

BSE SENSEX
72,470

S&P CNX
22,005

CMP: INR25,600 TP: INR27,700 (+8%) Neutral



Bloomberg	SRCM IN
Equity Shares (m)	36
M.Cap.(INRb)/(USDb)	923.7 / 11.1
52-Week Range (INR)	30738 / 22601
1, 6, 12 Rel. Per (%)	-1/-14/-30
12M Avg Val (INR M)	885
Free float (%)	37.5

Financial Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	194.6	208.6	226.2
EBITDA	41.8	47.5	53.8
Adj. PAT	23.8	22.6	24.2
EBITDA Margin (%)	21.5	22.8	23.8
Adj. EPS (INR)	659	625	671
EPS Gr. (%)	102.4	-5.1	7.4
BV/Sh. (INR)	5,627	6,133	6,654

Ratios

Net D:E	-0.3	-0.2	-0.2
RoE (%)	12.3	10.6	10.5
RoCE (%)	11.8	10.3	10.2
Payout (%)	15.2	19.2	22.3

Valuations

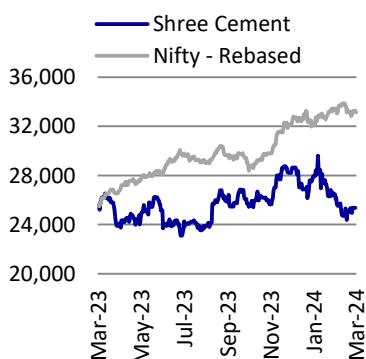
P/E (x)	38.9	40.9	38.1
P/BV (x)	4.5	4.2	3.8
EV/EBITDA(x)	20.3	18.1	16.0
EV/ton (USD)	192	184	159
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	-0.1	-1.0	-0.2

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	62.6	62.6	62.6
DII	12.6	12.6	12.0
FII	12.3	12.2	12.5
Others	12.6	12.8	13.0

FII Includes depository receipts

Stock's performance (one-year)



Expanding footprint largely in existing markets

Focus shift on improving brand equity

- Shree Cement (SRCM) has been consistent in capacity expansion (mostly through organic routes), with a capacity CAGR of ~12% over FY14-24. The company plans to increase its grinding capacity organically at a similar CAGR over FY24-27E to reach 65mtpa/75mtpa by FY26E/FY27E. However, most of these expansions will focus on its existing markets and a large part of Central and West regions will remain untapped till FY27E.
- SRCM is one of the lowest-cost producers in the cement industry. Now, it is also focusing on improving brand equity by enhancing consumer pull for its products in the market, and increasing premium product share. SRCM has revamped its brand strategy and launched 'Bangur' as the master brand for all product categories across markets.
- SRCM's cumulative capex of INR90b over FY25-26E will exceed total OCF of INR78b over the same period. We cut EBITDA estimates for FY25/26 by 5% (each) due to pricing pressure (all-India average cement price declined 5-6% QoQ in 4QFY24E). The stock currently trades at 18x/16x FY25E/FY26E EV/EBITDA. We reiterate our Neutral rating and value SRCM at 17x FY26E EV/EBITDA to arrive at our TP of INR27,700.

Expanding capacity within the same Geographical reach

- SRCM capacity CAGR slowed down to ~5% over FY20-23 vs. its historical CAGR of over 10%. Now, the company is again scaling up its capacity expansion plan. In FY24, the company increased domestic clinker/grinding capacity by 3.8mtpa/7.0mtpa to 33.4mtpa/53.4mtpa. It commissioned – 1) a greenfield integrated cement plant at Nawalgarh, Rajasthan, having clinker/grinding capacity of 3.8mtpa/3.5mtpa, 2) a greenfield grinding unit at Purulia, West Bengal, with a capacity of 3mtpa; and 3) debottlenecking at Seraikela, Jharkhand, of 0.5mtpa grinding capacity.
- It plans to increase domestic grinding capacity to 65mtpa/75mtpa by FY26E /FY27E and 80mtpa in the long run, through a mix of greenfield/brownfield expansions. SRCM's expansion plans (up to 75mtpa) are largely focused on existing locations (North, East and part of South region). However, a large part of Central and West regions will remain untapped till FY27E.
- We estimate the company's capacity/volume CAGR at ~11%/10% over FY24-26E as compared to capacity/volume CAGR of ~7%/6% over FY19-24. Further, we estimate capacity average utilization at ~70% over FY24-26 vs. average utilization of ~66% over FY19-23.
- SRCM announced foray into RMC business. The company recently acquired five operational plants with an aggregate capacity of 422 cum/hr at a cash consideration of INR335m. These plants are located in Mumbai Metropolitan Region. It also commissioned greenfield RMC plant having a capacity of 90 cum/hr in Hyderabad. The company's combined RMC capacity now stands at 512 cum/hr.

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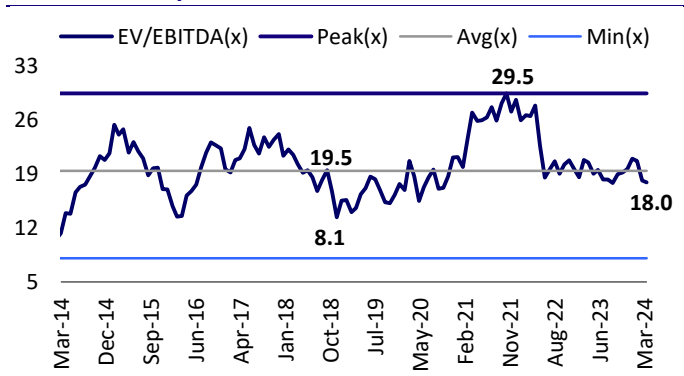
Low-cost producer; now also focusing on improving brand equity

- SRCM is one of the lowest-cost cement producers in the industry, backed by a) a higher share of green power (WHRS, solar and Wind power), which fulfils 57% of its power requirements, b) high dependence on split grinding units, c) high alternative raw material consumption with ~28% in total raw material consumption; and d) lower specific power consumption (68Kwh/t of cement). We believe the company has limited scope for incremental cost savings. Further, in the past few years, its cost-efficiency gap with peers has narrowed.
- Now, it is also focusing on improving brand equity by enhancing consumer pull for its products in the market, and increasing premium product share. SRCM has revamped its brand strategy and launched ‘Bangur’ as the master brand for all product categories across markets. This was implemented with a new brand identity through a new logo and modern packing designs. A new multi-media advertising campaign has been launched across television, outdoor, print, digital, and retail touchpoints.
- It streamlined premium product offerings with one premium product – “Bangur Magna” across the markets. The company’s premium product share stood at ~9% and it targets to increase it to ~15% by FY15.

Valuation expensive; reiterate Neutral

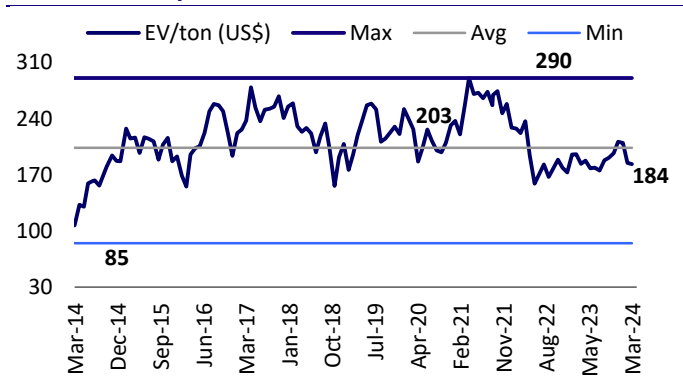
- We estimate SRCM’s EBITDA to report ~13% CAGR over FY24-26, led by ~10% volume growth and ~3% improvement in EBITDA/t. We estimate its blended EBITDA/t at INR1,225/INR1,260 in FY25/FY26 vs. an estimated EBITDA/t of INR1,190 in FY24 (average EBITDA/t stood at INR1,250 over FY19-23).
- We estimate SRCM to generate cumulative OCF of INR78b over FY25-26 while, estimated capex of INR90b. We expect the company to post FCF outflow until FY26 due to accelerated growth plans (capex guidance of INR125b over FY25-FY27), leading to a negative FCF yield. Its net cash is estimated to decline to INR37b vs. INR60b as of Dec’23, given the aggressive expansion plans, which entails a higher capex.
- We cut EBITDA estimates for FY25/26 by 5% (each) due to pricing pressure (all-India average cement price declined 5-6% QoQ in 4QFY24E). The stock trades at 18x/16x FY25E/FY26E EV/EBITDA (vs. its 10-year average one-year forward EV/EBITDA of 20x). We reiterate our **Neutral** rating and value SRCM at 17x FY26E EV/EBITDA to arrive at our TP of INR27,700.

Exhibit 1: One-year forward EV/EBITDA ratio trend



Source: Company, MOFSL

Exhibit 2: One-year forward EV/t trend



Source: Company, MOFSL

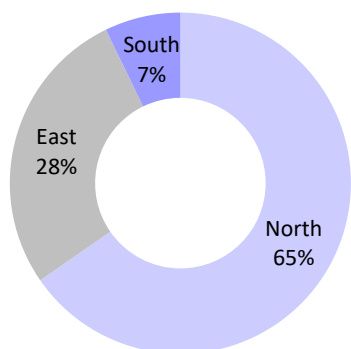
Story in charts

Exhibit 3: SRCM’s capacity expansion plans

Location	State	Clinker (mtpa)	Cement (mtpa)	Region	Mode of expansion
Guntur	Andhra Pradesh	1.5	3.0	South	Greenfield
Kodla	Karnataka	3.7	3.0	South	Brownfield
Bangalore	Karnataka	-	3.0	South	Greenfield
Pali	Rajasthan	3.7	6.0	North	Brownfield
Etah	Western U.P.	-	3.0	North	Greenfield
Howrah	West Bengal	-	2.5	East	Greenfield
Total		8.9	20.5		

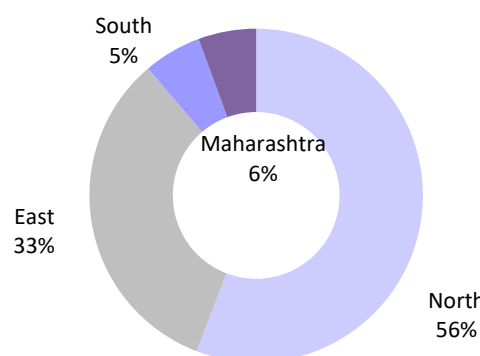
Source: MOFSL, Company; Note: USD1 is equal to INR79

Exhibit 4: SRCM’s regional clinker capacity mix in FY24E



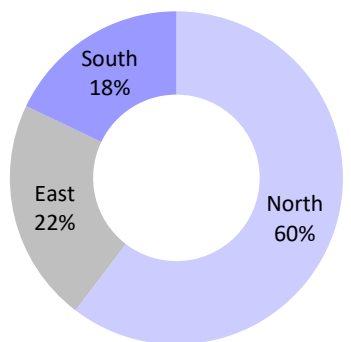
Source: MOFSL, Company; Note: North is including Western UP

Exhibit 5: SRCM’s regional grinding capacity mix in FY24E



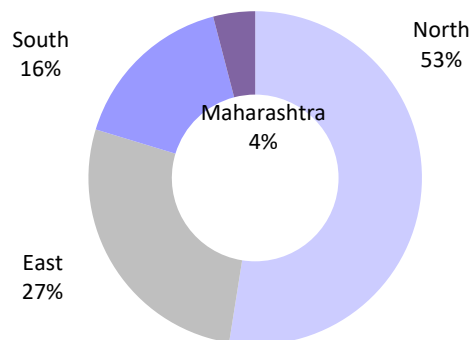
Source: MOFSL, Company, Note: North is including Western UP

Exhibit 6: SRCM’s regional clinker capacity mix in FY27E



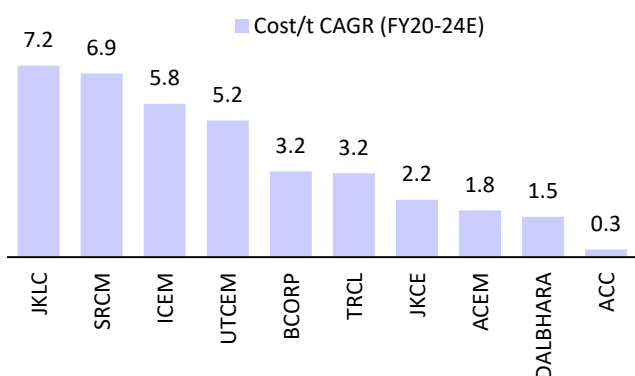
Source: MOFSL, Company; Note: North is including Western UP

Exhibit 7: SRCM’s regional grinding capacity mix in FY27E



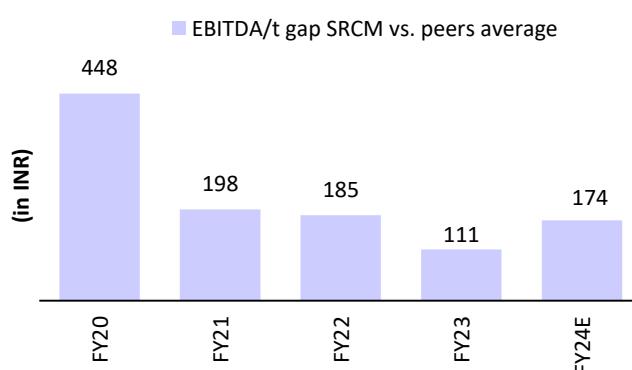
Source: MOFSL, Company, Note: North is including Western UP

Exhibit 8: SRCM exhibited higher cost/t CAGR over FY20-24...



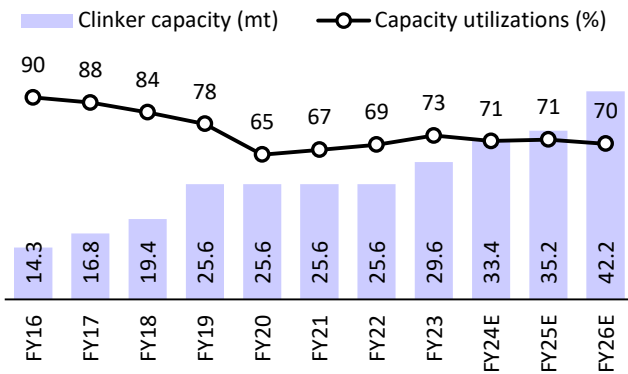
Source: MOFSL, Company

Exhibit 9: ...resulting in a decline of EBITDA/t differential



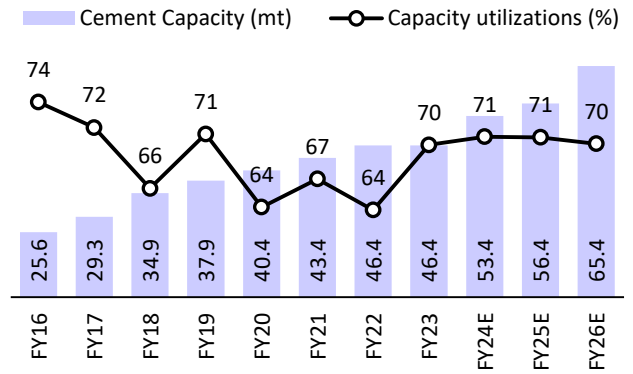
Source: MOFSL, Company

Exhibit 10: SRCM clinker capacity and utilizations



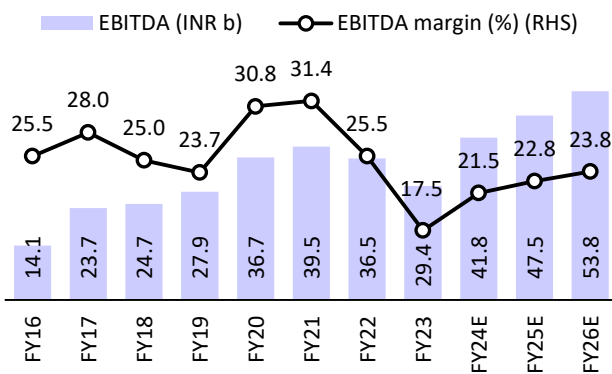
Source: MOFSL, Company

Exhibit 11: Grinding capacity and utilizations



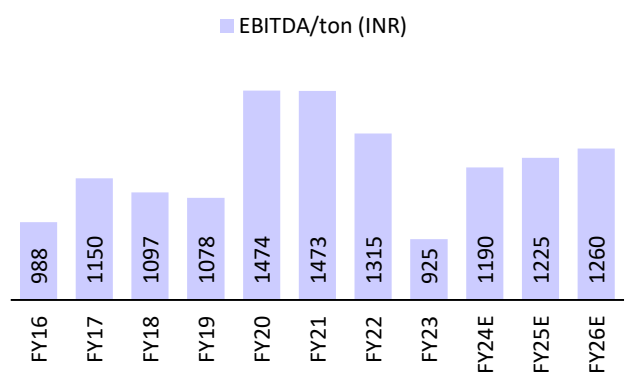
Source: MOFSL, Industry, Company

Exhibit 12: EBITDA to register a CAGR of 13% over FY24-26E



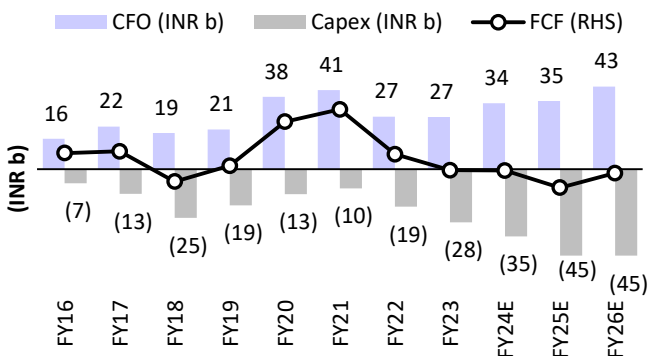
Source: MOFSL, Company

Exhibit 13: Blended EBITDA/t trend



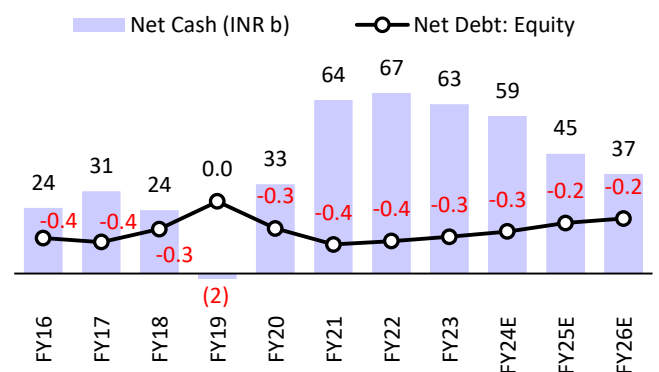
Source: MOFSL, Company

Exhibit 14: Cumulative capex will exceed CFO...



Source: MOFSL, Company

Exhibit 15: ...leading to reduction in net cash balance



Source: MOFSL, Company

Standalone financials and valuations

Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	1,17,599	1,19,301	1,26,037	1,43,297	1,68,375	1,94,601	2,08,573	2,26,195
Change (%)	18.9	1.4	5.6	13.7	17.5	15.6	7.2	8.4
EBITDA	27,869	36,745	39,547	36,478	29,423	41,826	47,500	53,821
Margin (%)	23.7	30.8	31.4	25.5	17.5	21.5	22.8	23.8
Depreciation	13,917	16,994	11,399	10,365	15,462	14,301	20,311	24,111
EBIT	13,952	19,751	28,148	26,114	13,961	27,525	27,189	29,710
Int. and Finance Charges	3,810	2,865	2,471	2,178	2,689	2,750	3,081	3,174
Other Income – Rec.	2,454	2,716	4,580	5,373	4,315	5,691	5,977	5,763
PBT before EO Expense	12,596	19,602	30,257	29,309	15,586	30,467	30,085	32,299
EO Expense/(Income)	1,781	0	0	0	0	0	0	0
PBT after EO Expense	10,814	19,602	30,257	29,309	15,586	30,467	30,085	32,299
Tax	2,177	5,248	7,536	4,382	937	6,703	7,521	8,075
Deferred Tax	-873	-1,348	-398	1,161	1,368	0	0	0
Tax Rate (%)	12.1	19.9	23.6	18.9	14.8	22.0	25.0	25.0
Reported PAT	9,510	15,702	23,119	23,766	13,281	23,764	22,564	24,225
Tax adjustment prior period	0	0	-103	-1,045	-1,543	0	0	0
Adj. PAT for EO items	10,754	15,702	23,017	22,721	11,739	23,764	22,564	24,225
Change (%)	-22.3	46.0	46.6	-1.3	-48.3	102.4	-5.1	7.4
Margin (%)	9.1	13.2	18.3	15.9	7.0	12.2	10.8	10.7

Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	348	361	361	361	361	361	361	361
Other Reserves	95,626	1,29,003	1,52,140	1,72,348	1,82,524	2,02,679	2,20,914	2,39,726
Total Reserves	95,626	1,29,003	1,52,140	1,72,348	1,82,525	2,02,681	2,20,916	2,39,728
Net Worth	95,974	1,29,364	1,52,501	1,72,709	1,82,885	2,03,042	2,21,276	2,40,089
Deferred Liabilities	-6126	-7438	-7855	-6695	-6686	-6686	-6686	-6686
Secured Loan	27,980	31,042	21,332	20,142	25,392	28,000	32,424	29,852
Unsecured Loan	0	400	0	0	0	0	0	0
Total Loans	27,980	31,442	21,332	20,142	25,392	28,000	32,424	29,852
Capital Employed	1,17,827	1,53,368	1,65,978	1,86,155	2,01,592	2,24,357	2,47,015	2,63,255
Gross Block	88,365	1,03,634	1,13,644	1,35,229	1,50,803	1,93,803	2,33,803	2,73,803
Less: Accum. Deprn.	43,608	60,445	71,729	82,014	97,476	1,11,777	1,32,089	1,56,200
Net Fixed Assets	44,757	43,189	41,916	53,215	53,327	82,026	1,01,714	1,17,603
Capital WIP	14,725	12,576	12,836	9,729	23,203	15,203	20,203	25,203
<i>Financial investments</i>	22,856	63,575	83,712	86,014	87,060	82,060	74,060	66,060
<i>Strategic Investment</i>	21,583	25,579	26,794	29,445	29,445	29,445	29,445	29,445
Curr. Assets	41,886	41,022	37,275	49,056	58,467	69,349	74,606	77,550
Inventory	15,891	14,279	14,772	21,614	24,226	26,658	28,572	27,887
Account Receivables	7,324	8,285	4,859	5,957	9,061	10,663	11,429	12,394
Cash and Bank Balance	3,078	1,082	2,098	1,183	1,193	4,443	2,883	788
Others	15,593	17,378	15,547	20,303	23,987	27,585	31,723	36,481
Curr. Liability and Prov.	27,980	32,574	36,555	41,304	49,911	53,728	53,015	52,608
Account Payables	27,886	32,470	36,430	41,160	49,756	53,573	52,861	52,453
Provisions	93	104	125	144	155	155	155	155
Net Current Assets	13,907	8,449	721	7,752	8,556	15,621	21,591	24,942
Appl. of Funds	1,17,827	1,53,368	1,65,978	1,86,155	2,01,592	2,24,357	2,47,015	2,63,255

Source: Company, MOFSL

Standalone financials and valuations

Ratios								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	309	435	638	630	325	659	625	671
Cash EPS	399	471	316	287	429	396	563	668
BV/Share	2,755	3,585	4,227	4,787	5,069	5,627	6,133	6,654
DPS	60.0	110.0	60.0	90.0	100.0	100.0	120.0	150.0
Payout (%)	22.0	25.3	9.4	13.7	27.2	15.2	19.2	22.3
Valuation (x)								
P/E	82.9	58.8	40.1	40.7	78.7	38.9	40.9	38.1
Cash P/E	64.1	54.4	81.0	89.1	59.7	64.6	45.5	38.3
P/BV	9.3	7.1	6.1	5.3	5.1	4.5	4.2	3.8
EV/Sales	7.7	7.4	6.7	5.9	5.0	4.4	4.1	3.8
EV/EBITDA	32.7	23.9	21.4	23.2	28.5	20.3	18.1	16.0
EV/t (USD-Cap)	291	263	236	221	218	192	184	159
Dividend Yield (%)	0.2	0.4	0.2	0.4	0.4	0.4	0.5	0.6
Return Ratios (%)								
RoIC	23.4	25.8	39.2	33.4	15.6	25.9	20.0	18.5
RoE	11.6	13.9	16.3	14.0	6.6	12.3	10.6	10.5
RoCE	11.7	12.6	14.9	13.9	7.8	11.8	10.3	10.2
Working Capital Ratios								
Inventory (Days)	49	44	43	55	53	50	50	45
Debtor (Days)	23	25	14	15	20	20	20	20
Creditor (Days)	87	99	106	105	108	100	93	85
Working Capital Turnover (Days)	43	26	2	20	19	29	38	40
Leverage Ratio (x)								
Current Ratio	1.5	1.3	1.0	1.2	1.2	1.3	1.4	1.5
Net Debt/Equity ratio	0.0	-0.3	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2

Cash Flow Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	10,814	19,602	30,257	29,309	15,586	30,467	30,085	32,299
Depreciation	13,916	16,994	11,399	10,365	15,462	14,301	20,311	24,111
Interest and Finance Charges	833	1,132	220	-849	-165	0	0	0
Direct Taxes Paid	-2,300	-4,859	-7,439	-1,959	-3,287	-6,703	-7,521	-8,075
(Inc.)/Dec. in WC	-5,302	5,591	8,762	-7,321	967	-3,815	-7,530	-5,446
CF from Operations	17,962	38,460	43,200	29,546	28,563	34,250	35,345	42,889
Others	2,635	-947	-2,264	-2,317	-1,520	0	0	0
CF from Operations incl. EO	20,597	37,513	40,936	27,229	27,043	34,250	35,345	42,889
(Inc.)/Dec. in FA	-18,853	-12,941	-9,984	-19,483	-27,619	-35,000	-45,000	-45,000
Free Cash Flow	1,744	24,572	30,953	7,746	-576	-750	-9,655	-2,111
(Pur.)/Sale of Investments	10,727	-42,478	-17,791	-77	3,737	5,000	8,000	8,000
Others	51	0	0	0	0	0	0	0
CF from Investments	-8,075	-55,419	-27,774	-19,559	-23,882	-30,000	-37,000	-37,000
Issue of Shares	0	23,833	0	0	0	0	0	0
Inc./(Dec.) in Debt	-7,591	1,175	-9,610	-2,707	2,669	2,608	4,424	-2,572
Interest Paid	-2,753	-2,868	-2,514	-2,088	-2,574	0	0	0
Dividend Paid	-2,308	-6,231	-22	-3,789	-3,245	-3,608	-4,330	-5,412
CF from Fin. Activity	-12,653	15,910	-12,146	-8,584	-3,151	-1,000	95	-7,984
Inc./Dec. in Cash	-131	-1,997	1,016	-915	11	3,250	-1,560	-2,095
Opening Balance	3,209	3,078	1,081	2,097	1,183	1,193	4,443	2,883
Closing Balance	3,078	1,081	2,097	1,183	1,193	4,443	2,883	788

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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