

May 23, 2022

RESULT REPORT Q4 FY22 | Sector: Cement

Shree Cement

In-line performance, despite muted NSR

Result Synopsis

Shree Cement (SRCM) reported in-line revenue/EBITDA performance of Rs41/9bn, While the reported PAT beat YSEC est. by 19% to Rs6.4bn, due to tax reversal in Q4FY22. SRCM reported sequential strong volume growth (+15%) whereas muted NSR (-5%) & Opex (-4%) uphold the EBITDA/te at Rs1134 (-9%) v/s YSEC est. Rs1194 in Q4FY22. For FY22, SRCM posted a volume/NSR growth of +3/13% y/y resulting in +14% revenue growth. Surge in Opex/te by +20% y/y translate in EBITDA decline by 8% y/y took margin to 25.5% in FY22 v/s 31.4% in FY21. SRCM's CFO stood at Rs27.2bn in FY22 v/s Rs40.9bn FY21, due to rise in working capital requirement. While FCF stood at Rs7.5bn in FY22 v/s Rs31bn in FY21 due to higher capex (Rs19.6bn in FY22 v/s Rs9bn in FY21) and lower CFO generation. Looking at a strong demand outlook and incremental capacity addition we modelled +11/12% volume growth in FY23/24E. However, due to the inflated cost scenarios we trimmed our EBITDA/PAT est. by 13/27% for FY23E, while we believe SRCM's EBITDA/te to get bottom down (Rs1250) in FY23E and rebound to Rs1450 levels in FY24E envisaging on cost normalcy. We expect SRCM to generate operating cash flow of Rs73bn which would help to fund its ongoing expansion (Rs32.5bn) internally over FY23-24E. Thus, we retain our BUY recommendation with a TP of Rs30,110 (earlier Rs32,000), valuing the stock at 21.2x EV/EBITDA on the FY24 estimates.

Result Highlights

- Reported volume growth of +21% q/q (-2% y/y) to 8MT v/s YSEC est. of 7.4MT, while NSR/Opex moderated sequentially by 5% (+7% y/y) and 4% (+19% y/y) v/s YSEC est. -1% & flat q/q translated to in-line revenue/EBITDA of Rs41bn (+15% q/q & +4% y/y) and 9bn (+10% q/q & -23% y/y) in Q4FY22.
- Surge in Opex/te to Rs3971 (+19% y/y) due to power/te (+77% y/y and +9% q/q) resulted in EBITDA/te decline of 21% y/y to Rs1134 (v/s YSEC est. Rs1194) in Q4FY22.
- Reported PAT beat YSEC est. by +19% to Rs6.4bn up by +31% q/q (-16% y/y) due to the higher other income and tax reversal (effective tax stood at +7%) in Q4FY22.
- In FY22, Volume grew by +3% y/y with the NSR increase of +13% y/y translated in reported revenue jump by +14 % y/y to Rs143bn.
- EBITDA decline by 8% y/y to Rs36.5bn due to jump in total cost by +19% y/y translate in EBITDA/te decline by 11% y/y (Rs1315). While PAT increase by 3% due to surge in other income and lower Tax & Interest expenses in FY22.

Exhibit 1: Actual vs Estimates

Rs Mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	40,988	39,659	41,981	3.4	(2.4)	Reported in-line revenue/EBITDA performance, While the reported PAT beat our est. due to tax reversal
EBITDA	9,106	8,887	10,107	2.5	(9.9)	
Margin (%)	22.2	22.4	24.1	(19 bps)	(186 bps)	
Adj. PAT	6,452	5,446	5,955	18.5	8.4	

Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 22,000
Target Price	: Rs 30,110
Potential Return	: +37%

Stock data (as on May 20, 2022)

Nifty	16,266
52 Week h/l (Rs)	31470 / 21650
Market cap (Rs/USD mn)	793820 / 10237
Outstanding Shares (mn)	36
6m Avg t/o (Rs mn):	1,018
Div yield (%):	0.2
Bloomberg code:	SRCM IN
NSE code:	SHREECEM

Stock performance



Shareholding pattern (As of Mar'22 end)

Promoter	62.6%
FII+DII	23.4%
Others	14.1%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	30,110	32,000

Δ in earnings estimates

	FY23E	FY24E
EPS (New)	573	848
EPS (Old)	786	863
% change	-27%	-2%

Financial Summary

(Rs mn)	FY22	FY23E	FY24E
Revenue	143,059	162,125	181,128
Growth	13.6	13.3	11.7
EBITDA	36,478	38,184	49,990
Margin	25.5	23.6	27.6
Adj PAT	15,702	23,119	23,766
Growth	2.8	(13.0)	48.0
EPS	659	573	848
ND/EBITDA	(1.6)	(1.9)	(2.0)
ROE	13.8	10.8	13.9
ROCE	13.0	10.4	13.3
EV/EBITDA	20.1	18.8	13.9

ABHISHEK LODHIYA

Lead Analyst

abhishek.lodhiya@ysil.in

+91 22 6885 0521


SONU UPADHYAY, Associate

Exhibit 2: Quarterly snapshot (Standalone)

Particulars (Rs m)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	y/y (%)	q/q (%)	FY22P	FY21	y/y (%)
Net Revenue	39,308	34,495	32,059	35,518	40,988	4.3	15.4	143,059	125,884	13.6
Total Expenses	27,537	24,360	23,077	27,262	31,882	15.8	16.9	106,580	86,337	23.4
COGS	3,280	1,913	2,086	3,857	3,530	7.6	(8.5)	11,386	8,756	30.0
Employee Expenses	2,442	2,115	2,026	1,965	1,967	(19.5)	0.1	8,072	7,597	6.3
Power & fuel	6,185	6,524	6,283	8,079	10,728	73.4	32.8	31,614	20,333	55.5
Freight Exp	9,527	8,322	7,064	7,616	9,413	(1.2)	23.6	32,415	30,372	6.7
Other Expenses	6,102	5,486	5,618	5,745	6,245	2.3	8.7	23,094	19,430	18.9
EBITDA	11,772	10,135	8,982	8,255	9,106	(22.6)	10.3	36,478	39,547	(7.8)
EBITDA (%)	29.9	29.4	28.0	23.2	22.2	(773 bps)	(103 bps)	25.5	31.4	(592 bps)
D&A	2,993	2,325	2,505	2,521	3,013	0.7	19.5	10,365	11,399	(9.1)
Other Income	1,244	1,392	1,500	1,101	1,381	11.0	25.4	5,373	4,580	17.3
Interest Expense	553	535	556	551	536	(3.1)	(2.9)	2,178	2,471	(11.9)
Exceptional/EO items	-	-	-	-	-	-	-	-	-	-
Share JV/Associates	-	-	-	-	-	-	-	-	-	-
EBT	9,469	8,667	7,420	6,284	6,938	(26.7)	10.4	29,309	30,257	(3.1)
Tax	1,793	2,049	1,643	1,364	486	(72.9)	(64.4)	5,543	7,138	(22.3)
Reported PAT	7,677	6,617	5,777	4,920	6,452	(15.9)	31.1	23,766	23,119	2.8
Less: Minority Interest	-	-	-	-	-	-	-	-	-	-
Adj. PAT	7,677	6,617	5,777	4,920	6,452	(15.9)	31.1	23,766	23,119	2.8

Source: Company, YES Sec

Exhibit 3: Quarterly Operational Performance Analysis (Standalone)

Particulars (Rs m)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	y/y (%)	q/q (%)	FY22P	FY21	y/y (%)
Total Volumes (MMT)	8.2	6.8	6.3	6.6	8.0	(2.3)	21.4	27.7	26.8	3.3
NSR/te (Blended)	4,785	5,043	5,073	5,370	5,105	6.7	(4.9)	5,158	4,583	12.5
RM/te	399	280	330	583	440	10.1	(24.6)	410	326	25.8
Employees/te	297	309	321	297	245	(17.6)	(17.6)	291	283	2.8
Power/te	753	954	994	1,221	1,336	77.5	9.4	1,124	722	55.6
Freight/te	1,160	1,217	1,118	1,151	1,172	1.1	1.8	1,169	1,132	3.3
Others/te	743	802	889	869	778	4.7	(10.5)	833	724	15.0
Opex/te (Blended)	3,352	3,561	3,651	4,122	3,971	18.5	(3.7)	3,843	3,217	19.5
EBITDA/te (Blended)	1,433	1,482	1,421	1,248	1,134	(20.9)	(9.1)	1,315	1,473	(10.7)

Source: Company, YES Sec

Exhibit 4: Annual Operational Performance Estimates (Standalone)

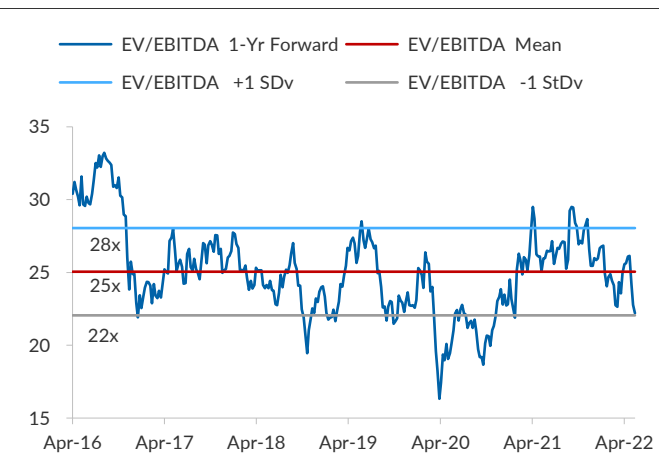
Particulars (Rs m)	FY20	FY21	FY22P	FY23E	FY24E
Total Volumes (MMT)	25.09	26.84	27.74	30.68	34.38
Utilization (%)	54%	56%	55%	57%	60%
Cement Realization/te	4,502	4,574	5,191	5,133	5,123
Net Realization/te (Blended)	4,638	4,583	5,158	5,170	5,152
RM/te	306	326	410	419	420
Power/te	744	722	1,124	1,188	1,017
Freight/te	1,039	1,132	1,169	1,219	1,219
Employees/te	291	283	291	289	284
Others/te	718	724	833	911	866
Opex/te (Blended)	3,280	3,217	3,843	4,040	3,814
EBITDA/te (Blended)	1,464	1,473	1,315	1,245	1,454

Source: Company, YES Sec

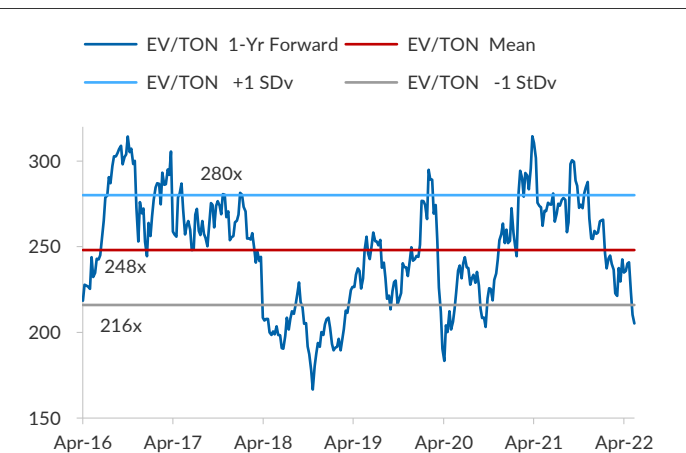
Exhibit 5: Key Estimate Revision (Standalone)

Y/e 31 Mar	FY23E			FY24E		
(Rs m)	Old	New	Change	Old	New	Change
Revenues	156,583	162,125	4%	173,517	181,128	4%
EBITDA	43,700	38,184	-13%	49,746	49,990	0%
PAT	28,361	20,688	-27%	31,142	30,608	-2%
EPS	786.1	573.4	-27%	863.1	848.4	-2%

Source: Company, YES Sec

Exhibit 6: 1-yr forward EV/EBITDA band


Source: Company, YES Sec

Exhibit 7: 1-yr forward EV/te (\$) band


Source: Company, YES Sec

FINANCIALS

Exhibit 8: Balance Sheet (Standalone)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22P	FY23E	FY24E
Equity capital	361	361	361	361	361
Reserves	129,003	152,140	172,348	191,413	220,398
Net worth	129,364	152,501	172,709	191,773	220,758
Other LT Liabilities	9,449	9,312	2,757	2,757	2,757
LT provision.	92	106	118	130	140
Minority interest	-	-	-	-	-
Long-term Borrowing	16,387	13,316	12,983	9,983	6,983
Deferred tax liabilities. (net)	-	-	-	-	-
Current Liabilities					
Trades Payables	5,280	7,858	8,039	8,617	9,417
Short-term Borrowing	7,087	5,081	7,158	10,428	12,644
Other current liabilities	25,708	22,196	30,364	29,703	29,041
Short Term Provision	11	19	26	26	26
Total Liabilities	193,379	210,388	234,154	253,417	281,767
Assets					
Total Net Block	39,787	38,177	47,385	50,551	57,216
CWIP & Other Assets	13,024	13,448	15,559	15,559	10,559
Investments	58,292	72,713	80,610	90,000	95,000
Other Non-current Asset	6,583	6,200	6,994	6,994	6,994
Deferred tax asset (net)	7,438	7,855	6,695	6,695	6,695
Current Assets					
Inventories	14,279	14,772	21,614	24,954	26,556
Trades Receivables	8,285	4,859	5,957	5,768	6,488
Other current assets	44,535	50,016	47,905	47,905	47,905
Short Term Loans & advances	76	250	253	287	321
Cash & Bank Balances	1,082	2,098	1,183	4,703	24,033
Total Assets	193,379	210,388	234,154	253,417	281,767

Source: Company, YES Sec

Exhibit 9: Income statement (Standalone)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22P	FY23E	FY24E
Net Revenue	119,040	125,884	143,059	162,125	181,128
EBITDA	36,745	39,547	36,478	38,184	49,990
D&A	16,994	11,399	10,365	14,358	13,361
EBIT	19,751	28,148	26,114	23,826	36,629
Interest Expense	2,865	2,471	2,178	2,241	2,150
Other Income	2,716	4,580	5,373	5,999	6,333
Exceptional/EO items	-	-	-	-	-
EBT	19,602	30,257	29,309	27,584	40,811
Tax	3,900	7,138	5,543	6,896	10,203
Share of Profit/(Loss) in JV/Associates	-	-	-	-	-
Reported PAT	15,702	23,119	23,766	20,688	30,608
Less: Minority Interest	-	-	-	-	-
Adj. PAT	15,702	23,119	23,766	20,688	30,608

Source: Company, YES Sec

Exhibit 10: Cash Flow (Standalone)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22P	FY23E	FY24E
Cash flow from operation	12,596	30,869	36,655	31,778	41,752
Profit before tax	19,602	30,257	29,309	27,584	40,811
Depreciation	16,994	11,399	10,365	14,358	13,361
Tax paid	(3,900)	(7,138)	(5,543)	(6,896)	(10,203)
Working capital Δ	(20,100)	(3,649)	2,524	(3,269)	(2,217)
Other operating items	-	-	-	-	-
Cash flow from Investing Activities	(15,921)	(10,248)	(21,317)	(17,525)	(15,025)
Capital expenditure	(13,837)	(10,214)	(21,684)	(17,525)	(15,025)
Change in other non-current assets	(2,085)	(34)	366	-	-
Free cash flow	(1,241)	20,655	14,971	14,253	26,727
Cash flow from Financing activities	1,329	(19,605)	(16,252)	(10,733)	(7,397)
Change in Equity & Reserves	22,473	2,623	(1,935)	-	-
Investments	(14,180)	(14,421)	(7,897)	(9,390)	(5,000)
Debt financing/disposal	(4,296)	(5,078)	1,746	269	(783)
Dividends paid	(4,785)	(2,605)	(1,624)	(1,624)	(1,624)
Other items	2,117	(123)	(6,543)	12	10
Net Δ in cash	(1,996)	1,016	(915)	3,520	19,331

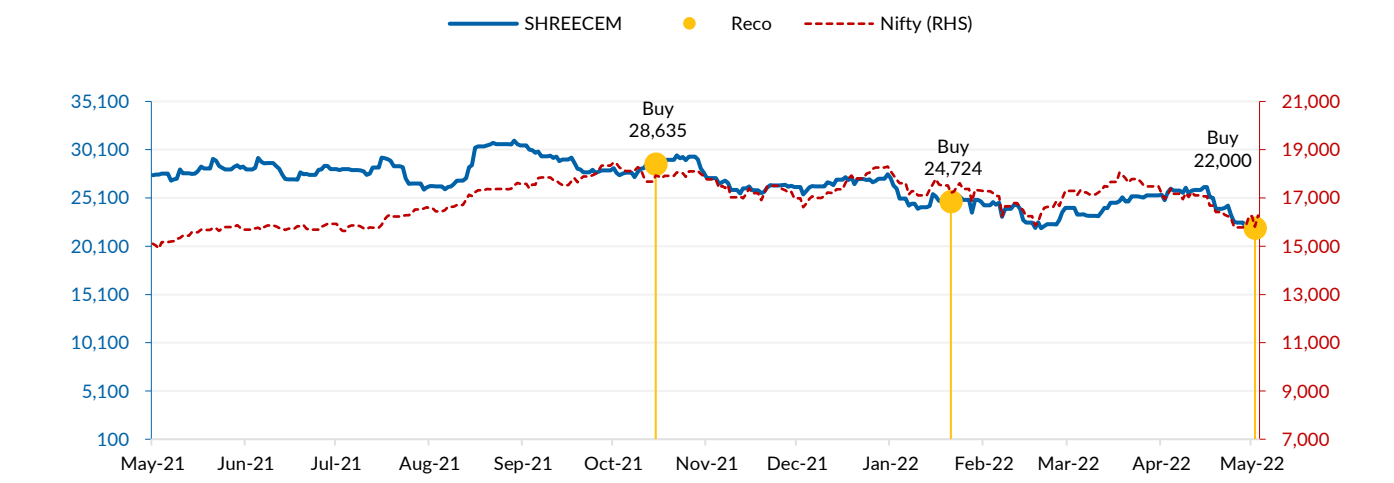
Source: Company, YES Sec

Exhibit 11: Growth and Ratio matrix (Standalone)

Y/e 31 Mar	FY20	FY21	FY22P	FY23E	FY24E
Growth matrix (%)					
Revenue	1.6	5.7	13.6	13.3	11.7
EBITDA	38.5	7.6	(7.8)	4.7	30.9
EBT	81.3	54.4	(3.1)	(5.9)	48.0
PAT	65.1	47.2	2.8	(13.0)	48.0
EPS	59.4	47.2	2.8	(13.0)	48.0
Profitability ratios (%)					
EBITDA (%)	30.9	31.4	25.5	23.6	27.6
EBIT (%)	18.9	26.0	22.0	18.4	23.7
PAT (%)	13.2	18.4	16.6	12.8	16.9
ROCE	11.2	14.4	13.0	10.4	13.3
ROE	12.1	15.2	13.8	10.8	13.9
ROA	31.8	48.3	41.6	34.3	49.4
Per share ratios (Rs)					
EPS	435	641	659	573	848
DPS	110	60	45	45	45
Cash EPS	906	957	946	971	1,219
BVPS	3,585	4,227	4,787	5,315	6,119
Payout (%)					
Dividend payout	25.3	9.4	6.8	7.8	5.3
Tax payout	19.9	23.6	18.9	25.0	25.0
Liquidity ratios					
Inventory days	111	94	68	68	68
Payable days	34	47	39	39	39
Receivables days	24	19	14	14	14
Leverage ratios (x)					
Interest Coverage	7.8	13.2	14.5	13.3	20.0
Net D/E	(0.2)	(0.4)	(0.3)	(0.4)	(0.4)
Net Debt/EBITDA	(0.8)	(1.4)	(1.6)	(1.9)	(2.0)

Source: Company, YES Sec

Recommendation Tracker



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YES Securities (India) Limited

Registered Address: 2nd Floor, North Side, YES BANK House,
Off Western Express Highway, Santacruz East,
Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 4th Floor, AFL House,
Lok Bharti Complex, Marol Maroshi Road, Andheri East,
Mumbai - 400059, Maharashtra, India.

☎ +91 22 68850521 | ✉ research@ysil.in
Website: www.yesinvest.in

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Name of the Research Analyst : Abhishek Lodhiya, Sonu Upadhyay

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5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

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Details of Compliance Officer: Name: Vaibhav Purohit,
Email id: compliance@ysil.in, Contact No: +91-22-6885 0278