) | H1FY23 | H1FY24 | YoY (%) |
|----------------------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|-------------|
| Cement volumes (mt) | 7.5 | 8.0 | 8.8 | 8.9 | 8.2 | 9.9 | (8.1) | 15.0 | 17.1 | 14.4 |
| Blended realization | 5,071 | 5,065 | 5,420 | 5,607 | 5,594 | 10.3 | (0.2) | 5,337 | 5,601 | 4.9 |
| Raw Material | 496 | 352 | 488 | 646 | 556 | 12.2 | (13.9) | 365 | 603 | 65.3 |
| Power & Fuel | 1,646 | 1,622 | 1,782 | 1,709 | 1,671 | 1.6 | (2.2) | 1,785 | 1,691 | (5.2) |
| Freight | 1,148 | 1,174 | 1,168 | 1,192 | 1,160 | 1.1 | (2.7) | 1,176 | 1,177 | 0.1 |
| Staff cost | 281 | 271 | 250 | 263 | 285 | 1.2 | 8.0 | 285 | 274 | (4.2) |
| Other expenditure | 799 | 765 | 721 | 750 | 861 | 7.7 | 14.7 | 829 | 803 | (3.2) |
| Operating cost | 4,369 | 4,184 | 4,409 | 4,561 | 4,533 | 3.7 | (0.6) | 4,440 | 4,547 | 2.4 |
| EBITDA | 701 | 881 | 1,011 | 1,046 | 1,062 | 51.3 | 1.5 | 897 | 1,053 | 17.4 |

Source: Company, Emkay Research

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Exhibit 4: Consolidated quarterly analysis

| (Rs mn) | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | YoY (%) | QoQ (%) | H1FY23 | H1FY24 | YoY (%) |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|--------------|
| Revenue | 40,380 | 42,993 | 51,002 | 50,648 | 48,002 | 14.7 | (0.7) | 84,529 | 98,650 | 16.7 |
| Expenditure | 34,953 | 35,725 | 42,110 | 41,199 | 39,141 | 14.0 | (2.2) | 71,093 | 80,340 | 13.0 |
| Total RM | 3,804 | 2,699 | 5,322 | 3,697 | 3,973 | 47.9 | (30.5) | 6,303 | 7,670 | 21.7 |
| Power & Fuel | 13,778 | 14,673 | 17,219 | 16,982 | 15,369 | 12.2 | (1.4) | 28,915 | 32,351 | 11.9 |
| Freight | 8,684 | 9,507 | 10,501 | 10,759 | 9,824 | 17.6 | 2.5 | 17,829 | 20,583 | 15.4 |
| Staff cost | 2,382 | 2,479 | 2,482 | 2,659 | 2,664 | 9.2 | 7.1 | 4,816 | 5,323 | 10.5 |
| Other expenditure | 6,305 | 6,368 | 6,586 | 7,102 | 7,312 | 2.6 | 7.8 | 13,229 | 14,414 | 9.0 |
| EBITDA | 5,428 | 7,267 | 8,892 | 9,449 | 8,860 | 18.0 | 6.3 | 13,436 | 18,310 | 36.3 |
| Depreciation | 3,956 | 4,426 | 4,728 | 3,395 | 4,117 | (2.9) | (28.2) | 7,453 | 7,512 | 0.8 |
| EBIT | 1,471 | 2,841 | 4,164 | 6,055 | 4,743 | 34.2 | 45.4 | 5,983 | 10,798 | 80.5 |
| Other Income | 1,593 | 1,741 | 1,457 | 1,691 | 1,320 | NA | 16.0 | 1,392 | 3,010 | 116.2 |
| Interest | 660 | 702 | 713 | 743 | 671 | 34.1 | 4.2 | 1,214 | 1,414 | 16.4 |
| PBT | 2,405 | 3,881 | 4,908 | 7,002 | 5,392 | 86.4 | 42.7 | 6,161 | 12,395 | 101.2 |
| Total Tax | 572 | 1,063 | (344) | 1,283 | 926 | 32.6 | NA | 1,540 | 2,209 | 43.4 |
| Adjusted PAT | 1,832 | 2,818 | 5,252 | 5,719 | 4,466 | 105.1 | 8.9 | 4,621 | 10,186 | 120.4 |
| (Profit)/loss from JVs/Ass/MI | (1) | (2) | (6) | (4) | (0) | | | (8) | (4) | |
| PAT after MI | 1,834 | 2,821 | 5,257 | 5,723 | 4,466 | 104.8 | 8.9 | 4,629 | 10,189 | 120.1 |
| Extra ordinary items | - | - | - | - | - | | | - | - | |
| Reported PAT | 1,834 | 2,821 | 5,257 | 5,723 | 4,466 | (20.0) | 86.4 | 4,629 | 10,189 | 120.1 |
| Adjusted EPS (Rs) | 50.8 | 78.2 | 145.7 | 158.6 | 123.8 | (20.0) | 86.4 | 128.3 | 282.4 | 120.1 |
| (%) | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | YoY (bps) | QoQ (bps) | H1FY23 | H1FY24 | YoY (bps) |
| EBITDA | 13.4 | 16.9 | 17.4 | 18.7 | 18.5 | 52 | 122 | 15.9 | 18.6 | 267 |
| EBIT | 3.6 | 6.6 | 8.2 | 12.0 | 9.9 | 174 | 379 | 7.1 | 10.9 | 387 |
| EBT | 6.0 | 9.0 | 9.6 | 13.8 | 11.2 | 532 | 420 | 7.3 | 12.6 | 528 |
| PAT | 4.5 | 6.6 | 10.3 | 11.3 | 9.3 | 497 | 99 | 5.5 | 10.3 | 485 |
| Effective Tax rate | 23.8 | 27.4 | (7.0) | 18.3 | 17.2 | | | 25.0 | 17.8 | |

Source: Company, Emkay Research

Exhibit 5: We broadly maintain our EBITDA for FY24-26E

| (Rs mn) | FY24E | | | FY25E | | | FY26E | | |
|---------------|---------------|---------------|------------|---------------|---------------|--------------|---------------|---------------|--------------|
| | Old | New | Chg. (%) | Old | New | Chg. (%) | Old | New | Chg. (%) |
| Revenue | 2,07,829 | 2,15,255 | 3.6 | 2,36,015 | 2,42,717 | 2.8 | 2,72,982 | 2,74,942 | 0.7 |
| EBITDA | 42,428 | 42,539 | 0.3 | 52,376 | 51,765 | (1.2) | 62,552 | 61,849 | (1.1) |
| PAT | 20,970 | 23,832 | 13.6 | 30,085 | 29,744 | (1.1) | 36,732 | 36,946 | 0.6 |

Source: Emkay Research

Exhibit 6: We maintain our HOLD rating on Shree Cement, with TP of Rs25,500/share, based on Sep-24E EV/E of 15x

| EV/E valuation, backed by DCF analysis | |
|--|---------------|
| Sep-25E EBITDA (Rs bn) | 57 |
| EV/E (x) | 15 |
| Enterprise Value (Rs bn) | 852 |
| Net cash (Sep-24E; Rs bn) | 68 |
| Equity value (Rs bn) | 920 |
| No. of shares (mn) | 36.1 |
| Sep-24E Target Price (Rs/share) | 25,500 |

Source: Emkay Research

Exhibit 7: Annual Financials (Consolidated)

| Key Assumptions | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E | CAGR (%) | |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|
| | | | | | | | | | | FY18-23 | FY23-26E |
| Capacity (mt) | 35 | 42 | 44 | 45.4 | 50.4 | 50 | 57 | 72 | 76 | 7.6 | 14.6 |
| Volumes (mt) | 23 | 29 | 28 | 30 | 31 | 35 | 40 | 44 | 49 | 9.2 | 12.0 |
| Utilization (%) | 76 | 75 | 65 | 66 | 66 | 70 | 69 | 61 | 65 | | |
| Blended Realization (Rs/ton) | 4,364 | 4,368 | 4,609 | 4,523 | 4,765 | 5,091 | 5,402 | 5,494 | 5,584 | 3.1 | 3.1 |
| EBITDA/ton (Rs/ton) | 1,074 | 1,008 | 1,346 | 1,360 | 1,177 | 844 | 1,068 | 1,172 | 1,256 | (4.7) | 14.2 |
| P&L (Rs bn) | | | | | | | | | | | |
| Revenue | 98 | 126 | 129 | 135 | 150 | 179 | 215 | 243 | 275 | 12.7 | 15.5 |
| EBITDA | 24 | 29 | 38 | 41 | 37 | 30 | 43 | 52 | 62 | 4.1 | 27.9 |
| Adj. Net Profit | 13 | 12 | 15 | 23 | 23 | 13 | 24 | 30 | 37 | (0.9) | 42.7 |
| Balance Sheet (Rs bn.) | | | | | | | | | | | |
| Equity | 89 | 97 | 132 | 154 | 175 | 186 | 205 | 229 | 259 | | |
| Net Cash | 24 | (1) | 37 | 67 | 73 | 63 | 64 | 72 | 87 | | |
| Cash Flow (Rs bn) | | | | | | | | | | | |
| OCF before WC change | 26 | 27 | 32 | 33 | 39 | 32 | 41 | 50 | 60 | | |
| Change in WC | (1) | (7) | 7 | 9 | (8) | (1) | (1) | (1) | (1) | | |
| Capex | (25) | (19) | (15) | (11) | (22) | (33) | (36) | (36) | (38) | | |
| FCF | (0) | 1 | 23 | 31 | 8 | (1) | 5 | 13 | 20 | | |
| Return ratios (%) | | | | | | | | | | | |
| RoE | 16.1 | 12.4 | 13.4 | 16.0 | 14.2 | 7.0 | 12.2 | 13.7 | 15.1 | | |
| RoCE | 14.1 | 12.8 | 12.8 | 15.2 | 14.0 | 7.6 | 12.2 | 13.6 | 14.9 | | |
| RoIC | 31.6 | 20.9 | 20.1 | 29.8 | 27.1 | 12.7 | 23.2 | 25.1 | 25.3 | | |
| Valuations (x) | | | | | | | | | | | |
| PER (x) | | | | | | 74.6 | 39.8 | 31.9 | 25.7 | | |
| EV/EBITDA (x) | | | | | | 29.6 | 20.8 | 17.1 | 14.2 | | |
| EV/ton (USD) | | | | | | 221 | 194 | 153 | 150 | | |

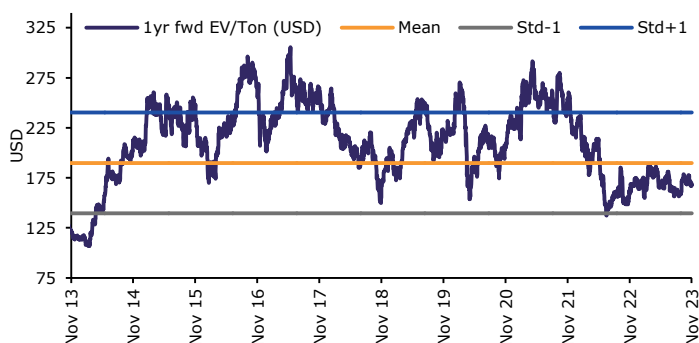
Source: Company, Emkay Research

Exhibit 8: Annual analysis, on a per-ton basis (Consolidated)

| Rs/ton | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|----------------------------|---------------|--------------|--------------|--------------|---------------|---------------|--------------|--------------|--------------|
| Blended realization | 4,364 | 4,368 | 4,609 | 4,523 | 4,765 | 5,091 | 5,402 | 5,494 | 5,584 |
| YoY (%) | 4.8 | 0.1 | 5.5 | (1.8) | 5.3 | 6.8 | 6.1 | 1.7 | 1.6 |
| Raw material cost | 342 | 354 | 355 | 359 | 330 | 408 | 625 | 637 | 649 |
| Power & fuel costs | 879 | 1,076 | 968 | 788 | 1,149 | 1,734 | 1,579 | 1,485 | 1,453 |
| Freight costs | 1,120 | 1,020 | 953 | 1,044 | 1,047 | 1,079 | 1,104 | 1,130 | 1,154 |
| Staff costs | 261 | 267 | 306 | 292 | 290 | 279 | 279 | 263 | 253 |
| Other expenses | 688 | 643 | 680 | 680 | 772 | 747 | 747 | 808 | 819 |
| Operating costs | 3,289 | 3,360 | 3,262 | 3,164 | 3,588 | 4,247 | 4,335 | 4,322 | 4,328 |
| YoY (%) | 11.5 | 2.1 | (2.9) | (3.0) | 13.4 | 18.4 | 2.1 | (0.3) | 0.1 |
| Blended EBITDA | 1,074 | 1,008 | 1,346 | 1,360 | 1,177 | 844 | 1,068 | 1,172 | 1,256 |
| YoY (%) | (11.5) | (6.2) | 33.6 | 1.0 | (13.4) | (28.3) | 26.5 | 9.7 | 7.2 |

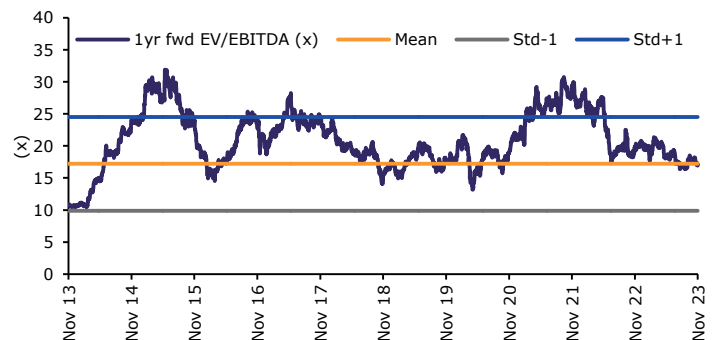
Source: Company, Emkay Research

Exhibit 9: One-year forward EV/ton



Source: Bloomberg, Emkay Research

Exhibit 10: One-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

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Shree Cement : Consolidated Financials and Valuations

| Profit & Loss | | | | | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
| Revenue | 1,50,096 | 1,78,523 | 2,15,255 | 2,42,717 | 2,74,942 |
| Revenue growth (%) | 11.4 | 18.9 | 20.6 | 12.8 | 13.3 |
| EBITDA | 37,079 | 29,595 | 42,539 | 51,765 | 61,849 |
| EBITDA growth (%) | (8.5) | (20.2) | 43.7 | 21.7 | 19.5 |
| Depreciation & Amortization | 11,459 | 16,607 | 17,545 | 20,828 | 23,124 |
| EBIT | 25,621 | 12,988 | 24,993 | 30,937 | 38,725 |
| EBIT growth (%) | (8.1) | (49.3) | 92.4 | 23.8 | 25.2 |
| Other operating income | 0 | 0 | 0 | 0 | 0 |
| Other income | 5,459 | 4,591 | 5,683 | 6,494 | 6,960 |
| Financial expense | 2,161 | 2,629 | 2,984 | 2,864 | 2,744 |
| PBT | 28,918 | 14,950 | 27,693 | 34,567 | 42,941 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Taxes | 5,552 | 2,259 | 3,877 | 4,839 | 6,012 |
| Minority interest | 47 | (16) | (16) | (16) | (17) |
| Income from JV/Associates | 0 | 0 | 0 | 0 | 0 |
| Reported PAT | 23,319 | 12,707 | 23,832 | 29,744 | 36,946 |
| PAT growth (%) | 2.0 | (45.5) | 87.5 | 24.8 | 24.2 |
| Adjusted PAT | 23,319 | 12,707 | 23,832 | 29,744 | 36,946 |
| Diluted EPS (Rs) | 646.3 | 352.2 | 660.5 | 824.4 | 1,024.0 |
| Diluted EPS growth (%) | 2.0 | (45.5) | 87.5 | 24.8 | 24.2 |
| DPS (Rs) | 90.0 | 100.0 | 132.1 | 164.9 | 204.8 |
| Dividend payout (%) | 13.9 | 28.4 | 20.0 | 20.0 | 20.0 |
| EBITDA margin (%) | 24.7 | 16.6 | 19.8 | 21.3 | 22.5 |
| EBIT margin (%) | 17.1 | 7.3 | 11.6 | 12.7 | 14.1 |
| Effective tax rate (%) | 19.2 | 15.1 | 14.0 | 14.0 | 14.0 |
| NOPLAT (pre-IndAS) | 20,702 | 11,026 | 21,494 | 26,606 | 33,303 |
| Shares outstanding (mn) | 36.1 | 36.1 | 36.1 | 36.1 | 36.1 |

Source: Company, Emkay Research

| Cash flows | | | | | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
| PBT | 28,918 | 14,950 | 27,693 | 34,567 | 42,941 |
| Others (non-cash items) | (5,369) | (4,650) | (277) | (346) | (429) |
| Taxes paid | (2,013) | (3,332) | (3,877) | (4,839) | (6,012) |
| Change in NWC | (8,477) | (516) | (841) | (857) | (917) |
| Operating cash flow | 26,680 | 25,687 | 37,559 | 45,739 | 54,507 |
| Capital expenditure | (22,094) | (32,791) | (35,599) | (36,040) | (38,258) |
| Acquisition of business | 0 | 0 | 0 | 0 | 0 |
| Interest & dividend income | 3,031 | 3,631 | 5,683 | 6,494 | 6,960 |
| Investing cash flow | (19,894) | (22,679) | (29,916) | (29,546) | (31,298) |
| Equity raised/(repaid) | (8) | (9) | 0 | 0 | 0 |
| Debt raised/(repaid) | (2,552) | 3,072 | 1,000 | (2,000) | (1,000) |
| Payment of lease liabilities | 0 | 0 | 0 | 0 | 0 |
| Interest paid | (2,091) | (2,586) | (2,984) | (2,864) | (2,744) |
| Dividend paid (incl tax) | (3,843) | (3,245) | (4,766) | (5,949) | (7,389) |
| Others | 0 | 0 | 857 | 1,063 | 1,314 |
| Financing cash flow | (8,494) | (2,767) | (5,893) | (9,750) | (9,819) |
| Net chg in Cash | (1,709) | 241 | 1,750 | 6,443 | 13,389 |
| OCF | 26,680 | 25,687 | 37,559 | 45,739 | 54,507 |
| Adj. OCF (w/o NWC chg.) | 35,156 | 26,203 | 38,401 | 46,596 | 55,424 |
| FCFF | 4,586 | (7,104) | 1,960 | 9,700 | 16,249 |
| FCFE | 2,034 | (4,031) | 2,960 | 7,700 | 15,249 |
| OCF/EBITDA (%) | 72.0 | 86.8 | 88.3 | 88.4 | 88.1 |
| FCFE/PAT (%) | 8.7 | (31.7) | 12.4 | 25.9 | 41.3 |
| FCFF/NOPLAT (%) | 22.2 | (64.4) | 9.1 | 36.5 | 48.8 |

Source: Company, Emkay Research

| Balance Sheet | | | | | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
| Share capital | 361 | 361 | 361 | 361 | 361 |
| Reserves & Surplus | 1,74,242 | 1,86,003 | 2,05,069 | 2,28,864 | 2,58,421 |
| Net worth | 1,74,603 | 1,86,364 | 2,05,429 | 2,29,225 | 2,58,782 |
| Minority interests | 503 | 406 | 414 | 422 | 430 |
| Deferred tax liability (net) | (6,744) | (6,823) | (6,251) | (5,542) | (4,666) |
| Total debt | 20,142 | 25,398 | 26,398 | 24,398 | 23,398 |
| Total liabilities & equity | 1,88,504 | 2,05,345 | 2,25,991 | 2,48,503 | 2,77,944 |
| Net tangible fixed assets | 67,242 | 69,228 | 75,681 | 94,373 | 1,25,170 |
| Net intangible assets | 573 | 573 | 573 | 573 | 573 |
| Net ROU assets | 5,008 | 5,008 | 5,008 | 5,008 | 5,008 |
| Capital WIP | 10,535 | 27,966 | 39,567 | 36,087 | 20,425 |
| Goodwill | 0 | 0 | 0 | 0 | 0 |
| Investments [JV/Associates] | 1,321 | 1,321 | 1,321 | 1,321 | 1,321 |
| Cash & equivalents | 91,902 | 87,120 | 88,870 | 95,313 | 1,08,702 |
| Current assets (ex-cash) | 54,164 | 65,301 | 68,745 | 72,342 | 76,143 |
| Current Liab. & Prov. | 42,241 | 51,171 | 53,774 | 56,514 | 59,398 |
| NWC (ex-cash) | 11,923 | 14,130 | 14,971 | 15,828 | 16,745 |
| Total assets | 1,88,504 | 2,05,345 | 2,25,991 | 2,48,503 | 2,77,944 |
| Net debt | (71,760) | (61,721) | (62,471) | (70,915) | (85,304) |
| Capital employed | 1,88,504 | 2,05,345 | 2,25,991 | 2,48,503 | 2,77,944 |
| Invested capital | 84,746 | 88,938 | 96,233 | 1,15,782 | 1,47,495 |
| BVPS (Rs) | 4,839.3 | 5,165.3 | 5,693.7 | 6,353.2 | 7,172.4 |
| Net Debt/Equity (x) | (0.4) | (0.3) | (0.3) | (0.3) | (0.3) |
| Net Debt/EBITDA (x) | (1.9) | (2.1) | (1.5) | (1.4) | (1.4) |
| Interest coverage (x) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| RoCE (%) | 17.3 | 8.9 | 14.2 | 15.8 | 17.4 |

Source: Company, Emkay Research

| Valuations and key Ratios | | | | | |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
| Y/E Mar | FY22 | FY23 | FY24E | FY25E | FY26E |
| P/E (x) | 40.6 | 74.6 | 39.8 | 31.9 | 25.7 |
| P/CE(x) | 27.3 | 32.3 | 22.9 | 18.7 | 15.8 |
| P/B (x) | 5.4 | 5.1 | 4.6 | 4.1 | 3.7 |
| EV/Sales (x) | 5.8 | 5.0 | 4.1 | 3.6 | 3.1 |
| EV/EBITDA (x) | 23.6 | 29.9 | 20.8 | 16.9 | 13.9 |
| EV/EBIT(x) | 34.2 | 68.2 | 35.4 | 28.3 | 22.3 |
| EV/IC (x) | 10.3 | 10.0 | 9.2 | 7.6 | 5.8 |
| FCFF yield (%) | 0.5 | (0.8) | 0.2 | 1.1 | 1.9 |
| FCFE yield (%) | 0.2 | (0.5) | 0.3 | 0.9 | 1.8 |
| Dividend yield (%) | 0.3 | 0.4 | 0.5 | 0.6 | 0.8 |
| DuPont-RoE split | | | | | |
| Net profit margin (%) | 15.5 | 7.1 | 11.1 | 12.3 | 13.4 |
| Total asset turnover (x) | 0.8 | 0.9 | 1.0 | 1.0 | 1.0 |
| Assets/Equity (x) | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| RoE (%) | 14.2 | 7.0 | 12.2 | 13.7 | 15.1 |
| DuPont-RoIC | | | | | |
| NOPLAT margin (%) | 13.8 | 6.2 | 10.0 | 11.0 | 12.1 |
| IC turnover (x) | 2.0 | 2.1 | 2.3 | 2.3 | 2.1 |
| RoIC (%) | 27.1 | 12.7 | 23.2 | 25.1 | 25.3 |
| Operating metrics | | | | | |
| Core NWC days | 29.0 | 28.9 | 25.4 | 23.8 | 22.2 |
| Total NWC days | 29.0 | 28.9 | 25.4 | 23.8 | 22.2 |
| Fixed asset turnover | 1.0 | 1.1 | 1.1 | 1.1 | 1.0 |
| Opex-to-revenue (%) | 68.4 | 75.4 | 68.7 | 67.1 | 65.9 |

Source: Company, Emkay Research

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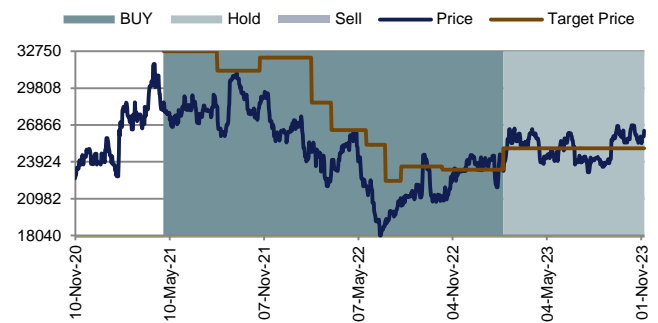
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| Date | Closing Price (INR) | TP (INR) | Rating | Analyst |
|-----------|---------------------|----------|--------|---------------|
| 28-Sep-23 | 25,632 | 25,000 | Hold | Dharmesh Shah |
| 18-Sep-23 | 26,392 | 25,000 | Hold | Dharmesh Shah |
| 27-Jul-23 | 23,870 | 25,000 | Hold | Dharmesh Shah |
| 03-Jun-23 | 25,038 | 25,000 | Hold | Dharmesh Shah |
| 23-May-23 | 24,766 | 25,000 | Hold | Dharmesh Shah |
| 04-May-23 | 24,456 | 25,000 | Hold | Dharmesh Shah |
| 07-Apr-23 | 26,165 | 25,000 | Hold | Dharmesh Shah |
| 20-Mar-23 | 25,076 | 25,000 | Hold | Dharmesh Shah |
| 02-Mar-23 | 26,577 | 25,000 | Hold | Dharmesh Shah |
| 09-Feb-23 | 23,200 | 25,000 | Hold | Dharmesh Shah |
| 05-Feb-23 | 24,468 | 23,300 | Buy | Dharmesh Shah |
| 29-Dec-22 | 23,257 | 23,300 | Buy | Dharmesh Shah |
| 05-Dec-22 | 23,756 | 23,300 | Buy | Dharmesh Shah |
| 05-Nov-22 | 22,964 | 23,300 | Buy | Dharmesh Shah |
| 15-Oct-22 | 21,189 | 23,300 | Buy | Dharmesh Shah |
| 04-Oct-22 | 21,010 | 23,550 | Buy | Dharmesh Shah |
| 04-Sep-22 | 21,088 | 23,550 | Buy | Dharmesh Shah |
| 28-Jul-22 | 20,415 | 23,550 | Buy | Dharmesh Shah |
| 12-Jul-22 | 19,962 | 22,400 | Buy | Dharmesh Shah |
| 04-Jul-22 | 19,292 | 22,400 | Buy | Dharmesh Shah |
| 28-Jun-22 | 19,237 | 22,400 | Buy | Dharmesh Shah |
| 22-May-22 | 22,001 | 25,300 | Buy | Dharmesh Shah |
| 16-Mar-22 | 23,595 | 26,450 | Buy | Dharmesh Shah |
| 06-Feb-22 | 24,724 | 28,650 | Buy | Dharmesh Shah |
| 31-Dec-21 | 26,987 | 32,250 | Buy | Dharmesh Shah |
| 02-Dec-21 | 26,290 | 32,250 | Buy | Dharmesh Shah |
| 30-Oct-21 | 28,635 | 32,250 | Buy | Dharmesh Shah |
| 15-Sep-21 | 31,040 | 31,200 | Buy | Dharmesh Shah |
| 05-Sep-21 | 30,441 | 31,200 | Buy | Dharmesh Shah |
| 09-Aug-21 | 28,273 | 31,200 | Buy | Dharmesh Shah |
| 06-Aug-21 | 28,387 | 32,750 | Buy | Dharmesh Shah |
| 06-Jun-21 | 28,154 | 32,750 | Buy | Dharmesh Shah |
| 22-May-21 | 27,623 | 32,750 | Buy | Dharmesh Shah |
| 28-Apr-21 | 28,688 | 32,750 | Buy | Dharmesh Shah |

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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