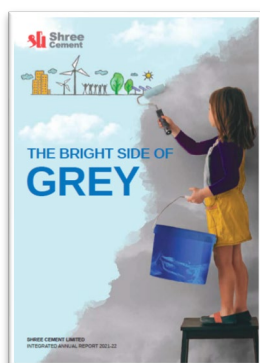


# Shree Cement

BSE SENSEX 53,514 S&P CNX 15,967

**CMP: INR19,735 TP: INR20,000 (+1%) Neutral**

Motilal Oswal values your support in the Asiamoney Brokers Poll 2022 for India Research, Sales, Corporate Access and Trading team. We request your ballot.



### Stock Info

Bloomberg	SRCM IN
Equity Shares (m)	36
M.Cap.(INRb)/(USDb)	712.1 / 8.9
52-Week Range (INR)	31441 / 17900
1, 6, 12 Rel. Per (%)	2/-14/-31
12M Avg Val (INR M)	1128
Free float (%)	37.5

### Financials Snapshot (INR b)

Y/E Dec	FY22	FY23E	FY24E
Sales	143.3	154.8	164.7
EBITDA	36.5	30.7	39.0
Adj. PAT	22.7	16.0	18.9
EBITDA Margin (%)	25.5	19.8	23.7
Adj. EPS (INR)	629.7	442.8	524.2
EPS Gr. (%)	-1.3	-29.7	18.4
BV/Sh. (INR)	4,786.8	5,169.6	5,613.8

### Ratios

Net D:E	-0.4	-0.4	-0.3
RoE (%)	14.0	8.9	9.7
RoCE (%)	13.9	8.8	9.6
Payout (%)	13.7	13.5	15.3

### Valuations

P/E (x)	31.3	44.6	37.6
P/BV (x)	4.1	3.8	3.5
EV/EBITDA(x)	17.4	20.3	16.3
EV/ton (USD)	171.9	168.4	151.3
Div. Yield (%)	0.5	0.3	0.4
FCF Yield (%)	1.1	0.3	0.4

## Expansions to drive balanced distribution of capacity...

...and will lead to volume growth

- Shree Cement (SRCM) is the third largest cement player with an installed cement capacity of 46.4mtpa as of FY22. In this note, we analyze SRCM's FY22 Annual Report (AR). The key highlights of our analysis are as follows: a) SRCM commissioned 3mtpa grinding unit (GU) at Pune, Maharashtra in Feb'22 and 4mtpa (12,000tpd) clinker plant at Baloda Bazar, Chhattisgarh in Mar'22, b) it aims to reach to 80mtpa cement capacity by FY30 (announced roadmap to achieve 56mtpa capacities to date) and c) it continued investments in renewable energy (RE) to enhance green energy share.
- The management highlighted that on a lower base the industry production is estimated at 345-350mt in FY22, ~6% higher than pre-Covid levels. Going forward, the demand conditions are likely to be strong underpinned by infra projects, affordable housing and rising rural income.

## Announces capacity expansion in the North, East and South regions

- SRCM has commissioned Greenfield GU of 3mtpa in Maharashtra (West) and 4mtpa Clinkerization unit at Chhattisgarh (East) in FY22. With these expansions, SRCM's domestic clinker/cement capacity increased 15%/ 7% to 29.6mtpa/46.4mtpa, respectively, as of Mar'22.
- Further, the company has announced clinker/cement capacity expansion of 5.3mtpa/9.5mtpa spread over North, East and South regions. Post-completion of these expansions (by FY25E), SRCM's clinker/cement capacity will rise 18%/20% to 34.9mtpa/55.9mtpa, respectively.
- SRCM aims to reach a cement capacity of 80mtpa by FY30. We believe that the next leg of expansions could be in North (Rajasthan, Haryana and Punjab), West (Gujarat) and Central (Uttar Pradesh) regions.

## Profitability hurts due to cost pressures

- In FY22, SRCM's standalone EBITDA declined 8% YoY to INR36.5b primarily due to input cost pressure. Sales volume increased 3% YoY to 27.74mt. However, capacity utilization of cement dropped 3.1pp YoY to 63.7%.
- The sale of premium products rose 6% YoY in FY22 and contributed 6.1% to the overall sales volume. Cement realization improved 5.6% YoY to INR4,915/t in FY22 (cement realization excluding other operating income was up 4% YoY to INR4,764/t).
- Operating cost (adjusted for purchase of traded goods) grew 16% YoY to INR3,749/t due to higher RM costs, fuel prices (coal, petcoke and diesel), store and spares, packing material and other fixed overheads (ad spends, repairs and maintenance). Management continues to focus on cost optimization through reduction in clinker factor, power consumption, increase in green energy share, routes rationalization, augmenting use of technological tools in supply management and building rail connectivity.

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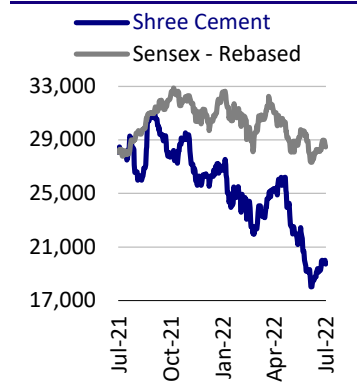
**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Shareholding pattern (%)**

As On	Mar-22	Dec-21	Mar-21
Promoter	62.6	62.6	62.6
DII	11.2	10.5	10.8
FII	12.2	13.1	12.5
Others	14.1	13.9	14.1

FII Includes depository receipts

**Stock performance (one-year)****Cash conversion days increase due to higher fuel inventories**

- SRCM's cash conversion cycle increased (50 days in FY22 v/s 34 days in FY21), mainly due to higher fuel (witnessed sharp increase in fuel prices) and work-in-progress (clinker) inventories.
- SRCM had been generating strong cash flows and the cumulative OCF stood at INR106b during FY20-22 (v/s INR61b over FY17-19). FCF stood at INR63b during FY20-22 (v/s INR4b during FY17-19).
- SRCM remains a net cash company and it has a net cash balance of INR67b in FY22 (v/s INR64b in FY21). We believe that it will continue to maintain strong liquidity position and a deleveraged balance sheet with focus on utilizing operating cash flows for its future growth plans. We forecast its net cash to be at INR67b in FY24.
- SRCM is a regular dividend paying company. Dividend payout as a % of net profits stood at 14% in FY22 v/s 9% in FY21 (last five-year average was 21%).

**Expensive valuations cap material upside; maintain Neutral**

- SRCM has been trading at premium valuations due to cost leadership achieved through: 1) higher share of green power (WHRS and solar power) that helps to fulfill 48% of energy requirements; 2) higher dependence on split grinding units and alternative raw materials: alternative sources of gypsum met over 85% of its requirements in FY22 (out of which 24% was from in-house manufacturing); and 3) higher clinker-to-cement conversion ratio. The company raised its synthetic gypsum manufacturing capacity by 100TPH in FY22 (previous capacity: 70TPH). It is also in the process of setting up solar power capacity of 106MW by 2QFY23E.
- We believe that its cost benefits over industry peers will reduce gradually as other companies are increasing their green power capacities over the next few years and the industry is also increasing the mix of split grinding units. SRCM's cement sales volume growth of 4.7% YoY in FY22 was lower than industry volume growth estimates of ~8%. Going forward, we expect SRCM's volume to grow 8%/9% YoY in FY23/24, respectively.
- SRCM trades at 20.3x/16.3x FY23/24E EV/EBITDA and EV/t of USD168/USD151 in FY23/24E, respectively. The stock has traded at an average 1-year forward EV/EBITDA of 17.9x in the last 10 years. We value it at 16x FY24E EV/EBITDA to arrive at our TP of INR20,000 and maintain our Neutral rating on the stock.

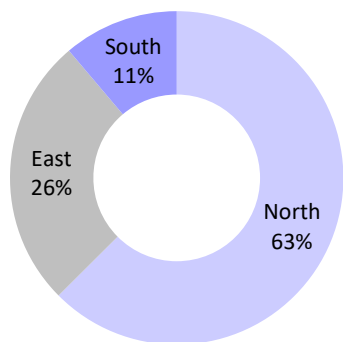
## Story in charts

**Exhibit 1: Recent capacity expansion announcements**

Location	State	Clinker (mtpa)	Cement (mtpa)	Timeline	Mode of expansion	Capex (INR M)	Capex/t (USD)
Purulia	West Bengal	-	3.0	Jun'23	Greenfield	7,500	32
Nawalgarh	Rajasthan	3.8	3.5	Mar'24	Greenfield	35,000	127
Guntur	Andhra Pradesh	1.5	3.0	Dec'24	Greenfield	25,000	105
<b>Total</b>		<b>5.3</b>	<b>9.5</b>			<b>67,500</b>	<b>90</b>

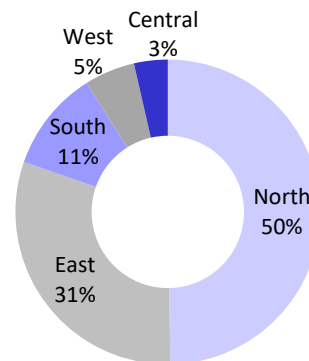
Source: MOFSL, Company; Note: USD1 is equal to INR79

**Exhibit 2: SRCM's regional clinker capacity share in FY25E\***



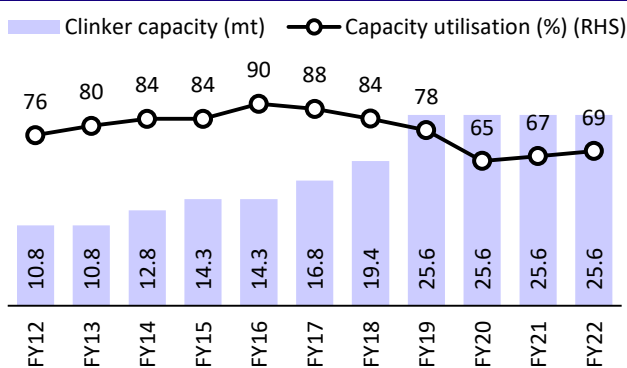
Source: MOFSL, Company, \*based on announced capacities

**Exhibit 3: Regional cement capacity share in FY25E\***



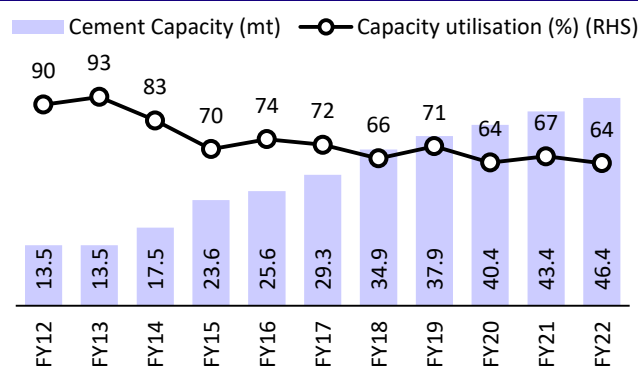
Source: MOFSL, Company, \*based on announced capacities

**Exhibit 4: Fall in clinker utilization post-pandemic...**



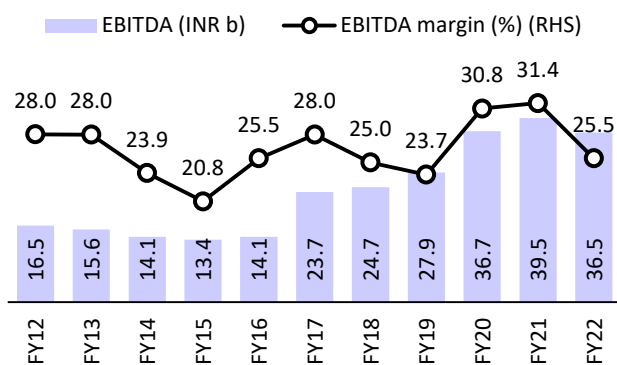
Source: MOFSL, Company

**Exhibit 5: ...so has been the case with cement utilization**



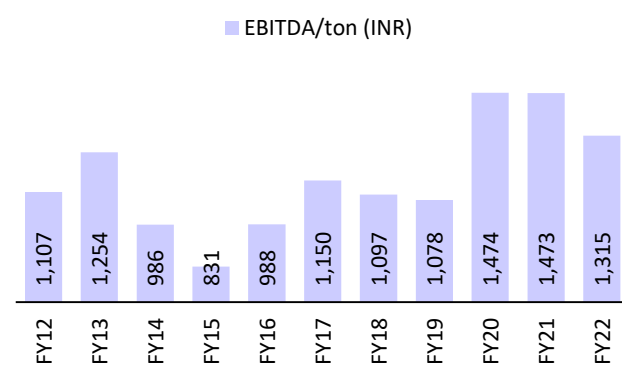
Source: MOFSL, Industry, Company

**Exhibit 6: EBITDA declined 8% YoY; OPM down 5.9pp**



Source: MOFSL, Company

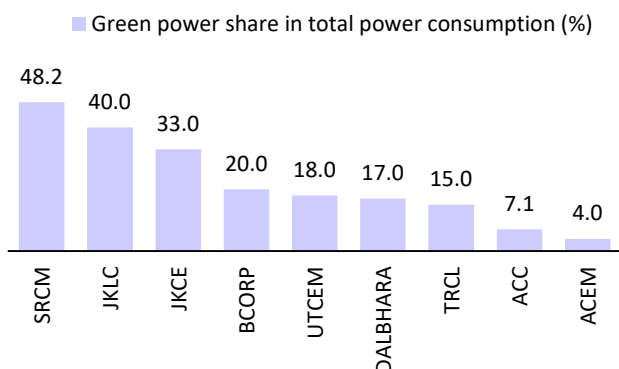
**Exhibit 7: Blended EBITDA/t at INR1,315 down 10.7% YoY**



Source: MOFSL, Company

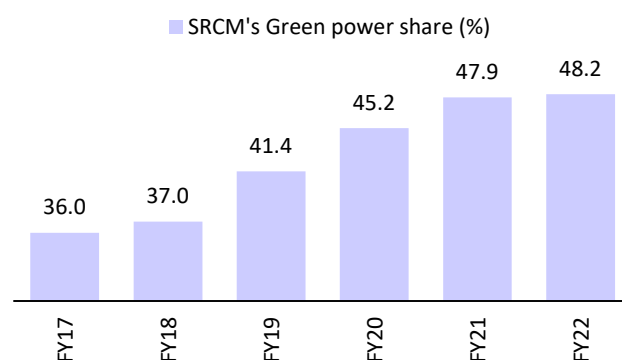
## Story in charts

**Exhibit 8: SRCM is pioneer in green power in the industry...**



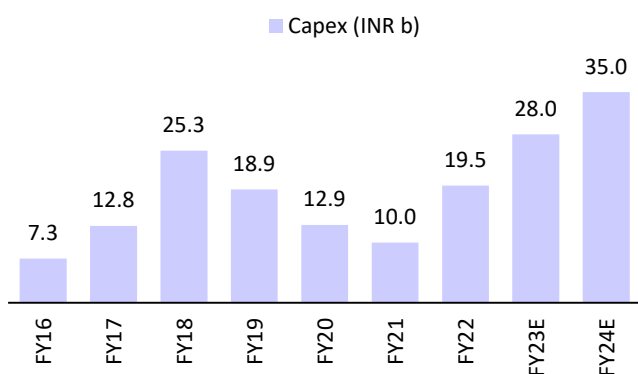
Source: MOFSL, Company

**Exhibit 9: ...green power share stood at 48% in FY22**



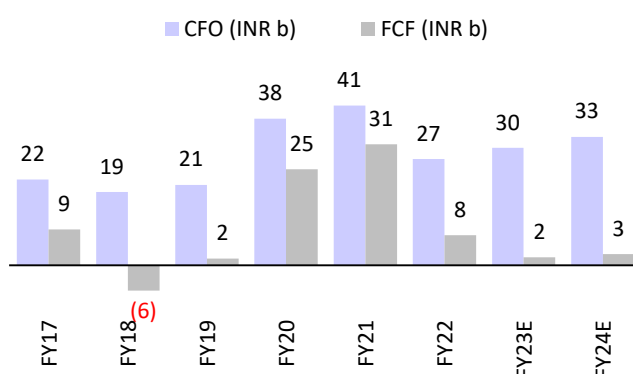
Source: MOFSL, Company

**Exhibit 10: Capex spend to increase on new growth plans**



Source: MOFSL, Company

**Exhibit 11: FCF to remain low on start of new capex cycle**



Source: MOFSL, Company

**Exhibit 12: Du-pont analysis (Standalone) – Lower profitability to adversely impact RoE**

(%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
PAT/PBT	87.5	75.8	89.6	80.1	76.1	77.5	76.4	76.4
PBT/EBIT	92.2	93.1	76.8	87.2	92.4	93.1	90.4	91.8
EBIT/Sales	19.6	19.8	14.0	18.8	26.0	22.0	14.9	16.4
Asset turnover (x)	1.1	1.0	1.0	0.9	0.8	0.8	0.8	0.8
Assets/Equity (x)	1.1	1.2	1.3	1.2	1.1	1.1	1.1	1.1
<b>RoE</b>	<b>18.4</b>	<b>16.7</b>	<b>12.2</b>	<b>13.9</b>	<b>16.3</b>	<b>14.0</b>	<b>8.9</b>	<b>9.7</b>

Source: MOFSL, Company

**Exhibit 13: Annual report highlights**

Year	Demand Scenario & Outlook	Expansion plan	Operational efficiency initiatives	YoY Change
FY18	<ul style="list-style-type: none"> <li>❖ Industry production estimated around 298mt, registered growth of 6.3% YoY in FY18.</li> <li>❖ Cement demand to continue remain strong driven by housing segment (primarily affordable housing and rural housing) and infrastructure spending by the government.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Integrated plant of 3mtpa at Gulbarga, Karnataka is expected by 3QFY19.</li> <li>❖ Acquired 92.8% in Union Cement Co (UCC), UAE having 4mtpa/3.3mtpa cement/clinker capacity; acquisition is likely to be completed by Sep'18.</li> <li>❖ Won a limestone-mining lease in Kutch, Gujarat.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Modification in cooler design to enhance kiln output.</li> <li>❖ Modification of cooler plates to increase waste heat recovery generation.</li> </ul>	<p>Volume: 9.5% Revenue: 17.0% EBITDA: 4.5% PAT: 3.4%</p>
FY19	<ul style="list-style-type: none"> <li>❖ Industry production estimated around 337mt, listed growth of ~13% YoY in FY19</li> <li>❖ Government's continued thrust on affordable housing and infrastructure development projects should aid cement demand growth.</li> </ul>	<ul style="list-style-type: none"> <li>❖ GU of 2.5mtpa at Seraikela, Jharkhand is expected by Jun'19.</li> <li>❖ GU with 3mtpa capacity each at Athagarh, Odisha and Pune, Maharashtra is expected by 1HFY20 &amp; 1HFY21, respectively.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Acquired Raipur Handling and Infrastructure Private Limited for INR590mn which will provide dedicated rail connectivity at Baloda Bazar plant.</li> <li>❖ Commissioned 21MW wind power plant in Karnataka.</li> </ul>	<p>Volume: 14.8% Revenue: 18.9% EBITDA: 12.7% PAT: -18.4%</p>
FY20	<ul style="list-style-type: none"> <li>❖ Industry production estimated flat YoY as nation-wide lockdown affected cement demand in last days of the year.</li> <li>❖ Short-term demand outlook is uncertain due to the pandemic hit. However, in long-term remains positive led by various economic reforms and continue infrastructure spending</li> </ul>	<ul style="list-style-type: none"> <li>❖ GU at Atagarh, Odisha and Pune, Maharashtra (3mtpa each) is delayed due to the pandemic. The same is now expected to commission in 2QFY21.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Continuous investment to set up RE power plants. RE capacity reached to 234MW (WHRS, solar and wind).</li> <li>❖ Reuse of low-grade limestone and quarry rejects provide cost-effectiveness.</li> </ul>	<p>Volume: -3.6% Revenue: 1.4% EBITDA: 31.9% PAT: 39.1%</p>
FY21	<ul style="list-style-type: none"> <li>❖ Industry production estimated to have exceeded FY20 level of around 333mt driven by firm demand from rural, urban areas and higher government spending towards infrastructure.</li> <li>❖ Expects healthy cement demand growth in FY22 led by increased housing demand, well supported by low mortgage rates, infrastructure sector and "housing for all" scheme.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Commissioned 3mtpa GU at Athagarh, Odisha.</li> <li>❖ The 3mtpa GU at Pune, Maharashtra has been delayed due to the pandemic and Right of Way issue.</li> <li>❖ Announced 4mtpa (12ktpd) brownfield clinkerization unit at Baloda Bazar, Chhattisgarh with likely commissioning in 1HFY23.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Increased WHRS capacity at UCC plant to 29.5MW from 13MW.</li> <li>❖ Installation of 100tph capacity of synthetic gypsum (already has 70tph capacity) for higher in-house production of gypsum.</li> </ul>	<p>Volume: 7.7% Revenue: 5.6% EBITDA: 7.6% PAT: 46.6%</p>
FY22	<ul style="list-style-type: none"> <li>❖ Industry production estimated to be 345-350mt in FY22.</li> <li>❖ Demand is likely to be strong led by rising rural income, government's focus on infrastructure and affordable housing.</li> </ul>	<ul style="list-style-type: none"> <li>❖ GU of 3mtpa in Purulia, West Bengal is expected to be commissioned by Jun'23.</li> <li>❖ Integrated cement plant having clinker/cement capacity of 3.8/3.5mtpa in Nawalgarh, Rajasthan with expected commissioning by Mar'24.</li> <li>❖ Integrated cement plant having clinker/cement capacity of 1.5/3mtpa in Guntur, Andhra Pradesh with expected commissioning by Dec'24 (announced recently).</li> </ul>	<ul style="list-style-type: none"> <li>❖ Setting up solar power plants having capacity of 106MW at various locations and 30MW of WHRS with new clinker line at Chhattisgarh plant. Both RE projects are likely to be completed by 2QFY23 end.</li> <li>❖ Railway siding at GU in Jharkhand is operational and work for railway siding at Maharashtra and Karnataka plant is near completion.</li> </ul>	<p>Volume: 3.3% Revenue: 13.7% EBITDA: -7.8% PAT: -1.3%</p>

Source: MOFSL, Company

## Announces capacity expansion in North, East and South

### Cement capacity will increase to 55.9mtpa in the medium term (FY25E)

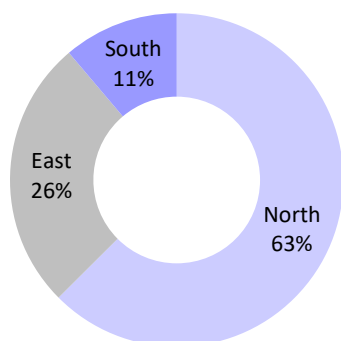
- In FY22, SRCM has commissioned a GU (Greenfield expansion) having capacity of 3mtpa at Pune, Maharashtra and Clinkerization unit (line-III) having capacity of 4mtpa (12,000tpd) at Baloda Bazar, Chhattisgarh. With these expansions, SRCM’s domestic clinker/cement capacity increased 15%/7% to 29.6mtpa/ 46.4mtpa, respectively, as of FY22.
- Further, SRCM has announced clinker/cement capacity expansions of 5.3mtpa/ 9.5mtpa spread over north, east and south regions. These projects are expected to be commissioned in FY24/25. Capex for these projects would be INR67.5b (capex/t works out to be USD90). Post-completion, SRCM’s clinker/ cement capacity will rise 18%/20% to 34.9mtpa/55.9mtpa by FY25E, respectively.
- SRCM aims to reach a cement capacity of 80mtpa by FY30. The company is expanding capacity in regions where its presence is still low, giving it a more balanced distribution and leading to faster growth. Management’s focus is on utilizing the operating cash flows and maintaining a strong balance sheet with minimum leverage.
- We believe that the next leg of expansions could be in North (Rajasthan, Haryana and Punjab), West (Gujarat) and Central (Uttar Pradesh) regions.
- Going forward, cement demand is projected to be strong. Higher fiscal space available with government for capital and infrastructure spending, rising rural income and continuation of Government’s flagship scheme of affordable housing will drive cement demand. Further, the RBI’s consideration of gradual withdrawal of its accommodative stance, which is likely to make housing loan dearer, is unlikely to hit housing demand in the near term.

**Exhibit 14: Recent capacity expansion announcements**

Location	State	Clinker (mtpa)	Cement (mtpa)	Timeline	Mode of expansion	Capex (INR M)	Capex/t (USD)
Purulia	West Bengal	-	3.0	Jun'23	Greenfield	7,500	32
Nawalgarh	Rajasthan	3.8	3.5	Mar'24	Greenfield	35,000	127
Guntur	Andhra Pradesh	1.5	3.0	Dec'24	Greenfield	25,000	105
<b>Total</b>		<b>5.3</b>	<b>9.5</b>			<b>67,500</b>	<b>90</b>

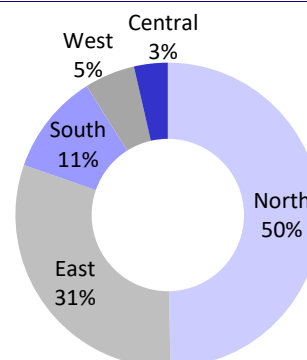
Source: MOFSL, Company; Note: USD1 is equal to INR79

**Exhibit 15: SRCM’s regional clinker capacity share in FY25E\***



Source: MOFSL, Company, \*based on announced capacities

**Exhibit 16: Regional cement capacity share in FY25E\***



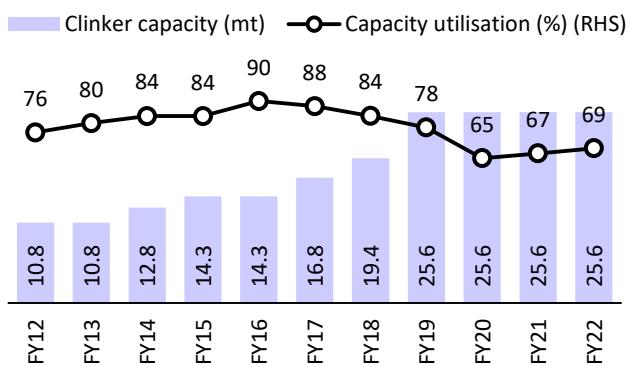
Source: MOFSL, Company, \*based on announced capacities

## Profitability hurts due to cost pressures

### Sales volume grows at only 3.3% YoY; capacity utilization down 3.1pp YoY

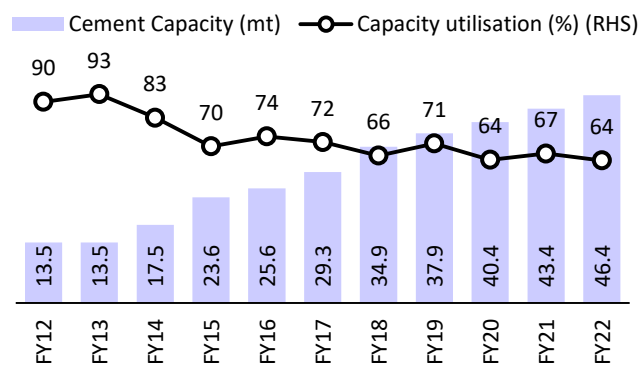
- SRCM’s standalone revenue increased 14% YoY to INR143b. However, revenue adjusted for power revenues and traded goods, increased 9% YoY led by: a) 3.3% YoY increase in sales volume (cement and clinker) to 27.74mt and b) 5.6% YoY improvement in cement realization (including OOI) to INR4,915/t.
- Management highlighted that sales volume from its Kodla plant (south India) increased ~19% YoY to 2.69mt (albeit on a low base). Capacity utilization of Kodla plant works out to be ~90% in FY22 v/s 75%/49% in FY21/FY20, respectively. Kodla plant has registered 35% volume CAGR over FY20-22.
- SRCM clinker/cement capacity utilization stood at 69%/64%, below the industry estimated clinker/cement capacity utilization of 77%/66% in FY22, respectively.

Exhibit 17: Fall in clinker utilization post-pandemic...



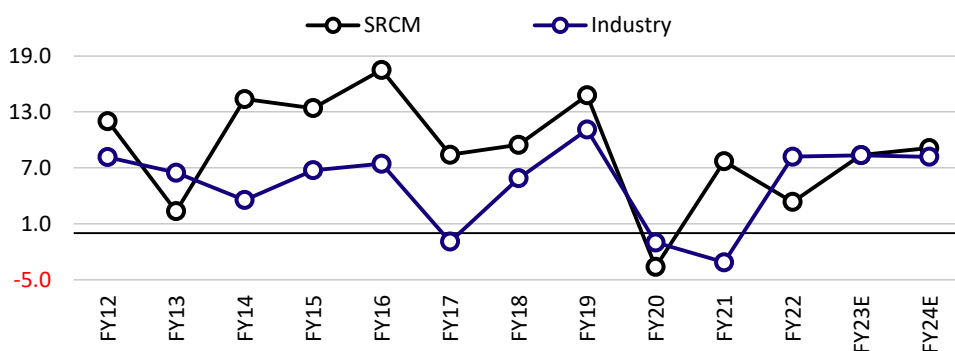
Source: MOFSL, Company

Exhibit 18: ...so has been the case with cement utilization



Source: MOFSL, Industry, Company

Exhibit 19: SRCM’s volume grew 3% YoY against industry volume growth of ~8% in FY22



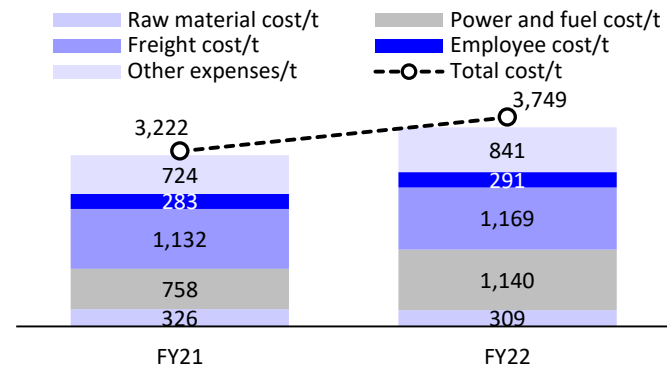
Source: MOFSL, Company

- The sale of premium products increased 6% YoY in FY22. Premium products contributed 6.1% to the overall sales volume and helped improve the realizations. SRCM offers ‘Roofon’ and ‘Bangur Power’ as its premium products.
- Operating cost (adjusted for purchase of traded goods) has increased 16% YoY to INR3,749/t due to higher raw material consumption costs, fuel prices, diesel prices, store and spares, packing material and other fixed overheads (ad spends, repairs and maintenance). The company continues to focus on cost optimization through reduction in clinker factor, power consumption, increase

in green energy share, routes rationalization, increasing use of technological tools in supply management and building rail connectivity.

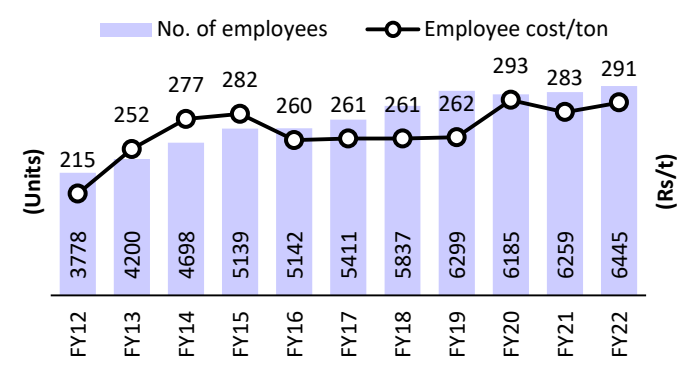
- The key cost-saving measures undertaken were: reduction in electrical energy consumption (power consumption/t of cement was down 2.2% YoY), higher thermal substitution rate (TSR) of 2.41% v/s 0.98% in FY21, reduction in clinker factor (45bp YoY to 63.25%), increase in green energy share (30bp YoY to 48.2%), increase in share of alternative fuel within total fuel consumption (3.81pp YoY to 9.84%) and higher blended cement share of 75.1%.

**Exhibit 20: Total cost/t increased 16.4% YoY**



Source: Company, MOFSL; Note: Raw material cost adjusted for purchase of traded goods

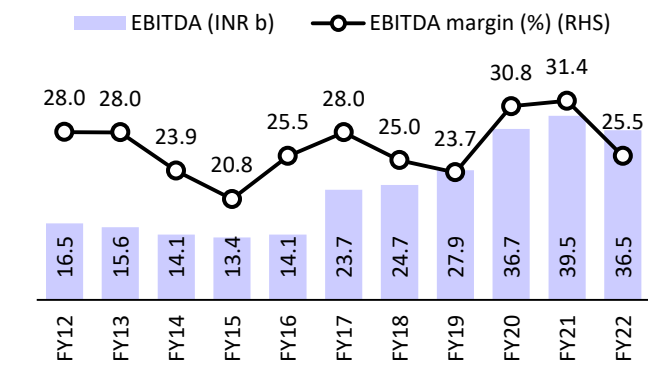
**Exhibit 21: Number of employees rose at 5.5% CAGR**



Source: Company, MOFSL

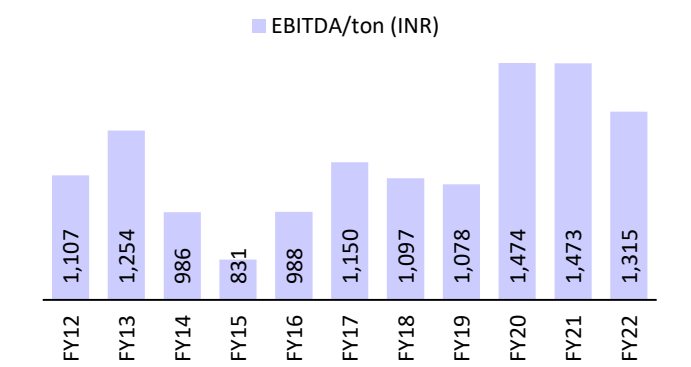
- EBITDA declined 8% YoY to INR36.5b; whereas, EBITDA margin contracted 5.9pp YoY at 25.5%, as better realization could not offset significant increase in operating costs. Blended EBITDA/t declined 10.7% YoY to INR1,315.

**Exhibit 22: EBITDA declined 8% YoY; OPM down 5.9pp**



Source: MOFSL, Company

**Exhibit 23: Blended EBITDA/t at INR1,315 down 10.7% YoY**



Source: MOFSL, Company



**Exhibit 24: Opex/t spiked 19.5% YoY in FY22 (adjusted for purchase of traded goods, Opex/t rose 16% YoY)**

Particulars (per ton)	FY18	FY19	FY20	FY21	FY22	Change YoY (%)
Sales Volume - Cement & Clinker (mt)	22.5	25.9	24.9	26.8	27.7	3.3
<b>Blended Realization</b>	<b>4,389</b>	<b>4,547</b>	<b>4,787</b>	<b>4,696</b>	<b>5,166</b>	<b>10.0</b>
<b>Cement Realization (including OOI)</b>	<b>4,197</b>	<b>4,237</b>	<b>4,580</b>	<b>4,656</b>	<b>4,915</b>	<b>5.6</b>
Raw Material Cost (incl. Change-in-inventory)	342	334	308	326	410	25.8
Power and Fuel	879	1061	942	758	1140	50.5
Freight Cost	1120	1107	1046	1132	1169	3.3
Employee Benefits Expense	261	262	293	283	291	2.8
Other Expenses	689	705	723	724	841	16.2
Total Expenses	3291	3470	3312	3222	3851	19.5
<b>Blended EBITDA</b>	<b>1,097</b>	<b>1,078</b>	<b>1,474</b>	<b>1,473</b>	<b>1,315</b>	<b>-10.7</b>

Source: MOFSL, Company; Note: Raw material cost is also included one-time purchase of traded goods

- Earnings before tax and pre-exceptional items decreased 3% YoY to INR29.3b and adjusted profit after tax (adjusted for earlier year's tax expense) dipped 1% YoY to INR22.7b.

**Exhibit 25: Common-size analysis – raw material, power & fuel, and other expenses increased in FY22**

Particulars (INR m)	FY18	%	FY19	%	FY20	%	FY21	%	FY22	%
<b>Net Revenue (Operations)</b>	<b>98,894</b>	<b>100.0</b>	<b>1,17,599</b>	<b>100.0</b>	<b>1,19,301</b>	<b>100.0</b>	<b>1,26,037</b>	<b>100.0</b>	<b>1,43,297</b>	<b>100.0</b>
Raw Materials (incl. Change-in-inventory)	7,704	7.8	8,642	7.3	7,682	6.4	8,756	6.9	11,386	7.9
Power and Fuel	19,797	20.0	27,450	23.3	23,476	19.7	20,333	16.1	31,614	22.1
Freight and forwarding	25,249	25.5	28,641	24.4	26,061	21.8	30,372	24.1	32,415	22.6
Operating and Administrative Expenses	15,536	15.7	18,220	15.5	18,025	15.1	19,430	15.4	23,333	16.3
Personnel Cost	5,881	5.9	6,778	5.8	7,310	6.1	7,597	6.0	8,072	5.6
<b>EBITDA</b>	<b>24,728</b>	<b>25.0</b>	<b>27,869</b>	<b>23.7</b>	<b>36,745</b>	<b>30.8</b>	<b>39,547</b>	<b>31.4</b>	<b>36,478</b>	<b>25.5</b>
Depreciation	8,994	9.1	13,917	11.8	16,994	14.2	11,399	9.0	10,365	7.2
Other Income	3,891	3.9	2,454	2.1	2,716	2.3	4,580	3.6	5,373	3.7
<b>EBIT</b>	<b>19,624</b>	<b>19.8</b>	<b>16,406</b>	<b>14.0</b>	<b>22,467</b>	<b>18.8</b>	<b>32,728</b>	<b>26.0</b>	<b>31,487</b>	<b>22.0</b>
Financial Charges	1,353	1.4	3,810	3.2	2,865	2.4	2,471	2.0	2,178	1.5
<b>PBT (Before Exceptional Items)</b>	<b>18,272</b>	<b>18.5</b>	<b>12,596</b>	<b>10.7</b>	<b>19,602</b>	<b>16.4</b>	<b>30,257</b>	<b>24.0</b>	<b>29,309</b>	<b>20.5</b>
Exceptional items	0	0.0	1,781	1.5	0	0.0	0	0.0	0	0.0
<b>PBT</b>	<b>18,272</b>	<b>18.5</b>	<b>10,814</b>	<b>9.2</b>	<b>19,602</b>	<b>16.4</b>	<b>30,257</b>	<b>24.0</b>	<b>29,309</b>	<b>20.5</b>
Tax	4,430	4.5	1,304	1.1	3,900	3.3	7,138	5.7	5,543	3.9
<b>PAT</b>	<b>13,842</b>	<b>14.0</b>	<b>9,510</b>	<b>8.1</b>	<b>15,702</b>	<b>13.2</b>	<b>23,119</b>	<b>18.3</b>	<b>23,766</b>	<b>16.6</b>
<b>Adj. PAT*</b>	<b>13,842</b>	<b>14.0</b>	<b>11,292</b>	<b>9.6</b>	<b>15,702</b>	<b>13.2</b>	<b>23,017</b>	<b>18.3</b>	<b>22,721</b>	<b>15.9</b>

Source: MOFSL, Company; \*Note: FY21 and FY22 PAT is adjusted for earlier year tax expenses

**Key costs analysis and cost optimization measures**

SRCM is the least cost producer in the industry supported by higher share of renewable energy in total power consumption, significantly lower power consumption on per ton of cement produce, uses of in-house manufactured synthetic gypsum and lower freight costs.

New railway siding work is completed at Jharkhand GU and near completion at its Karnataka and Maharashtra plants.

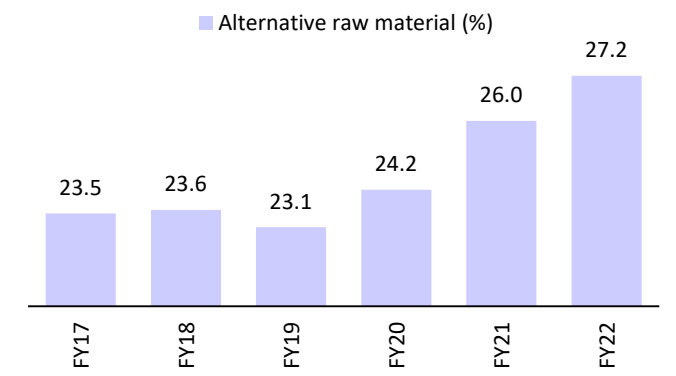
**Higher input material cost led to increase in raw material consumption cost**

- Raw material consumption cost rose 15% YoY to INR360/t due to higher fly ash costs (up 12% YoY); higher diesel prices resulted in increased mining cost and higher other materials/additive costs.
- The company increased usage of alternative gypsum (including in-house manufactured synthetic gypsum), which contributed 85% to the total gypsum

consumption in FY22. It has commissioned 100tph capacity of synthetic gypsum plant during the years that will further help to reduce usage of natural gypsum.

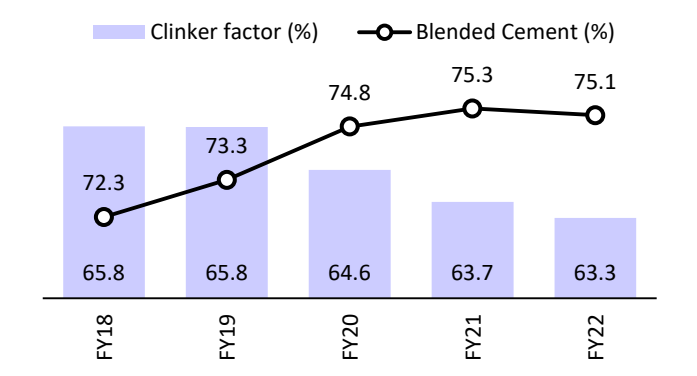
- Clinker factor was lowered by 45bp YoY to 63.25% supported by increasing usage of alternative raw materials (fly ash, gypsum and slag). Alternative raw materials' share rose 1.22pp YoY to 27.23% in FY22. The company's blended cement share stood at 75.13% v/s 75.32% in FY21.

**Exhibit 26: Increased alternative raw material share**



Source: MOFSL, Company

**Exhibit 27: Clinker factor reduced 45bp YoY to 63.3%**



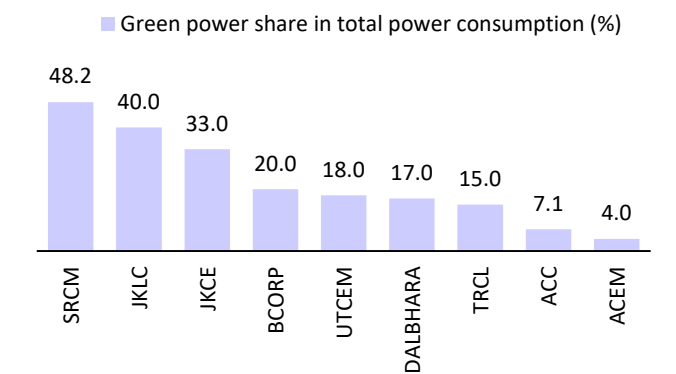
Source: MOFSL, Company

Wind power capacity of 8.4MW/10.5MW in Karnataka/Maharashtra installed in FY22.

**Power and fuel costs increased sharply by 51% YoY to INR1,140/t**

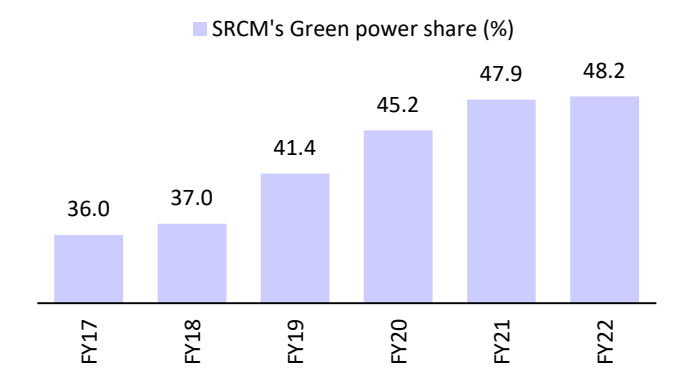
- Power and fuel costs in FY22 increased sharply due to significant increase in fuel prices. However, cost optimization measures (higher uses of green energy and lower power consumption on per ton of cement produce) had helped it to partially limit the higher fuel price impact.
- SRCM's green power share stood at 48.2% in the total power consumption in FY22 (highest in the industry). Its green power installed capacity as of FY22 was 263MW (211MW of WHRS and 52MW of Solar and Wind). The company is setting up a 30MW WHRS facility with a new clinker line-III at Baloda Bazar, Chhattisgarh (recently commissioned) that is expected to be commissioned by Sep'22. This will further help to increase the green energy share.
- Since the company has WHRS facility across its clinker plant, we believe there is little scope for further improvement incrementally from WHRS.
- However, to increase the green energy share in total power consumption, the company has announced to install solar power plants having capacity of up to 106MW at various locations at a capex of INR5b by Sep'22.

**Exhibit 28: SRCM is pioneer in green power in the industry...**



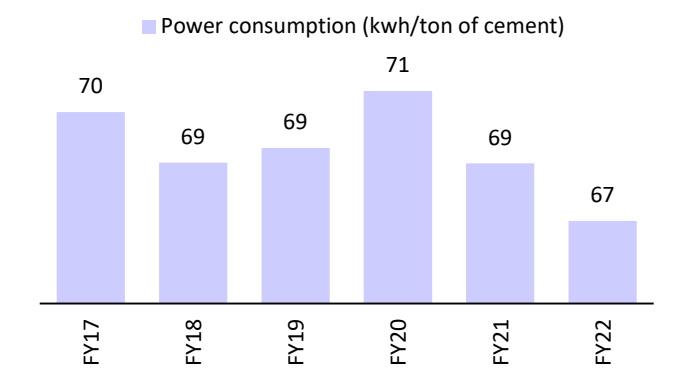
Source: MOFSL, Company

**Exhibit 29: ...green power share stood at 48% in FY22**

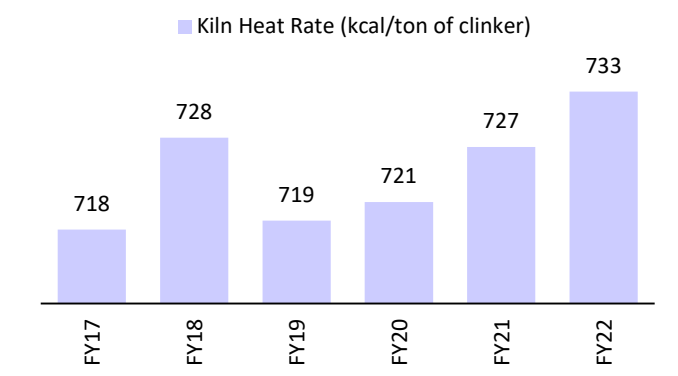


Source: MOFSL, Company

- Power consumption declined 2% YoY to 67.2 Kwh/t, while kiln heat rate increased 1% YoY to 733 kCal/kg.

**Exhibit 30: Power consumption declined...**

Source: MOFSL, Company

**Exhibit 31: ...while, heat consumption (fuel) increased**

Source: MOFSL, Company

**Freight and forwarding costs increased 3% YoY to INR1,169/t**

- Freight costs (including inter-unit clinker transfer) increased 3% YoY to INR1,169/t in FY22 primarily due to higher diesel prices. However, the company continues to work on efficiency improvement, routes rationalization and better use of technological tools in supply management to optimize logistics cost.

**Exhibit 32: Initiatives taken by the company to optimize logistics costs**

Regions	Challenges	Resolutions
South	❖ In South India, 14-wheeler trucks having capacity of 40MT is more prevalent, which results in higher freight costs and higher CO2 emission	❖ In North India SRCM uses 22-wheeler trucks having capacity of 55mt, to transport clinker from integrated unit to GU. To optimize the freight by utilizing higher capacity and fuel efficiency, it encouraged North India transporters to operate in South India (Kodla to Patas).
North	❖ In Delhi, with soring pollution particularly in winters, the government bans entry of Diesel vehicle as well as imposed heavy tax/charges at the time of entry. This affects continuous supplies during such period.	❖ To ensure uninterrupted supplies in Delhi market, a key market for the company with lead distance of 60-70 Kms from its Khushkhara GU, it converted 100% of its small vehicles fleet on CNG.
East	❖ In east India, the company faces challenges in regular availability of vehicles and the vehicles available are mostly of low capacity. This result in un-economical inter-unit clinker movements in the region compared to other operational geographies of the company.	❖ The company decided to shift to rail transport by assuring guaranteed traffic throughout the year to Railways. Railway authorities also allowed the company applicable discount under Station-to-Station (STS) scheme. This has resulted in cost efficient inter-unit clinker transfers as well as low-carbon emissions compared with road transportation

Source: MOFSL, Company

**Exhibit 33: Margin contraction of 90bp due to higher other expenses, key costs witnessed 160bp increase**

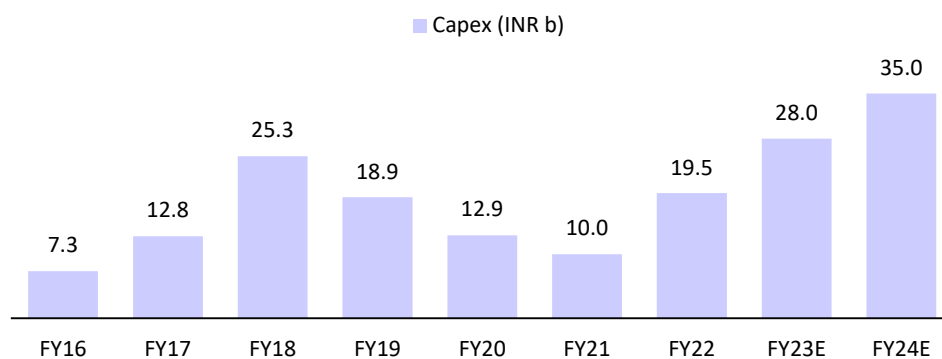
Other Expenses	FY19	% of Revenue	FY20	% of Revenue	FY21	% of Revenue	FY22	% of Revenue	Change YoY (%)
Packing materials	3,769	3.2	3,444	2.9	4,173	3.3	5,572	3.9	0.6
Stores Consumed	3,052	2.6	3,038	2.5	2,890	2.3	3,991	2.8	0.5
Repairs	2,834	2.4	2,991	2.5	2,794	2.2	3,630	2.5	0.3
Rent	201	0.2	123	0.1	121	0.1	155	0.1	0.0
Rates and taxes	131	0.1	119	0.1	576	0.5	268	0.2	-0.3
Royalties on minerals	2,789	2.4	2,752	2.3	2,875	2.3	2,950	2.1	-0.2
Advertisement and sales promotion	2,631	2.2	2,793	2.3	3,154	2.5	3,956	2.8	0.3
Other miscellaneous expenses	2,813	2.4	2,766	2.3	2,847	2.3	2,810	2.0	-0.3
<b>Total</b>	<b>18,220</b>	<b>15.5</b>	<b>18,025</b>	<b>15.1</b>	<b>19,430</b>	<b>15.4</b>	<b>23,333</b>	<b>16.3</b>	<b>0.9</b>

Source: MOFSL, Company

## Capex, fixed assets and cash flows

During FY22, SRCM commissioned a Greenfield GU at Pune, Maharashtra having capacity of 3mtpa and a brownfield clinkerization unit (line-III) at Baloda Bazar, Chhattisgarh having capacity of 4mtpa (12,000tpd). SRCM capitalized to Property, Plant and Equipment of INR16.5b and railway siding (at Jharkhand GU) of INR1.6b. Total capex in FY22 stood at INR19.5b v/s INR10b in FY21.

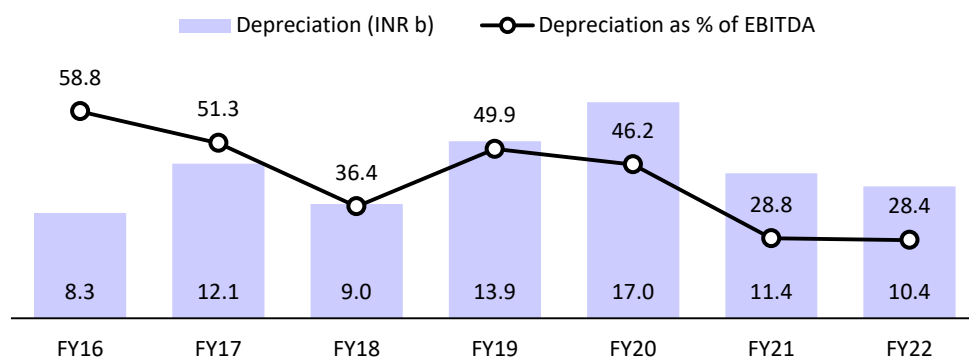
### Exhibit 34: Capex to increase as the company announced growth plans



Source: MOFSL, Company

During FY22, depreciation stood at INR10.4b v/s INR11.4b in FY21. Depreciation as a % of EBITDA was at 28.4% v/s 28.8% in FY21.

### Exhibit 35: Depreciation declined over the past two years



Source: MOFSL, Company

In FY22, SRCM's profitability has declined due to significant rise in operating costs, which resulted in margin contraction (EBIT margin contracted 4pp YoY to 22%) and hence, lower RoE. Going forward, the company has announced growth plans (capacity expansion and RE projects) at an estimated total capex of INR72.5b to be spent over the next three years. We expect asset turnover to be at 0.8x in FY23/24 at a similar level of FY22 (average of 0.9x over FY17-21). Lower profitability assumption in FY23E due to the elevated fuel prices is likely to impact RoE adversely. We estimate RoE of 9%/10% in FY23/24, respectively.

**Exhibit 36: Du-pont analysis: Lower profitability to adversely impact RoE**

(%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
PAT/PBT	87.5	75.8	89.6	80.1	76.1	77.5	76.4	76.4
PBT/EBIT	92.2	93.1	76.8	87.2	92.4	93.1	90.4	91.8
EBIT/Sales	19.6	19.8	14.0	18.8	26.0	22.0	14.9	16.4
Asset turnover (x)	1.1	1.0	1.0	0.9	0.8	0.8	0.8	0.8
Assets/Equity (x)	1.1	1.2	1.3	1.2	1.1	1.1	1.1	1.1
<b>RoE</b>	<b>18.4</b>	<b>16.7</b>	<b>12.2</b>	<b>13.9</b>	<b>16.3</b>	<b>14.0</b>	<b>8.9</b>	<b>9.7</b>

Source: MOFSL, Company

SRCM had witnessed increase in receivable days to 23/25 in FY19/20, respectively, v/s 17 days in FY18, led by increase in debtors related to power sales. However, in FY21 the same has declined with efficiency in collection process. In FY22 also, the company had receivable days of 15.

Inventory days increased to 55 in FY22 v/s 43 in FY21 due to higher fuel (witnessed sharp increase in fuel prices) and work-in-progress (clinker) inventories.

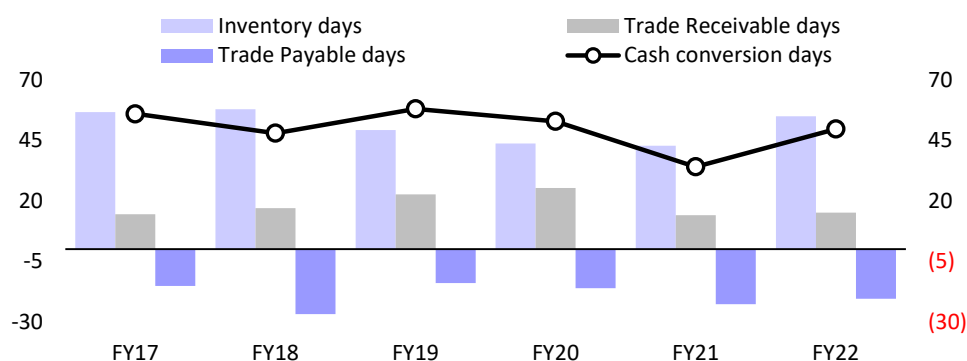
**Exhibit 37: Higher fuel and clinker inventories led to an increase in inventory days in FY22**

Break-up of inventory days	FY17	FY18	FY19	FY20	FY21	FY22
Raw Materials	1	2	2	2	2	1
Fuels	27	28	22	16	17	26
Stores and Spares	17	18	17	17	16	16
Packing Materials	1	1	1	1	1	2
Work-in-progress	6	6	6	5	4	7
Finished goods	5	3	3	3	2	2
<b>Total inventory days</b>	<b>57</b>	<b>58</b>	<b>49</b>	<b>44</b>	<b>43</b>	<b>55</b>

Source: MOFSL, Company

Trade payable days in FY22 was at 20 v/s 23 in FY21 (last five-year average at 19 days).

Resultantly, SRCM's cash conversion cycle increased to 50 days in FY22 from 34 in FY21 (last five-year average at 50 days).

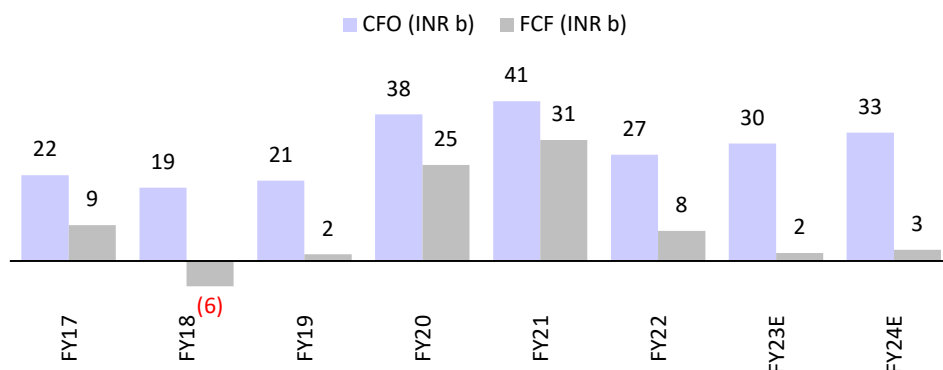
**Exhibit 38: SRCM cash conversion cycle increased in FY22 due to higher inventory days**

Source: MOFSL, Company

SRCM has been generating strong cash flows and the cumulative OCF stood at INR106b during FY20-22 (v/s INR61b over FY17-19). FCF stood at INR63b during FY20-22 (v/s INR4b during FY17-19). Going forward, we expect OCF to improve in FY23/FY24 driven by consolidating working capital and profitability improvement

with cooling-off fuel prices. We estimate a capex of INR28b/35b in FY23/FY24, respectively. FCF is estimated to be INR2b/3b in FY23/FY24, respectively.

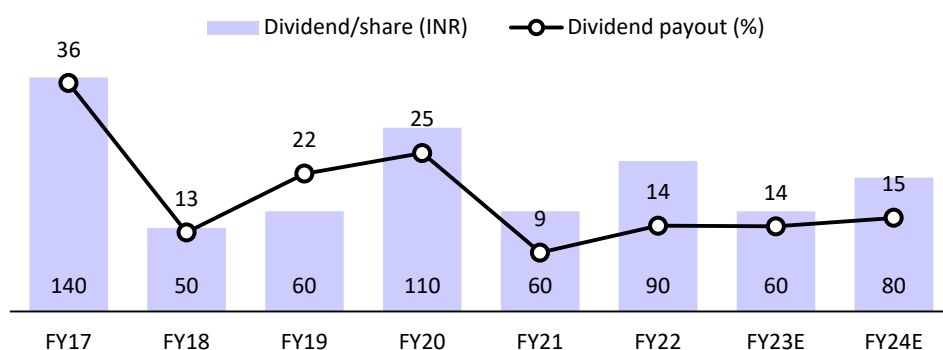
**Exhibit 39: OCF likely to improve, while FCF remains low on beginning of new capex cycle**



Source: MOFSL, Company

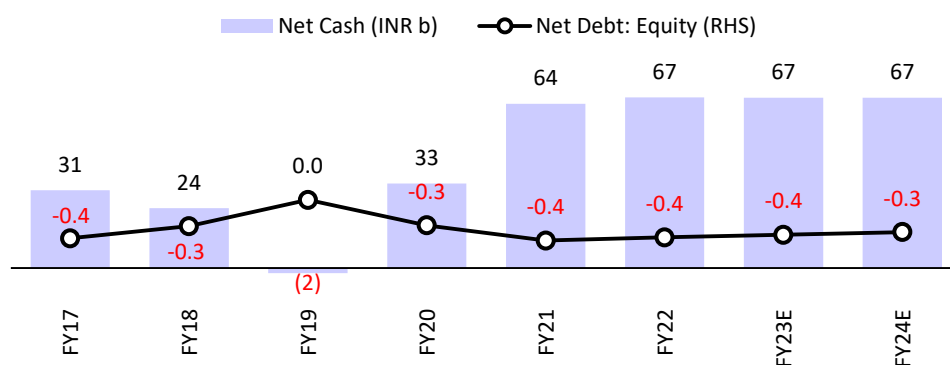
SRCM is a regular dividend paying company. The company's dividend policy stated that dividend payout also depends on capex. Dividend payout as a % of net profits was 14% in FY22 v/s 9% in FY21 (last five-year average was 21%). Going forward, we expect the company to maintain 14-15% payout (dividend of INR60/INR80 per share in FY23/FY24, respectively).

**Exhibit 40: Dividend payout is expected to be maintained at FY22 level**



Source: MOFSL, Company

SRCM remains a net cash company and it has a net cash balance of INR67b in FY22 v/s INR64b in FY21. We expect its net cash to remain at INR67b in FY24, despite higher capex spend over the next two years. We believe that SRCM will continue to maintain strong liquidity position and a deleveraged balance sheet with focus on utilizing operating cash flows for its future growth plans.

**Exhibit 41: SRCM has a net cash balance of INR67b as of FY22**

Source: MOFSL, Company

**Other important points from the Annual Report**

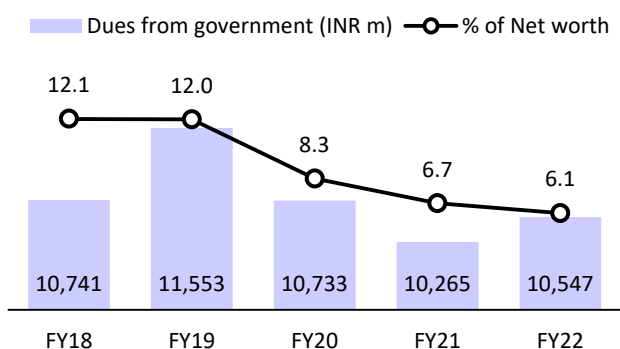
- Within contingent liabilities, the major portion accounted for penalty imposed by Competition Commission of India (CCI) of INR4b in FY17 (2.3% of net worth). The case is still sub judice in the NCLAT (earlier known as COMPAT) over the company's appeal against CCI's order. However, the NCLAT directed the company to deposit 10% of the penalty amount and payment of the balance amount of penalty with interest at 12% p.a. from the date of CCI's order in case the appeal is dismissed. The company has complied with the NCLAT order.
- In FY22, remunerations to directors and key management personnel (KMP) increased due to increase in the managerial remuneration by 11%.

**Exhibit 42: Remunerations to directors and KMP increased in FY22**

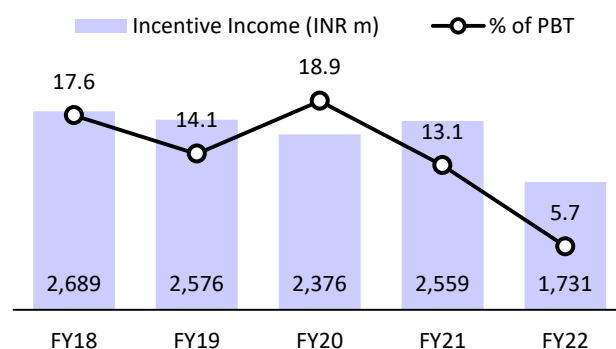
Salary of directors and KMP	FY17	FY18	FY19	FY20	FY21	FY22
Remuneration to Directors & KMPs (INR m)	588	678	776	722	824	905
% of PBT	3.8	3.7	6.2	3.7	2.7	3.1
Auditor's salary (INR m)	6.4	5.8	5.8	8.6	6.2	7.1
% of PBT	0.04	0.03	0.05	0.04	0.02	0.02

Source: MOFSL, Company

- SRCM's incentive income (under various state and central government schemes) declined to INR1.7b in FY22 from INR2.6b in FY21. While, total receivables from the government stood at INR10.5b in FY22 v/s INR10.3b in FY21.

**Exhibit 43: Receivable from government stood at INR10.5b**

Source: Company, MOFSL

**Exhibit 44: Incentive income declined in FY22**

Source: Company, MOFSL

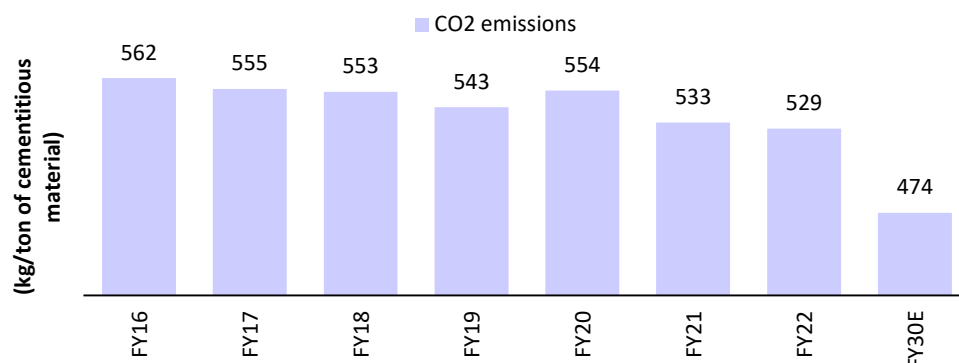
## Key sustainability development and initiatives

- Increased usage of alternative raw material to 8.3mt from 7.9mt in FY21.
- Reduction in specific NOx emission by 33% YoY to 638.4 g/t of clinker.
- Reduction in specific water consumption by 2.4% YoY to 82 ltr/ton of cement (84 ltr/t of cement in FY21). SRCM achieved water positivity rate of >5x.
- Increased CSR spent by 26% YoY to INR575m (from INR457m in FY21).
- The company for its new project in Nawalgarh, Rajasthan has ordered 11,500tpd pyro system, including a six stage preheater and a three-support kiln to Danish equipment supplier FLSmidth. They will also supply series of sustainable equipment, including the world's largest Cross-Bar Cooler, the FLSmidth Ok cement mill and "JETFLEX Burner", which offers the lowest NOx emissions for various fuel types and will lead to 5-10% less power consumption compared to other grinding systems in the market.
- Further to optimize production lines, minimize equipment downtime and improving productivity, the company is in the process of automating Plant Data Management System (PDMS) in collaboration with FLSmidth.

## Targets to reduce carbon emissions

SRCM aims to meaningfully cut emission levels by 2030. It targets 12.7% reduction in Scope 1 and 27.1% in Scope 2 emission from FY19 base year. The company has validated its emission targets from Science Based Targets Initiatives (SBTi).

### Exhibit 45: SRCM aims to reduce carbon emission by 10% between FY22 and FY30E



Source: Company, MOFSL

## SRCM's key subsidiaries and their performance

- The Company has an integrated plant in UAE through its subsidiary Union Cement Company PJSC (holds 98.25% shareholding), was acquired in FY19. Performance of this subsidiary has deteriorated over the years.

### Exhibit 46: Union Cement Company PJSC's performance

INR m	FY19 <sup>^</sup>	FY20	FY21	FY22
Revenue	7,810	8,877	8,570	8,724
PBT	585	-190	-68	-483
PAT	585	-190	-68	-483

Source: MOFSL, Company; Note: <sup>^</sup>Revenue, PBT and PAT is from the period of 11<sup>th</sup> July'18 to 31<sup>st</sup> Mar'19

- In FY22, the Company has incorporated three new subsidiaries "Shree Cement North Pvt Ltd", "Shree Cement East Pvt Ltd" and "Shree Cement South Pvt Ltd".



We believe that the future expansion projects could be under these subsidiaries that help to avail lower tax rate benefit under 115BAB of the income tax (15% tax rate to new manufacturing companies as compared to traditional income tax rate of 30% and lower tax rate of 25% without certain tax incentives, deductions and accumulated MAT credit).

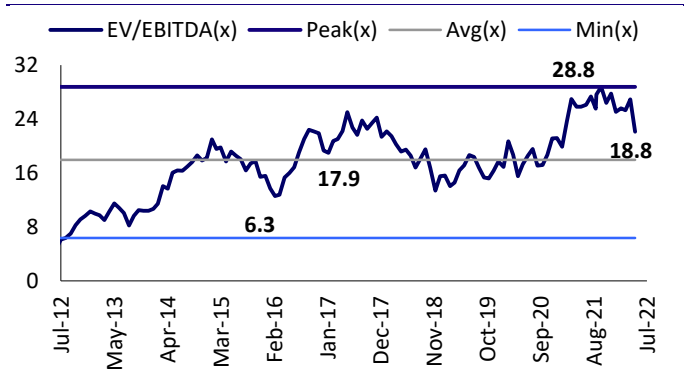
### Expensive valuations cap material upside; retain Neutral

SRCM has been trading at premium valuations due to cost leadership achieved through: 1) higher share of green power (WHRS and solar power) that helps to fulfill 48% of energy requirements; 2) higher dependence on split grinding units and alternative raw materials: alternative sources of gypsum met over 85% of its requirements in FY22 (out of which 24% was from in-house manufacturing); and 3) higher clinker-to-cement conversion ratio. The company raised its synthetic gypsum manufacturing capacity by 100TPH in FY22 (previous capacity: 70TPH). It is also in the process of setting up solar power capacity of 106MW by 2QFY23E.

We believe that its cost benefits over industry peers will reduce gradually as other companies are increasing their green power capacities over the next few years and the industry is also increasing the mix of split grinding units. SRCM’s cement sales volume growth of 4.7% YoY in FY22 was lower than industry volume growth estimates of ~8%. Going forward, we expect SRCM’s volume to grow 8%/9% YoY in FY23/24, respectively.

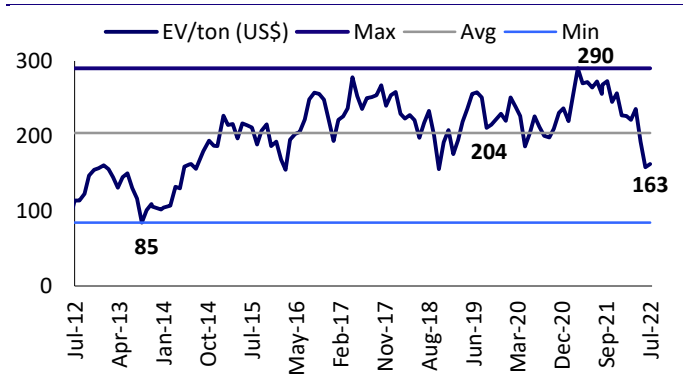
SRCM trades at 20.3x/16.3x FY23/24E EV/EBITDA and EV/t of USD168/USD151 in FY23/24E, respectively. The stock has traded at an average 1-year forward EV/EBITDA of 17.9x in the last 10 years. We value it at 16x FY24E EV/EBITDA to arrive at our TP of INR20,000 and maintain our Neutral rating on the stock.

Exhibit 47: One-year forward EV/EBITDA chart



Source: MOFSL, Company

Exhibit 48: One-year forward EV/ton chart



Source: MOFSL, Company

## Standalone financials and valuations

Income Statement								(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>84,541</b>	<b>98,894</b>	<b>1,17,599</b>	<b>1,19,301</b>	<b>1,26,037</b>	<b>1,43,297</b>	<b>1,54,838</b>	<b>1,64,708</b>
Change (%)	53.0	17.0	18.9	1.4	5.6	13.7	8.1	6.4
<b>EBITDA</b>	<b>23,672</b>	<b>24,728</b>	<b>27,869</b>	<b>36,745</b>	<b>39,547</b>	<b>36,478</b>	<b>30,732</b>	<b>39,003</b>
Margin (%)	28.0	25.0	23.7	30.8	31.4	25.5	19.8	23.7
Depreciation	12,147	8,994	13,917	16,994	11,399	10,365	12,846	17,273
<b>EBIT</b>	<b>11,525</b>	<b>15,734</b>	<b>13,952</b>	<b>19,751</b>	<b>28,148</b>	<b>26,114</b>	<b>17,886</b>	<b>21,730</b>
Int. and Finance Charges	1,294	1,353	3,810	2,865	2,471	2,178	2,216	2,216
Other Income – Rec.	5,077	3,891	2,454	2,716	4,580	5,373	5,240	5,237
<b>PBT before EO Expense</b>	<b>15,308</b>	<b>18,272</b>	<b>12,596</b>	<b>19,602</b>	<b>30,257</b>	<b>29,309</b>	<b>20,911</b>	<b>24,752</b>
EO Expense/(Income)	0	0	1,781	0	0	0	0	0
PBT after EO Expense	15,308	18,272	10,814	19,602	30,257	29,309	20,911	24,752
Tax	3,263	4,466	2,177	5,248	7,536	4,382	4,933	5,839
Deferred Tax	-1,346	-36	-873	-1,348	-398	1,161	0	0
Tax Rate (%)	12.5	24.2	12.1	19.9	23.6	18.9	23.6	23.6
<b>Reported PAT</b>	<b>13,391</b>	<b>13,842</b>	<b>9,510</b>	<b>15,702</b>	<b>23,119</b>	<b>23,766</b>	<b>15,978</b>	<b>18,913</b>
<b>Adj. PAT for EO items</b>	<b>13,391</b>	<b>13,842</b>	<b>11,292</b>	<b>15,702</b>	<b>23,017</b>	<b>22,721</b>	<b>15,978</b>	<b>18,913</b>
Change (%)	17.1	3.4	-18.4	39.1	46.6	-1.3	-29.7	18.4
Margin (%)	15.8	14.0	9.6	13.2	18.3	15.9	10.3	11.5

Balance Sheet								(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	348	348	348	361	361	361	361	361
Other Reserves	76,633	88,620	95,626	1,29,003	1,52,140	1,72,348	1,86,161	2,02,187
Total Reserves	76,633	88,620	95,626	1,29,003	1,52,140	1,72,348	1,86,162	2,02,189
<b>Net Worth</b>	<b>76,981</b>	<b>88,968</b>	<b>95,974</b>	<b>1,29,364</b>	<b>1,52,501</b>	<b>1,72,709</b>	<b>1,86,522</b>	<b>2,02,550</b>
Deferred Liabilities	-5077	-5131	-6126	-7438	-7855	-6695	-6695	-6695
Secured Loan	6,854	23,761	27,980	31,042	21,332	20,142	20,142	20,142
Unsecured Loan	6,072	10,269	0	400	0	0	0	0
Total Loans	12,925	34,030	27,980	31,442	21,332	20,142	20,142	20,142
<b>Capital Employed</b>	<b>84,830</b>	<b>1,17,868</b>	<b>1,17,827</b>	<b>1,53,368</b>	<b>1,65,978</b>	<b>1,86,155</b>	<b>1,99,969</b>	<b>2,15,996</b>
Gross Block	46,354	65,480	88,365	1,03,634	1,13,644	1,35,229	1,50,229	1,95,229
Less: Accum. Deprn.	20,363	29,586	43,608	60,445	71,729	82,014	94,860	1,12,133
<b>Net Fixed Assets</b>	<b>25,991</b>	<b>35,895</b>	<b>44,757</b>	<b>43,189</b>	<b>41,916</b>	<b>53,215</b>	<b>55,369</b>	<b>83,096</b>
Capital WIP	11,035	18,303	14,725	12,576	12,836	9,729	22,729	7,729
Financial investments	40,424	54,341	22,856	63,575	83,712	86,014	86,014	86,014
Strategic Investment	3	3	21,583	25,579	26,794	29,445	29,445	29,445
<b>Curr. Assets</b>	<b>29,132</b>	<b>37,749</b>	<b>41,886</b>	<b>41,022</b>	<b>37,275</b>	<b>49,056</b>	<b>49,722</b>	<b>55,191</b>
Inventory	13,145	15,690	15,891	14,279	14,772	21,614	20,362	21,660
Account Receivables	3,351	4,593	7,324	8,285	4,859	5,957	6,363	7,220
Cash and Bank Balance	3,110	3,209	3,078	1,082	2,098	1,183	1,070	1,094
Others	9,526	14,258	15,593	17,378	15,547	20,303	21,927	25,216
<b>Curr. Liability and Prov.</b>	<b>21,754</b>	<b>28,422</b>	<b>27,980</b>	<b>32,574</b>	<b>36,555</b>	<b>41,304</b>	<b>43,312</b>	<b>45,481</b>
Account Payables	21,660	28,338	27,886	32,470	36,430	41,160	43,168	45,337
Provisions	95	85	93	104	125	144	144	144
<b>Net Current Assets</b>	<b>7,378</b>	<b>9,327</b>	<b>13,907</b>	<b>8,449</b>	<b>721</b>	<b>7,752</b>	<b>6,410</b>	<b>9,709</b>
<b>Appl. of Funds</b>	<b>84,830</b>	<b>1,17,868</b>	<b>1,17,827</b>	<b>1,53,368</b>	<b>1,65,978</b>	<b>1,86,155</b>	<b>1,99,969</b>	<b>2,15,996</b>

Source: Company, MOFSL

## Standalone financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>345.7</b>	<b>396.3</b>	<b>324.1</b>	<b>435.2</b>	<b>637.9</b>	<b>629.7</b>	<b>442.8</b>	<b>524.2</b>
Cash EPS	911.1	776.7	958.3	1,155.6	1,057.2	982.2	889.5	1,149.2
BV/Share	2,209.6	2,553.6	2,754.7	3,585.5	4,226.7	4,786.8	5,169.6	5,613.8
DPS	140.0	50.0	60.0	110.0	60.0	90.0	60.0	80.0
Payout (%)	36.4	12.6	22.0	25.3	9.4	13.7	13.5	15.3
<b>Valuation (x)</b>								
P/E			60.9	45.3	30.9	31.3	44.6	37.6
Cash P/E			20.6	17.1	18.7	20.1	22.2	17.2
P/BV			7.2	5.5	4.7	4.1	3.8	3.5
EV/Sales			5.9	5.6	5.0	4.4	4.0	3.9
EV/EBITDA			25.1	18.1	16.1	17.4	20.3	16.3
EV/t (USD-Cap)			232	207	184	172	168	151
Dividend Yield (%)			0.3	0.6	0.3	0.5	0.3	0.4
<b>Return Ratios (%)</b>								
RoIC	35.7	43.5	23.4	25.8	39.2	33.4	19.9	20.6
RoE	18.4	16.7	12.2	13.9	16.3	14.0	8.9	9.7
RoCE	17.4	14.0	11.7	12.6	14.9	13.9	8.8	9.6
<b>Working Capital Ratios</b>								
Inventory (Days)	57	58	49	44	43	55	48	48
Debtor (Days)	13	16	23	25	14	15	15	16
Creditor (Days)	94	105	87	99	106	105	102	100
Working Capital Turnover (Days)	32	34	43	26	2	20	15	22
<b>Leverage Ratio (x)</b>								
Current Ratio	1.3	1.3	1.5	1.3	1.0	1.2	1.1	1.2
Net Debt/Equity ratio	-0.4	-0.3	0.0	-0.3	-0.4	-0.4	-0.4	-0.3

### Cash Flow Statement

Y/E March	2017	2018	2019	2020	2021	2022	2023E	2024E
OP/(Loss) before Tax	15,308	18,272	10,814	19,602	30,257	29,309	20,911	24,752
Depreciation	12,147	8,994	13,916	16,994	11,399	10,365	12,846	17,273
Interest and Finance Charges	-1,210	-740	833	1,132	220	-849	0	0
Direct Taxes Paid	-2,891	-5,068	-2,300	-4,859	-7,439	-1,959	-4,933	-5,839
(Inc.)/Dec. in WC	-509	-1,131	-5,302	5,591	8,762	-7,321	1,229	-3,275
<b>CF from Operations</b>	<b>22,845</b>	<b>20,327</b>	<b>17,962</b>	<b>38,460</b>	<b>43,200</b>	<b>29,546</b>	<b>30,052</b>	<b>32,911</b>
Others	-829	-1,540	2,635	-947	-2,264	-2,317	0	0
<b>CF from Operations incl. EO</b>	<b>22,017</b>	<b>18,788</b>	<b>20,597</b>	<b>37,513</b>	<b>40,936</b>	<b>27,229</b>	<b>30,052</b>	<b>32,911</b>
(Inc.)/Dec. in FA	-12,793	-25,263	-18,853	-12,941	-9,984	-19,483	-28,000	-30,000
<b>Free Cash Flow</b>	<b>9,223</b>	<b>-6,475</b>	<b>1,744</b>	<b>24,572</b>	<b>30,953</b>	<b>7,746</b>	<b>2,052</b>	<b>2,911</b>
(Pur.)/Sale of Investments	-7,686	-10,685	10,727	-42,478	-17,791	-77	0	0
Others	411	-3	51	0	0	0	0	0
<b>CF from Investments</b>	<b>-20,068</b>	<b>-35,950</b>	<b>-8,075</b>	<b>-55,419</b>	<b>-27,774</b>	<b>-19,559</b>	<b>-28,000</b>	<b>-30,000</b>
Issue of Shares	0	0	0	23,833	0	0	0	0
Inc.)/(Dec.) in Debt	4,455	20,353	-7,591	1,175	-9,610	-2,707	0	0
Interest Paid	-1,278	-1,248	-2,753	-2,868	-2,514	-2,088	0	0
Dividend Paid	-4,846	-1,843	-2,308	-6,231	-22	-3,789	-2,165	-2,886
<b>CF from Fin. Activity</b>	<b>-1,669</b>	<b>17,262</b>	<b>-12,653</b>	<b>15,910</b>	<b>-12,146</b>	<b>-8,584</b>	<b>-2,165</b>	<b>-2,886</b>
<b>Inc./Dec. in Cash</b>	<b>279</b>	<b>99</b>	<b>-131</b>	<b>-1,997</b>	<b>1,016</b>	<b>-915</b>	<b>-112</b>	<b>24</b>
Opening Balance	2,830	3,110	3,209	3,078	1,081	2,097	1,182	1,070
<b>Closing Balance</b>	<b>3,110</b>	<b>3,209</b>	<b>3,078</b>	<b>1,081</b>	<b>2,097</b>	<b>1,182</b>	<b>1,070</b>	<b>1,094</b>

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Investment Rating	Expected return (over 12-month)
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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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