

Shree Cement Limited

Industry Building Materials
Bloomberg SRCM IN
BSE CODE 500387

Revenue remained impacted due to subdued performance from power business

RATING NEUTRAL

CMP 24224
Price Target 24600
Potential Upside 2%

Rating Change ↓
Estimate Change ↓
Target Change ↑

Stock Info

52wk Range H/L 25341/15055
Mkt Capital (Rs Cr) 87402
Free float (%) 35%
Avg. Vol 1M (,000) 2
No. of Shares (Cr) 4
Promoters Pledged % NA

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3QFY20 Result Update

- ❑ Shree Cement reported mixed set of numbers; Revenue growth remained flat and grew by 2.4% YoY to Rs. 2848 cr. impacted by subdued performance from power segment.
- ❑ Revenue from cement segment grew by 22% YoY to Rs. 3115 cr. while revenue from power sector declined by 40% YoY to Rs. 300 cr.
- ❑ Gross margin declined by 141 bps to 91.2% YoY led by input inflation while EBITDA margin expanded by 428 bps to 29.8% YoY driven decline in Power & fuel and freight cost.
- ❑ The Company's Power & Fuel and freight cost declined by 687/82 bps to 16.8%/22.6% led by benign pet coke prices and supply chain efficiency.
- ❑ The Company's PAT remained in-line with our expectation and grew by 2.9% YoY to Rs. 310 cr. with PAT margin at 10.9%.
- ❑ In 3QFY20, the Company has raised Rs. 2,400 cr. through Qualified Institutions Placement (QIP) and allotted 12,43,523 equity shares of Rs. 10 each at a price of Rs. 19,300/- per Equity Share on 23rd-Nov-19.

View and Valuation

SHREECEM reported mixed numbers in 3QFY20 wherein the company's cement business performed better than expectation despite subdued cement demand across regions and lower government spends in infrastructure activities. While the other business i.e. Power business in which the company operates remained subdued due to lower volumes and lower realization. Going forward, we expect positive traction from cement demand while capacity addition in various regions will support volumes. On Realization front, we expect the cement prices to improve in Rajasthan (where the company has high exposure) will drive value growth. On Margin front we expect EBITDA margin expansion on account of lower Power & fuel and freight cost led by company's continuous focus on supply chain efficiency. Thus, considering volume growth visibility and stable margins we remain positive on the stock but due to recent rally in share price and negative performance from power business we have reduced our rating from ACCUMULATE to NEUTRAL with a target price of Rs. 24600.

Key Risks to our rating and target

- ❑ Further slow down volume and cement price pick up.
- ❑ Steep increase in prices of pet coke, coal, and diesel.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	8594	9833	11722	12465	15055
EBITDA	2513	2473	2653	3578	4218
EBIT	1298	1573	1261	1882	2512
PAT	1339	1384	951	1428	1938
EPS (Rs)	384	397	273	396	537
EPS growth (%)	17%	3%	-31%	45%	36%
ROE (%)	17%	16%	10%	11%	13%
ROCE (%)	14%	13%	10%	12%	15%
EV/EBITDA	24.1	24.1	25.3	24.2	20.0
P/B (X)	7.7	6.3	6.7	6.8	6.0
P/E (x)	44	41	68	61	45

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3QFY20 Results

Mixed Numbers

Financials	Fig in Rs Cr									
	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	2781	3285	3036	2802	2848	2.4%	1.7%	9833	11722	19%
Other Income	55	45	51	58	65	17.4%	12.5%	389	245	-37%
COGS	205	250	186	151	250	22.1%	66.0%	770	864	12%
Gross Margin	93%	92%	94%	95%	91%	-1.4%	-3.4%	92%	93%	0%
Employee Cost	167	170	191	185	186	11.4%	0.4%	588	678	15%
Other Expenses	389	479	441	444	440	13.2%	-0.8%	1497	1918	28%
EBITDA	710	848	902	844	849	19.6%	0.6%	2473	2653	7%
EBITDA%	26%	26%	30%	30%	30%	4.3%	-0.3%	25%	23%	-3%
Depreciation	336	421	403	428	432	28.6%	0.9%	899	1392	55%
EBIT	374	427	500	416	417	11.5%	0.3%	1573	1261	-20%
Interest	59	70	68	72	74	25.0%	3.3%	135	247	83%
PBT	370	403	483	402	408	10.3%	1.5%	1827	1260	-31%
Exceptional	0	0	-	-	-	-	-	-	178	-
Tax	69	82	120	93	98	43%	6%	443	130	-71%
PAT	301	321	363	309	310	2.9%	0.3%	1384	951	-31%
PAT Margin	11%	10%	12%	11%	11%	0.0%	-0.1%	14%	8%	-6%

Exhibit: Revenue and revenue growth trend

Revenue remained impacted due to lower infrastructure activities and unfavorable macroeconomic scenario.

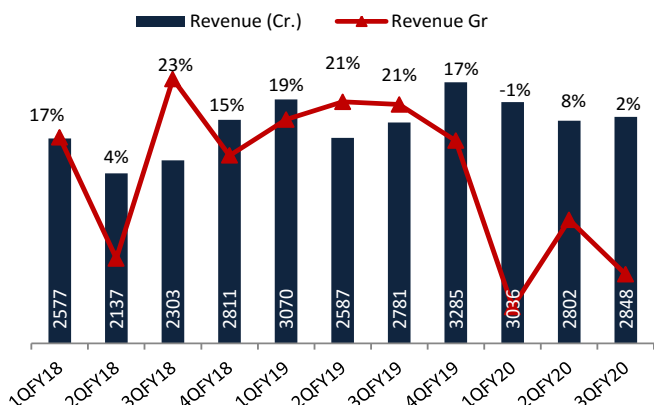


Exhibit: Power & Fuel cost

Power and Fuel cost reduced sequentially both QoQ as well as on YoY basis.

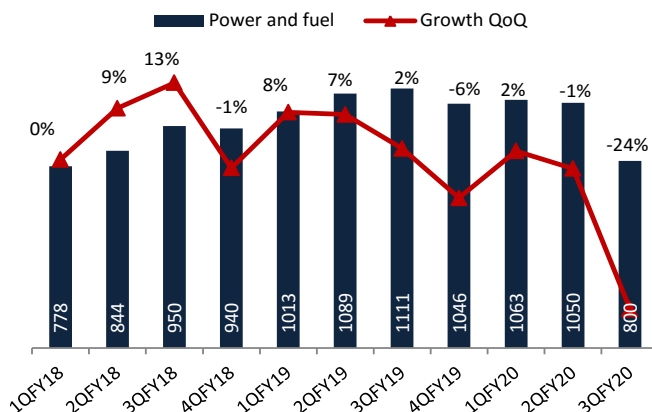


Exhibit: Freight cost

Freight cost increased on YoY as well as QoQ basis in 3QFY20.

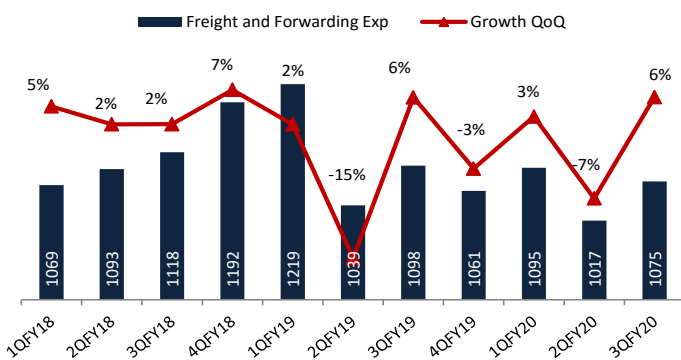


Exhibit: Gross margin & EBITDA margin trend

EBITDA improvement led by decline in power & fuel cost in the quarter.

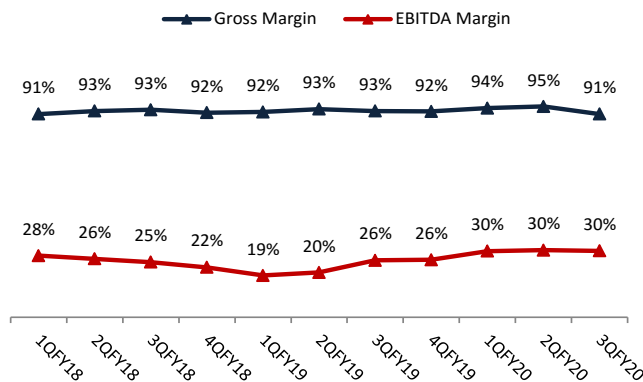


Exhibit: PAT and PAT growth trend

PAT growth stood at Rs. 310 cr. with PAT margin at 10.9% in 3QFY20.

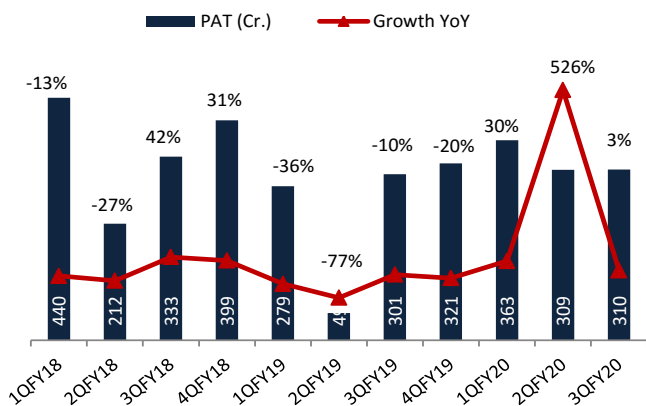
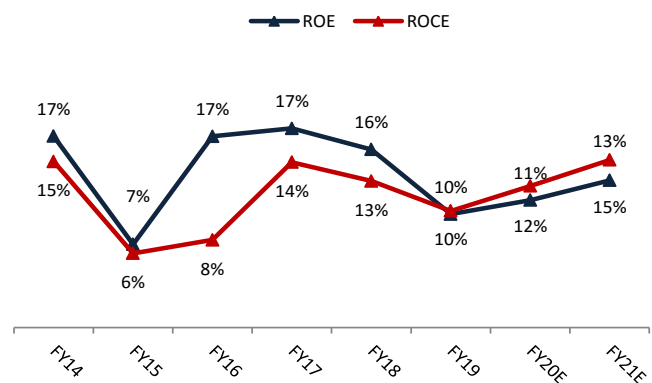


Exhibit: Return On Equity

ROE and ROCE is expected to be at 15% and 13% for FY21.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY21E	FY20E
Share Capital	35	35	35	35	35	35	36	36
Reserves	4676	5828	6811	7663	8862	9563	12803	14485
Networth	4711	5863	6846	7698	8897	9597	12839	14521
Debt	1078	604	726	1292	3394	2777	2377	1977
Total Capital Employed	5158	6271	7376	8217	11105	11906	14848	16230
Net Fixed Assets (incl CWIP)	2952	3432	3315	3310	5016	5597	5029	4322
Non Current Investments	1519	2069	2950	3388	3123	4411	4411	4411
Other Non Current Assets	0	426	769	414	440	396	396	396
Non Current Assets	4999	6515	7655	7884	9442	11202	10634	9927
Inventory	810	919	815	1315	1569	1589	1690	2041
Debtors	297	476	329	335	459	732	779	941
Cash & Bank	159	99	83	111	121	308	3330	4891
Other Current Assets	34	291	312	775	1139	1219	1296	1296
Current Assets	2330	2040	1809	3282	5700	3992	7315	9388
Creditors	188	311	257	352	727	451	410	495
Provisions	100	4	1	1	1	22	24	24
Other Current Liabilities	581	243	230	475	619	622	561	561
Curr Liabilities	868	1225	966	1215	1781	1519	1432	1517
Net Current Assets	1462	815	843	2067	3919	2473	5883	7871
Total Assets	7329	8555	9463	11166	15142	15193	17948	19315

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY21E	FY20E
Revenue from Operation	5887	6454	5514	8594	9833	11722	12465	15055
Change (%)	5%	10%	-15%	56%	14%	19%	6%	21%
Other Income	185	138	673	362	389	245	312	374
EBITDA	1390	1344	1407	2513	2473	2653	3578	4218
Change (%)	-11%	-3%	5%	79%	-2%	7%	35%	18%
Margin (%)	24%	21%	26%	29%	25%	23%	29%	28%
Depr & Amor.	550	925	828	1215	899	1392	1697	1706
EBIT	840	419	579	1298	1573	1261	1882	2512
Int. & other fin. Cost	129	121	76	129	135	247	285	297
EBT	896	436	1176	1531	1827	1260	1908	2590
Exp Item	81	35	0	0	0	178	0	0
Tax	28	-26	33	192	443	130	480	652
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	787	426	1143	1339	1384	951	1428	1938
Adjusted PAT	709	389	1143	1339	1384	791	1428	1938
Change (%)	-22%	-46%	168%	17%	3%	-31%	50%	36%
Margin(%)	12%	6%	21%	16%	14%	7%	11%	13%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY21E	FY20E
ROE	17%	7%	17%	17%	16%	10%	11%	13%
ROCE	15%	6%	8%	14%	13%	10%	12%	15%
Asset Turnover	0.8	0.8	0.6	0.8	0.6	0.8	0.7	0.8
Debtor Days	18	27	22	14	17	23	23	23
Inv Days	50	52	54	56	58	49	49	49
Payable Days	12	18	17	15	27	14	12	12
Int Coverage	6.5	3.5	7.6	10.0	11.6	5.1	6.6	8.5
P/E	32	93	38	44	41	68	61	45
Price / Book Value	5.4	6.7	6.3	7.7	6.3	6.7	6.8	6.0
EV/EBITDA	19	30	31	24	24	25	24	20
FCF per Share	46	28	24	32	35	88	923	1,355
Div Yield	0%	0%	0%	1%	0%	0%	0%	0%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY21E	FY20E
PBT	815	401	1176	1531	1827	1260	1908	2590
(inc)/Dec in Working Capital	119	-22	-175	-51	-113	-530	-387	-428
Non Cash Op Exp	550	925	828	1215	899	1392	1697	1706
Int Paid (+)	129	121	76	129	135	247	285	297
Tax Paid	-56	-91	-143	-289	-507	-230	-480	-652
others	-157	-95	-196	-333	-363	-78	0	0
CF from Op. Activities	1401	1239	1566	2202	1879	2060	3023	3513
(inc)/Dec in FA & CWIP	-1583	-1124	-737	-1295	-2526	-1885	-1129	-1000
Free Cashflow	-182	115	829	907	-648	174	1894	2513
(Pur)/Sale of Inv	9	572	-659	-1125	-1833	886	0	0
others	340	-439	131	372	764	187	0	0
CF from Inv. Activities	-1234	-990	-1265	-2048	-3595	-813	-1129	-1000
inc/(dec) in NW								
inc/(dec) in Debt	-89	-283	-22	445	2039	-758	-400	-400
Int. Paid	-147	-125	-89	-128	-125	-275	-285	-297
Div Paid (inc tax)	-89	-89	-159	-485	-184	-231	-189	-257
others	170	239	0	0	0	0	0	0
CF from Fin. Activities	-156	-259	-271	-167	1730	-1264	-874	-953
Inc(Dec) in Cash	11	-10	31	-13	14	-17	1020	1560
Add: Opening Balance	30	41	6	36	23	33	308	3330
Closing Balance	41	31	36	23	37	17	1327	4891

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