

# Shree Cements

Refer to important disclosures at the end of this report

## Expansion plan announced

CMP

Rs 30,607

as of (September 14, 2021)

Target Price

Rs 31,200 (■)

12 months

Rating

BUY (■)

Upside

1.9 %

- **Shree Cement's board has approved expansion plans** to increase the company's clinker capacity by 3.8mt and cement grinding capacity by 6.5mt. The board has also approved a proposal to set up 106MW solar capacity at a total capex of Rs48bn and it is likely to be commissioned by Mar'24. The expansion will increase the company's domestic grinding capacity to 53mt from 43.4mt and is a part of its aim to achieve 80mt capacity by FY30 (7% CAGR). Our current forecasts imply a 9% capacity CAGR over FY21-26E and 6.5% thereafter.
- **Setting up integrated plant (3.8mt clinker and 3.5mt cement) in Rajasthan, North:** The company has proposed to set up an integrated cement plant at Gothra in the Nawalgarh Tehsil of Rajasthan with clinker and cement capacity of 3.8mt and 3.5mt, respectively, at a capex of Rs35bn. The project will be financed through internal accruals and debt and is expected to be commissioned by Mar'24.
- **Setting up 3mt grinding unit in West Bengal, East:** Shree Cement East Private Limited, a wholly-owned subsidiary, has approved a proposal to set up a 3mt cement grinding unit at Digha & Parbatpur in the Purulia district of West Bengal (owing to favorable demand-supply dynamics, as per management) at a capex of Rs7.5bn. The project will be entirely financed through internal accruals and is likely to be commissioned by Mar'23.
- **The company's ongoing expansion project** of a 3mt grinding unit in Pune is expected to be commissioned in Sep'21, while a 12,000 TPD clinker line in Chhattisgarh at a capex of Rs10bn is likely to be commissioned by Sep'22.
- **Setting up 106MW solar power plant:** The board has also approved a proposal to set up a 106MW solar power plant at a capex of Rs5bn to meet captive power requirements at various locations. The project will be funded through internal accruals and is likely to be commissioned by Sep'22. This expansion will also help Shree Cement enhance the proportion of clean energy usage in total energy consumption, reduce fossil fuel consumption and help reduce its carbon footprint. To recap, Shree Cement has increased renewable power generation capacity by 10MW YoY to 244MW, with the share of green power up by 300bps YoY to 48% in FY21.
- **We build in consolidated volume and EBITDA CAGRs of 12% and 14%**, respectively, over FY21-24E. We have a Buy rating on the stock with a DCF-derived TP of Rs31,200 (Sep'22E), implying 18x 1-year forward EV/E.

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Please see our sector model portfolio (Emkay Alpha Portfolio): [Cement & Building Materials](#)

### Summary of expansion plan announced

State	Region	Capacity			Commissioning Timelines	Capex (Rs bn)	Mode of financing
		Clinker (mt)	Cement (mt)	Solar (MW)			
Rajasthan	North	3.8	3.5		Mar-24	35.0	Internal accruals & debt
West Bengal	East	-	3.0		Mar-23	7.5	Internal accruals
		-	-	106	Sep-22	5.0	Internal accruals
<b>Total</b>		<b>3.8</b>	<b>6.5</b>			<b>47.5</b>	

Source: Company, Emkay Research

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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