

Industry	Building Materials
Bloomberg	SRCM IN
BSE CODE	500387

## Numbers better than expectation despite COVID-19

RATING	ACCUMULATE
CMP	18741
Price Target	24600
Potential Upside	31%

Rating Change	↔
Estimate Change	↔
Target Change	↔

### Stock Info

52wk Range H/L	25341/15055
Mkt Capital (Rs Cr)	67618
Free float (%)	35%
Avg. Vol 1M (,000)	1
No. of Shares (Cr)	4
Promoters Pledged %	NA

### Research Analyst

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### 4QFY20 Result Update

- ❑ SHREECEM reported mixed numbers better than our expectation; Revenue de-grew by 2% YoY to Rs. 3218 cr. impacted on account of shut down of factories due to COVID-19.
- ❑ Gross margin improved by 197 bps to 94.4% YoY led by benign input prices while EBITDA margin expanded by 772 bps to 33.5% YoY driven decline in Power & fuel and freight cost.
- ❑ The Company's Power & Fuel and freight cost declined by 391/138 bps to 19.3%/22.2% led by benign pet coke & fuel prices and supply chain efficiency.
- ❑ The Company's PAT grew by 83.2% YoY to Rs. 588 cr. led by higher other income and EBITDA expansion while PAT margin stood at 18.3% in 4QFY20.

### View and Valuation

SHREECEM reported numbers better than expectation in 4QFY20. The cement volumes remained impacted due to shut down of factories nationwide on account of COVID-19 in the last week of 4QFY20. Going forward cement demand, supply chain, daily labors availability and availability of other raw materials like sand, brick etc. still remains the concern despite some of the government projects are getting resumed the but housing demand is expected to remain subdued on account of shut down of all economic activities while prices are expected to remain stable for few months; As of now the company has resumed its operation with limited capacity and necessary measures. The margins are expected to expand led by continuous thrust on cost controlling initiatives and supply chain efficiency. Thus, we remain positive on the stock seeing the better than expected performance in this quarter. However, considering the current scenario of lockdown and increasing rate of spread of disease, we expect the lockdown to extend which will hamper demand further. Thus, maintain our ACCUMULATE rating with a target price of Rs. 24600.

### Key Risks to our rating and target

- ❑ Further extension of lockdown and unavailability of labours.
- ❑ Steep increase in prices of pet coke, coal, and diesel.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19	FY20
Net Sales	5514	8594	9833	11722	11904
EBITDA	1407	2513	2473	2653	3675
EBIT	579	1298	1573	1261	1975
PAT	1143	1339	1384	951	1570
EPS (Rs)	328	384	397	273	435
EPS growth (%)	168%	17%	3%	-31%	59%
ROE (%)	17%	17%	16%	10%	12%
ROCE (%)	8%	14%	13%	10%	13%
EV/EBITDA	31.2	24.1	24.1	25.3	17.9
P/B (X)	6.3	7.7	6.3	6.7	4.9
P/E (x)	38	44	41	68	40

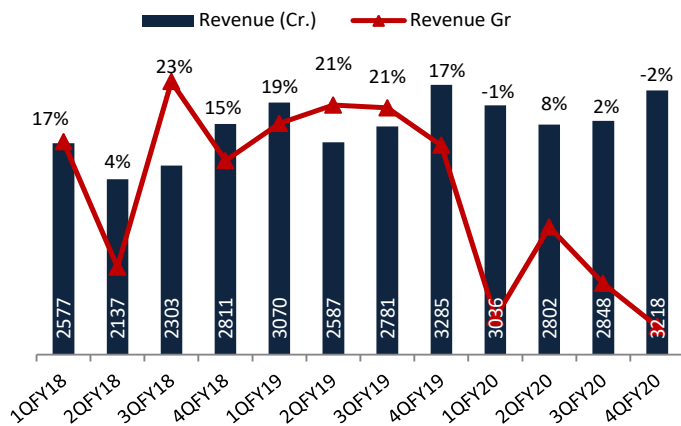
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## 4QFY20 Results Mixed Numbers

										Fig in Rs Cr
<i>Financials</i>	<i>4QFY19</i>	<i>1QFY20</i>	<i>2QFY20</i>	<i>3QFY20</i>	<i>4QFY20</i>	<i>YoY %</i>	<i>QoQ%</i>	<i>FY19</i>	<i>FY20</i>	<i>YoY %</i>
<i>Net Sales</i>	3285	3036	2802	2848	3218	<b>-2.0%</b>	<b>13.0%</b>	11722	11904	<b>2%</b>
<i>Other Income</i>	45	51	58	65	98	<b>116.9%</b>	<b>50.6%</b>	245	272	<b>11%</b>
<i>COGS</i>	250	186	151	250	182	<b>-27.4%</b>	<b>-27.4%</b>	864	768	<b>-11%</b>
<i>Gross Margin</i>	92%	94%	95%	91%	94%	<b>2.0%</b>	<b>3.1%</b>	93%	94%	<b>1%</b>
<i>Employee Cost</i>	170	191	185	186	169	<b>-0.8%</b>	<b>-8.9%</b>	678	731	<b>8%</b>
<i>Other Expenses</i>	479	441	444	440	452	<b>-5.6%</b>	<b>2.7%</b>	1918	1776	<b>-7%</b>
<i>EBITDA</i>	848	902	844	849	1079	<b>27.2%</b>	<b>27.0%</b>	2653	3675	<b>39%</b>
<i>EBITDA%</i>	26%	30%	30%	30%	34%	<b>7.7%</b>	<b>3.7%</b>	23%	31%	<b>8%</b>
<i>Depreciation</i>	421	403	428	432	436	<b>3.7%</b>	<b>0.9%</b>	1392	1699	<b>22%</b>
<i>EBIT</i>	427	500	416	417	643	<b>50.4%</b>	<b>54.1%</b>	1261	1975	<b>57%</b>
<i>Interest</i>	70	68	72	74	73	<b>4.2%</b>	<b>-2.1%</b>	247	287	<b>16%</b>
<i>PBT</i>	403	483	402	408	668	<b>65.9%</b>	<b>63.7%</b>	1260	1960	<b>56%</b>
<i>Exceptional</i>	0	0	-	-	-	-	-	<b>178.13</b>	0	-
<i>Tax</i>	82	120	93	98	80	<b>-2%</b>	<b>-19%</b>	130	390	<b>199%</b>
<i>PAT</i>	321	363	309	310	588	<b>83.2%</b>	<b>89.8%</b>	951	1570	<b>65%</b>
<i>PAT Margin</i>	10%	12%	11%	11%	18%	<b>8.5%</b>	<b>7.4%</b>	8%	13%	<b>5%</b>

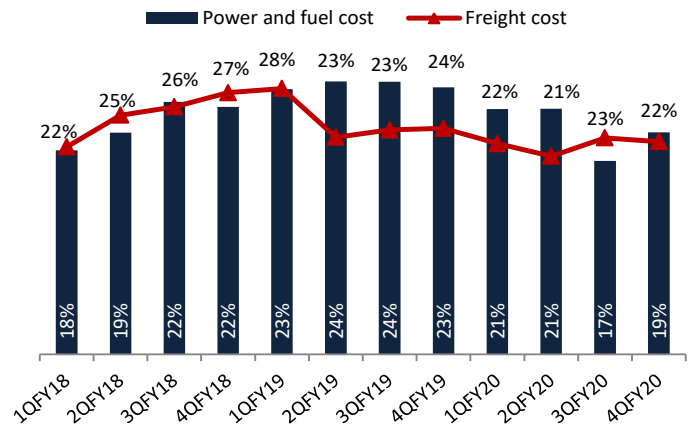
## Exhibit: Revenue and revenue growth trend

Revenue remained impacted due to nation lockdown on account of COVID-19 in the last week of Mar-20.



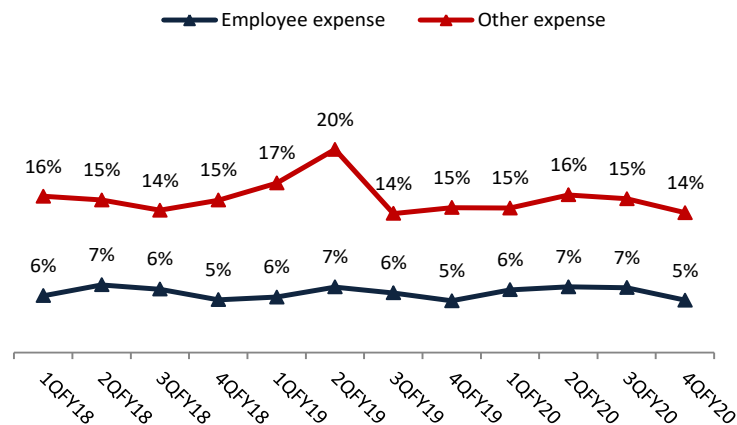
## Exhibit: Power & fuel and Freight cost

Power & fuel and freight cost declined significantly on YoY basis led by shut down of plants due to COVID-19.



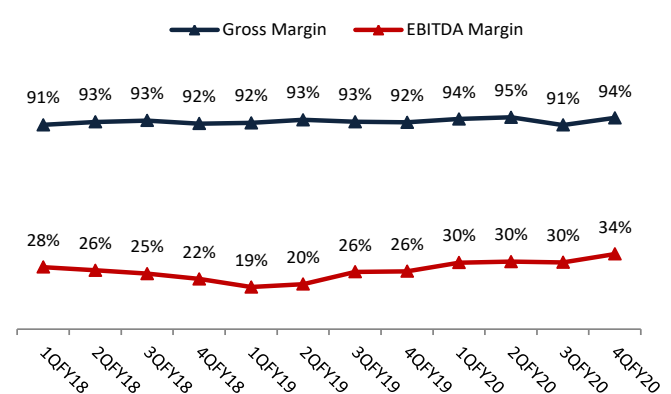
## Exhibit: Employee and Other expense

Employee cost remained flat while other expense declined by marginal 52 bps YoY.



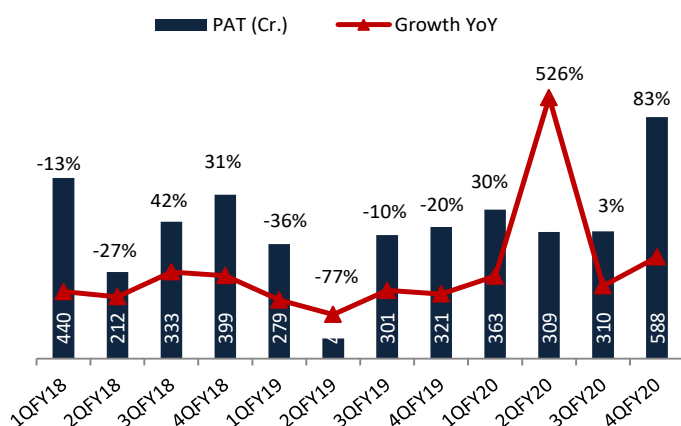
## Exhibit: Gross margin & EBITDA margin trend

Gross and EBITDA improvement led by benign input prices and decline in power & freight cost.



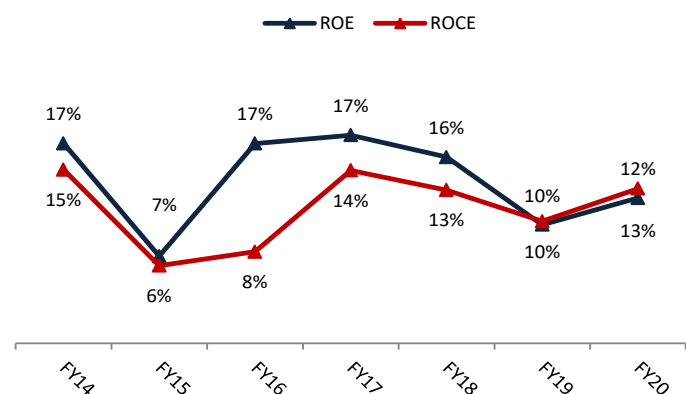
## Exhibit: PAT and PAT growth trend

PAT growth led by higher other income and EBITDA expansion with PAT margin at 18.3% in 4QFY20.



## Exhibit: Return On Equity

ROE and ROCE stood at 13% and 12% respectively in 4QFY20.



## Financial Details

## Balance Sheet

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
Share Capital	35	35	35	35	35	35	35	36
Reserves	3809	4676	5828	6811	7663	8862	9563	12900
<b>Networth</b>	<b>3844</b>	<b>4711</b>	<b>5863</b>	<b>6846</b>	<b>7698</b>	<b>8897</b>	<b>9597</b>	<b>12936</b>
Debt	977	1078	604	726	1292	3394	2777	2347
Total Capital Employed	4287	5158	6271	7376	8217	11105	11906	14575
<b>Net Fixed Assets (incl CWIP)</b>	<b>1915</b>	<b>2952</b>	<b>3432</b>	<b>3315</b>	<b>3310</b>	<b>5016</b>	<b>5597</b>	<b>4941</b>
Non Current Investments	1501	1519	2069	2950	3388	3123	4411	3271
Other Non Current Assets	0	0	426	769	414	440	396	339
Non Current Assets	3888	4999	6515	7655	7884	9442	11202	12512
<b>Inventory</b>	<b>530</b>	<b>810</b>	<b>919</b>	<b>815</b>	<b>1315</b>	<b>1569</b>	<b>1589</b>	<b>1428</b>
Debtors	315	297	476	329	335	459	732	828
Cash & Bank	379	159	99	83	111	121	308	108
Other Current Assets	29	34	291	312	775	1139	1219	1163
Current Assets	2272	2330	2040	1809	3282	5700	3992	6826
<b>Creditors</b>	<b>81</b>	<b>188</b>	<b>311</b>	<b>257</b>	<b>352</b>	<b>727</b>	<b>451</b>	<b>528</b>
Provisions	90	100	4	1	1	1	22	1
Other Current Liabilities	712	581	243	230	475	619	622	611
Curr Liabilities	883	868	1225	966	1215	1781	1519	2492
<b>Net Current Assets</b>	<b>1389</b>	<b>1462</b>	<b>815</b>	<b>843</b>	<b>2067</b>	<b>3919</b>	<b>2473</b>	<b>4333</b>
<b>Total Assets</b>	<b>6160</b>	<b>7329</b>	<b>8555</b>	<b>9463</b>	<b>11166</b>	<b>15142</b>	<b>15193</b>	<b>19338</b>

## Income Statement

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<b>Revenue from Operation</b>	<b>5590</b>	<b>5887</b>	<b>6454</b>	<b>5514</b>	<b>8594</b>	<b>9833</b>	<b>11722</b>	<b>11904</b>
Change (%)	-4%	5%	10%	-15%	56%	14%	19%	2%
Other Income	188	185	138	673	362	389	245	272
<b>EBITDA</b>	<b>1561</b>	<b>1390</b>	<b>1344</b>	<b>1407</b>	<b>2513</b>	<b>2473</b>	<b>2653</b>	<b>3675</b>
Change (%)	-5%	-11%	-3%	5%	79%	-2%	7%	39%
Margin (%)	28%	24%	21%	26%	29%	25%	23%	31%
Depr & Amor.	436	550	925	828	1215	899	1392	1699
<b>EBIT</b>	<b>1125</b>	<b>840</b>	<b>419</b>	<b>579</b>	<b>1298</b>	<b>1573</b>	<b>1261</b>	<b>1975</b>
Int. & other fin. Cost	193	129	121	76	129	135	247	287
<b>EBT</b>	<b>1120</b>	<b>896</b>	<b>436</b>	<b>1176</b>	<b>1531</b>	<b>1827</b>	<b>1260</b>	<b>1960</b>
Exp Item	1	81	35	0	0	0	178	0
Tax	115	28	-26	33	192	443	130	390
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	1004	787	426	1143	1339	1384	951	1570
<b>Adjusted PAT</b>	<b>1003</b>	<b>709</b>	<b>389</b>	<b>1143</b>	<b>1339</b>	<b>1384</b>	<b>791</b>	<b>1570</b>
Change (%)	<b>62%</b>	<b>-22%</b>	<b>-46%</b>	<b>168%</b>	<b>17%</b>	<b>3%</b>	<b>-31%</b>	<b>65%</b>
Margin(%)	18%	12%	6%	21%	16%	14%	7%	13%

## Financial Details

## Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
ROE	26%	17%	7%	17%	17%	16%	10%	12%
ROCE	23%	15%	6%	8%	14%	13%	10%	13%
Asset Turnover	0.9	0.8	0.8	0.6	0.8	0.6	0.8	0.6
Debtor Days	21	18	27	22	14	17	23	25
Inv Days	35	50	52	54	56	58	49	44
Payable Days	5	12	18	17	15	27	14	16
Int Coverage	5.8	6.5	3.5	7.6	10.0	11.6	5.1	6.9
P/E	25	32	93	38	44	41	68	40
Price / Book Value	6.6	5.4	6.7	6.3	7.7	6.3	6.7	4.9
EV/EBITDA	17	19	30	31	24	24	25	18
FCF per Share	109	46	28	24	32	35	88	30
Div Yield	0%	0%	0%	0%	1%	0%	0%	1%

## Cash Flow Statement

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
PBT	1119	815	401	1176	1531	1827	1260	1960
(inc)/Dec in Working Capital	-64	119	-22	-175	-51	-113	-530	559
Non Cash Op Exp	436	550	925	828	1215	899	1392	1699
Int Paid (+)	193	129	121	76	129	135	247	287
Tax Paid	-241	-56	-91	-143	-289	-507	-230	-486
others	-183	-157	-95	-196	-333	-363	-78	-268
<b>CF from Op. Activities</b>	<b>1260</b>	<b>1401</b>	<b>1239</b>	<b>1566</b>	<b>2202</b>	<b>1879</b>	<b>2060</b>	<b>3751</b>
(inc)/Dec in FA & CWIP	-893	-1583	-1124	-737	-1295	-2526	-1885	-1294
Free Cashflow	366	-182	115	829	907	-648	174	2457
(Pur)/Sale of Inv	454	9	572	-659	-1125	-1833	886	-4432
others	170	340	-439	131	372	764	187	353
<b>CF from Inv. Activities</b>	<b>-270</b>	<b>-1234</b>	<b>-990</b>	<b>-1265</b>	<b>-2048</b>	<b>-3595</b>	<b>-813</b>	<b>-5373</b>
inc/(dec) in NW								
inc/(dec) in Debt	-876	-89	-283	-22	445	2039	-758	#REF!
Int. Paid	-224	-147	-125	-89	-128	-125	-275	-287
Div Paid (inc tax)	-69	-89	-89	-159	-485	-184	-231	-623
others	187	170	239	0	0	0	0	0
<b>CF from Fin. Activities</b>	<b>-982</b>	<b>-156</b>	<b>-259</b>	<b>-271</b>	<b>-167</b>	<b>1730</b>	<b>-1264</b>	<b>#REF!</b>
Inc(Dec) in Cash	8	11	-10	31	-13	14	-17	#REF!
<b>Add: Opening Balance</b>	<b>22</b>	<b>30</b>	<b>41</b>	<b>6</b>	<b>36</b>	<b>23</b>	<b>33</b>	<b>15</b>
Closing Balance	30	41	31	36	23	37	17	#REF!

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