

May 23, 2022

Q4FY22 Result Update

■ Change in Estimates | Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	HOLD		HOLD	
Target Price	23,150		25,687	
Sales (Rs. m)	172,775	191,659	172,775	192,598
% Chng.	-	(0.5)		
EBITDA (Rs. m)	41,811	48,713	41,811	49,652
% Chng.	-	(1.9)		
EPS (Rs.)	657.9	811.4	657.9	831.7
% Chng.	-	(2.4)		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	134,650	150,096	172,775	191,659
EBITDA (Rs. m)	40,377	37,079	41,811	48,713
Margin (%)	30.0	24.7	24.2	25.4
PAT (Rs. m)	22,756	23,320	23,738	29,277
EPS (Rs.)	630.7	646.3	657.9	811.4
Gr. (%)	48.6	2.5	1.8	23.3
DPS (Rs.)	58.7	88.0	92.9	102.7
Yield (%)	0.3	0.4	0.4	0.5
RoE (%)	15.9	14.3	13.1	14.3
RoCE (%)	16.5	14.2	13.9	15.7
EV/Sales (x)	5.7	5.1	4.4	3.9
EV/EBITDA (x)	19.0	20.6	18.3	15.5
PE (x)	34.9	34.0	33.4	27.1
P/BV (x)	5.2	4.6	4.1	3.6

Key Data

SHCM.BO | SRCM IN

52-W High / Low	Rs.31,470 / Rs.21,650
Sensex / Nifty	54,326 / 16,266
Market Cap	Rs.794bn/ \$ 10,237m
Shares Outstanding	36m
3M Avg. Daily Value	Rs.1228.34m

Shareholding Pattern (%)

Promoter's	62.55
Foreign	12.20
Domestic Institution	11.16
Public & Others	14.09
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(14.4)	(19.0)	(20.0)
Relative	(10.2)	(11.1)	(27.0)

Kamlesh Bagmar

kamleshbagmar@plindia.com | 91-22-66322237

Margins gap over peers continue to contract

Quick Pointers:

- Margins fell to 14-quarter low. Recovery to remain weak due to elevated cost pressure and rising cost competitiveness of peers
- Pace of capacity expansion lagging peers

Shree cement's (SRCM) reported Q4FY22 EBITDA tad below our estimates. While, it missed consensus estimates (CE) by 10%. EBITDA fell 23% YoY to Rs9.1bn.

SRCM commanded meaningful differential in EBITDA margins over its peers on back of higher share of cheaper renewable power, indirect tax incentives and logistics advantage. However, the gap has contracted significantly over last one year due to optimisation of realisations and extensive work on rationalisation of freight cost done by the peers. We believe that gap would further narrow down with multi-fold increase in share of renewable power and further reduction in lead distance coupled with commissioning of new plants. Given the expensive valuations (EV/EBITDA at 14.2x FY24e) and high expectations on both margins (Rs1,350/t) and volume growth (CAGR of 12% over FY22-FY24e), we expect stock to extend its underperformance to peers and broader indices. We trim our assigned EV/EBITDA by 10% to 15x FY24e due to performance in-line with industry. Maintain Hold rating with revised TP of Rs23,150 (earlier Rs25,687).

- **Weak demand in East region impacted the volumes:** Volumes declined 2.3% YoY to 8.0mnt (PLe:8.1mnt), in line with industry.
- **EBITDA/t declined 21% YoY/10% QoQ to Rs1,135:** Blended realisations fell 1% QoQ (+5% YoY/260) at Rs5,077, in line with our estimate. Due to 73% YoY increase in energy cost, Cost increased sharply by 17% YoY to Rs3,943 (PLe:Rs3,932). This led to contraction in EBITDA/t by 21% QoQ/10% YoY to Rs1,134 (PLe:Rs1,144). Adjusted for write-back of prior year tax or Rs1bn, PAT fell 29% YoY to Rs5.5bn (PLe:Rs5.6bn, CE:Rs6.0bn).
- **Target to become 80mtpa player by 2030:** Company guided to increase its capacity to 80mtpa (current 46.4mtpa) by 2030. It already announced greenfield plant of 3.5mnt in Rajasthan for commissioning by FY24 end. The work on 3mtpa greenfield grinding unit in West Bengal is on track for commissioning in FY23. We expect addition of greenfield plant of 3.0mtpa in Andhra Pradesh in FY25. We believe that majority of growth would come through greenfield expansions.

Exhibit 1: Q4FY22 Result Overview (Rs mn)

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Net Sales	40,988	39,580	3.6	35,518	1,43,059	1,26,689	12.9
Raw Material	3,530	3,280	7.6	3,857	11,386	8,756	30.0
<i>% of Net Sales</i>	<i>8.6</i>	<i>8.3</i>		<i>10.9</i>	<i>8.0</i>	<i>6.9</i>	
Staff Costs	1,967	2,442	(19.5)	1,965	8,072	7,597	6.3
<i>% of Net Sales</i>	<i>4.8</i>	<i>6.2</i>		<i>5.5</i>	<i>5.6</i>	<i>6.0</i>	
Power & Fuel	10,728	6,360	68.7	8,079	31,614	20,824	51.8
<i>% of Net Sales</i>	<i>26.2</i>	<i>16.1</i>		<i>22.7</i>	<i>22.1</i>	<i>16.4</i>	
Freight and selling expenses	9,413	9,527	(1.2)	7,616	32,415	30,372	6.7
<i>% of Net Sales</i>	<i>23.0</i>	<i>24.1</i>		<i>21.4</i>	<i>22.7</i>	<i>24.0</i>	
Other Expenses	6,245	6,146	1.6	5,745	23,094	19,340	19.4
<i>% of Net Sales</i>	<i>15.2</i>	<i>15.5</i>		<i>16.2</i>	<i>16.1</i>	<i>15.3</i>	
Total Expenditure	31,882	27,755	14.9	27,262	1,06,580	86,890	22.7
EBITDA	9,106	11,825	(23.0)	8,255	36,478	39,798	(8.3)
<i>Margin (%)</i>	<i>22.2</i>	<i>29.9</i>		<i>23.2</i>	<i>25.5</i>	<i>31.4</i>	
Depreciation	3,013	2,993	0.7	2,521	10,365	11,399	(9.1)
Other income	1,381	1,191	16.0	1,101	5,373	4,329	24.1
EBIT	7,474	10,022	(25.4)	6,836	31,487	32,728	(3.8)
Interest	536	553	(3.1)	551	2,178	2,471	(11.9)
PBT	6,938	9,469	(26.7)	6,284	29,309	30,257	(3.1)
Extraordinary income/(expense)	-	-		-	-	-	
PBT (After EO)	6,938	9,469	(26.7)	6,284	29,309	30,257	(3.1)
Tax	486	1,793	(72.9)	1,364	5,543	7,138	(22.3)
<i>% PBT</i>	<i>7.0</i>	<i>18.9</i>		<i>21.7</i>	<i>18.9</i>	<i>23.6</i>	
Reported PAT	6,452	7,677	(15.9)	4,920	23,766	23,119	2.8
Adjusted PAT	5,450	7,677	(29.0)	4,920	22,721	23,017	(1.3)

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Volume (mnt)	8.0	8.2	(2.3)	6.6	27.7	26.8	3.3
Net Realisations (Rs/te)	5,077	4,818	5.4	5,126	5,055	4,615	9.6
EBITDA/t	1,134	1,439	(21.2)	1,260	1,315	1,483	(11.3)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	134,650	150,096	172,775	191,659
YoY gr. (%)	4.7	11.5	15.1	10.9
Cost of Goods Sold	18,702	10,382	23,170	26,742
Gross Profit	115,947	139,714	149,605	164,917
Margin (%)	86.1	93.1	86.6	86.0
Employee Cost	8,692	9,135	10,226	10,966
Other Expenses	17,293	24,308	21,430	24,485
EBITDA	40,377	37,079	41,811	48,713
YoY gr. (%)	7.6	(8.2)	12.8	16.5
Margin (%)	30.0	24.7	24.2	25.4
Depreciation and Amortization	12,623	11,459	14,532	14,969
EBIT	27,753	25,621	27,280	33,745
Margin (%)	20.6	17.1	15.8	17.6
Net Interest	2,490	2,161	1,878	1,708
Other Income	4,777	5,459	5,910	6,582
Profit Before Tax	30,041	28,918	31,312	38,618
Margin (%)	22.3	19.3	18.1	20.1
Total Tax	7,145	5,552	7,573	9,341
Effective tax rate (%)	23.8	19.2	24.2	24.2
Profit after tax	22,896	23,366	23,739	29,277
Minority interest	37	47	0	0
Share Profit from Associate	-	-	-	-
Adjusted PAT	22,756	23,320	23,738	29,277
YoY gr. (%)	48.6	2.5	1.8	23.3
Margin (%)	16.9	15.5	13.7	15.3
Extra Ord. Income / (Exp)	103	-	-	-
Reported PAT	22,859	23,320	23,738	29,277
YoY gr. (%)	48.8	2.0	1.8	23.3
Margin (%)	17.0	15.5	13.7	15.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	22,859	23,320	23,738	29,277
Equity Shares O/s (m)	36	36	36	36
EPS (Rs)	630.7	646.3	657.9	811.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	137,230	146,606	174,406	215,706
Tangibles	137,230	146,606	174,406	215,706
Intangibles	-	-	-	-
Acc: Dep / Amortization	75,067	88,622	103,154	118,123
Tangibles	75,067	88,622	103,154	118,123
Intangibles	-	-	-	-
Net fixed assets	62,163	57,984	71,252	97,583
Tangibles	62,163	57,984	71,252	97,583
Intangibles	-	-	-	-
Capital Work In Progress	9,965	23,624	30,444	19,769
Goodwill	-	-	-	-
Non-Current Investments	48,336	48,347	48,359	48,370
Net Deferred tax assets	7,861	8,142	8,455	8,841
Other Non-Current Assets	4,934	1,875	1,975	2,075
Current Assets				
Investments	38,015	38,015	38,015	38,015
Inventories	17,157	19,498	22,248	24,679
Trade receivables	6,859	8,297	9,467	10,502
Cash & Bank Balance	7,084	8,946	3,418	8,495
Other Current Assets	10,908	11,992	13,225	14,545
Total Assets	215,132	228,597	248,762	274,808
Equity				
Equity Share Capital	361	361	361	361
Other Equity	153,613	171,208	191,595	217,344
Total Networkth	153,974	171,569	191,956	217,704
Non-Current Liabilities				
Long Term borrowings	18,403	16,459	11,459	7,459
Provisions	318	318	318	318
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	8,830	8,522	9,711	10,750
Other current liabilities	23,091	21,925	24,391	26,626
Total Equity & Liabilities	215,132	228,597	248,762	274,808

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	30,041	28,092	31,312	38,618
Add. Depreciation	12,623	13,729	14,532	14,969
Add. Interest	2,513	2,109	1,878	1,708
Less Financial Other Income	4,777	5,459	5,910	6,582
Add. Other	(4,396)	(5,171)	(5,910)	(6,582)
Op. profit before WC changes	40,781	38,759	41,811	48,713
Net Changes-WC	9,208	(4,128)	(514)	(630)
Direct tax	(7,451)	(7,076)	(7,886)	(9,727)
Net cash from Op. activities	42,538	27,555	33,411	38,356
Capital expenditures	(11,159)	(20,050)	(34,620)	(30,625)
Interest / Dividend Income	2,143	-	-	-
Others	(17,434)	5,171	5,910	6,582
Net Cash from Inv. activities	(26,450)	(14,879)	(28,710)	(24,043)
Issue of share cap. / premium	-	-	-	-
Debt changes	(9,675)	(5,000)	(5,000)	(4,000)
Dividend paid	(111)	(3,704)	(3,351)	(3,528)
Interest paid	(2,540)	(2,109)	(1,878)	(1,708)
Others	-	-	-	-
Net cash from Fin. activities	(12,326)	(10,813)	(10,229)	(9,236)
Net change in cash	3,761	1,863	(5,528)	5,077
Free Cash Flow	31,324	7,505	(1,209)	7,731

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	34,495	32,059	35,518	40,988
YoY gr. (%)	47.9	5.0	6.8	3.6
Raw Material Expenses	1,913	2,086	3,857	3,530
Gross Profit	32,582	29,973	31,660	37,458
Margin (%)	94.5	93.5	89.1	91.4
EBITDA	10,135	8,982	8,255	9,106
YoY gr. (%)	44.7	(10.8)	(24.2)	(23.0)
Margin (%)	29.4	28.0	23.2	22.2
Depreciation / Depletion	2,325	2,505	2,521	3,013
EBIT	7,810	6,477	5,734	6,093
Margin (%)	22.6	20.2	16.1	14.9
Net Interest	535	556	551	536
Other Income	1,392	1,500	1,101	1,381
Profit before Tax	8,667	7,420	6,284	6,938
Margin (%)	25.1	23.1	17.7	16.9
Total Tax	2,049	1,643	1,364	486
Effective tax rate (%)	23.6	22.1	21.7	7.0
Profit after Tax	6,617	5,777	4,920	6,452
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	6,617	5,734	4,920	5,450
YoY gr. (%)	78.5	6.8	(21.4)	(29.0)
Margin (%)	19.2	17.9	13.9	13.3
Extra Ord. Income / (Exp)	-	44	-	1,002
Reported PAT	6,617	5,777	4,920	6,452
YoY gr. (%)	78.5	5.6	(21.4)	(15.9)
Margin (%)	19.2	18.0	13.9	15.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,617	5,777	4,920	6,452
Avg. Shares O/s (m)	35	35	35	35
EPS (Rs)	187.6	162.5	139.5	154.5

Source: Company Data, PL Research

Key Financial Metrics

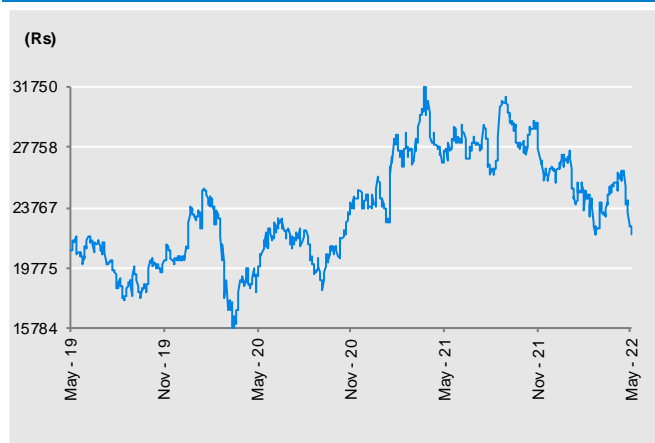
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	630.7	646.3	657.9	811.4
CEPS	980.6	963.9	1,060.7	1,226.3
BVPS	4,267.6	4,755.2	5,320.3	6,033.9
FCF	868.2	208.0	(33.5)	214.3
DPS	58.7	88.0	92.9	102.7
Return Ratio(%)				
RoCE	16.5	14.2	13.9	15.7
ROIC	17.2	15.5	13.4	15.2
RoE	15.9	14.3	13.1	14.3
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	41	47	46	47
Valuation(x)				
PER	34.9	34.0	33.4	27.1
P/B	5.2	4.6	4.1	3.6
P/CEPS	22.4	22.8	20.7	17.9
EV/EBITDA	19.0	20.6	18.3	15.5
EV/Sales	5.7	5.1	4.4	3.9
Dividend Yield (%)	0.3	0.4	0.4	0.5

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Volume (mn te)-Cement Domestic	27	28	32	36
Volume (mn units)-Power	1	412		
Net Realisations (Rs/te)	4,639	4,917	5,114	4,960
Realised rate (Rs/unit)	4	10	4	4
Cement EBITDA (Rs/te)	1,447	1,299	1,293	1,314
Raw material cost (Rs/te)	317	328	337	345
Power & Fuel cost (Rs/te)	758	1,134	1,263	1,089
Freight cost (Rs/te)	1,132	1,202	1,193	1,197
Volume (mn te)- Cement Overseas	3	3	3	3
Net Realisations (Rs/te) - Overseas	3,367	3,535	3,606	3,678
Cement EBITDA (Rs/te) - Overseas	322	403	403	403

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	8-Apr-22	Hold	25,687	24,743
2	7-Feb-22	Hold	26,830	24,724
3	10-Jan-22	Hold	28,000	27,001
4	16-Dec-21	Hold	28,000	26,406
5	29-Oct-21	Hold	28,000	28,635
6	6-Oct-21	Hold	27,967	28,750
7	6-Sep-21	Hold	28,400	30,441
8	10-Aug-21	Hold	28,400	28,250
9	6-Jul-21	Hold	28,625	27,000
10	1-Jul-21	Hold	28,625	27,505

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,300	2,057
2	Ambuja Cement	Hold	400	383
3	Coal India	Accumulate	220	186
4	Dalmia Bharat	Accumulate	1,755	1,422
5	Heidelberg Cement India	Reduce	200	202
6	Hindalco Industries	Hold	673	428
7	Hindustan Zinc	Reduce	322	294
8	Jindal Steel & Power	Reduce	490	479
9	JK Lakshmi Cement	Accumulate	570	422
10	JSW Steel	Reduce	625	631
11	NMDC	Reduce	155	147
12	Shree Cement	Hold	25,687	24,743
13	Steel Authority of India	Reduce	57	83
14	Tata Steel	Reduce	1,230	1,171
15	The Ramco Cements	Hold	831	810
16	Ultratech Cement	Accumulate	7,180	6,630

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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