

Shree Cement Limited

Industry Building Materials
Bloomberg SRCM IN
BSE CODE 500387

PAT growth led by higher other income

RATING **NEUTRAL**

CMP **22389**
Price Target **23100**
Potential Upside **3%**

Rating Change 

Estimate Change 

Target Change 

1QFY21 Result Update

- ❑ SHREECEM reported numbers better than our expectation; Revenue de-grew by 23.4% YoY to Rs. 2326 cr. impacted on account of shut down of factories due to COVID-19.
- ❑ Gross margin declined by 82 bps to 93.1% YoY while EBITDA margin expanded by 41 bps to 30.1% YoY driven decline in Power & fuel cost.
- ❑ The Company's Power & fuel cost declined by 487 bps to 16.5% led by benign pet coke & fuel prices while freight cost and employee cost increased by 208/114 bps to 24.1%/7.4% YoY.
- ❑ The Company's PAT grew by 2.1% YoY to Rs. 371 cr. led by higher other income and while PAT margin stood at 15.9% in 1QFY21.

View and Valuation

SHREECEM reported numbers better than expected in 1QFY21. The cement volumes remained impacted due to shut down of factories nationwide amidst Pandemic. Going forward cement demand, vertical lockdown imposed on different states, supply chain, daily labors availability, monsoons and rising number of disease cases still remains the concern while the companies are witnessing some demand from rural, Individual home buyers and also some of the government projects are getting resumed while prices are expected to remain stable for medium term; The margins are expected to expand led by continuous thrust on cost controlling initiatives and supply chain efficiency. Thus, in the long run we remain positive on the stock but considering the current scenario of lockdown and increasing rate of spread of disease, we expect the prevailing vertical lockdown and rising number of disease cases will hamper demand further. Thus, maintain our NEUTRAL rating with a target price of Rs. 23100.

Key Risks to our rating and target

- ❑ Steep decline in demand from rural India.
- ❑ Steep increase in prices of pet coke, coal, and diesel.

Stock Info

52wk Range H/L 25341/15055
Mkt Capital (Rs Cr) 80781
Free float (%) 35%
Avg. Vol 1M (,000) 2
No. of Shares (Cr) 4
Promoters Pledged % NA

Research Analyst

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Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	8594	9833	11722	11904	12557
EBITDA	2513	2473	2653	3675	4155
EBIT	1298	1573	1261	1975	3047
PAT	1339	1384	951	1570	2523
EPS (Rs)	384	397	273	435	699
EPS growth (%)	17%	3%	-31%	59%	61%
ROE (%)	17%	16%	10%	12%	17%
ROCE (%)	14%	13%	10%	13%	18%
EV/EBITDA	24.1	24.1	25.3	17.9	19.8
P/B (X)	7.7	6.3	6.7	4.9	5.4
P/E (x)	44	41	68	40	32

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1QFY21 Results

Better than expectation

Fig in Rs Cr

Financials	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY %	QoQ%	FY19	FY20	YoY %
Net Sales	3036	2802	2848	3218	2326	-23.4%	-27.7%	11722	11904	2%
Other Income	51	58	65	98	124	143.3%	27.3%	245	272	11%
COGS	186	151	250	182	161	-13.1%	-11.3%	864	768	-11%
Gross Margin	94%	95%	91%	94%	93%	-0.8%	-1.3%	93%	94%	1%
Employee Cost	191	185	186	169	173	-9.6%	2.4%	678	731	8%
Other Expenses	441	444	440	452	348	-21.2%	-23.1%	1918	1776	-7%
EBITDA	902	844	849	1079	701	-22.3%	-35.1%	2653	3675	39%
EBITDA%	30%	30%	30%	34%	30%	0.4%	-3.4%	23%	31%	8%
Depreciation	403	428	432	436	271	-32.6%	-37.8%	1392	1699	22%
EBIT	500	416	417	643	429	-14.1%	-33.2%	1261	1975	57%
Interest	68	72	74	73	71	3.7%	-2.8%	247	287	16%
PBT	483	402	408	668	483	0.1%	-27.7%	1260	1960	56%
Exceptional Item	0	0	-	-	-	-	-	178	0	-
Tax	120	93	98	80	112	-6%	41%	130	390	199%
PAT	363	309	310	588	371	2.1%	-37.0%	951	1570	65%
PAT Margin	12%	11%	11%	18%	16%	4.0%	-2.3%	8%	13%	5%

Exhibit: Revenue and revenue growth trend

Revenue remained impacted due to nation lockdown on account of COVID-19.

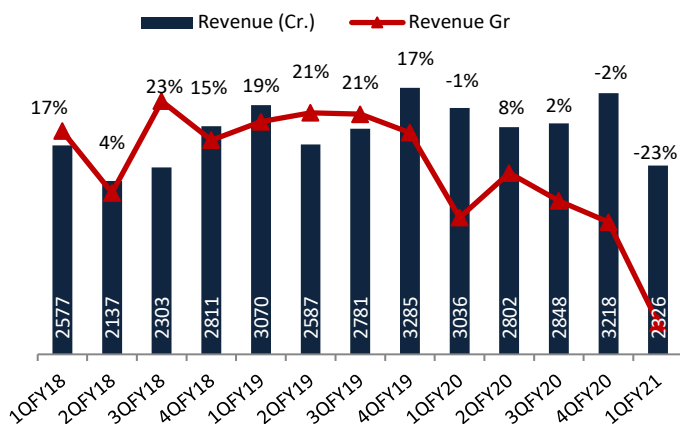


Exhibit: Power & fuel and Freight cost

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

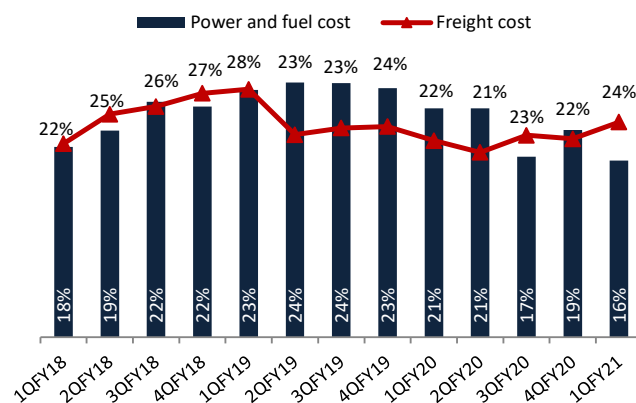


Exhibit: Employee and Other expense

Employee cost increased by 114 bps to 7.4% YoY led by cost towards safety of employees amidst Pandemic.

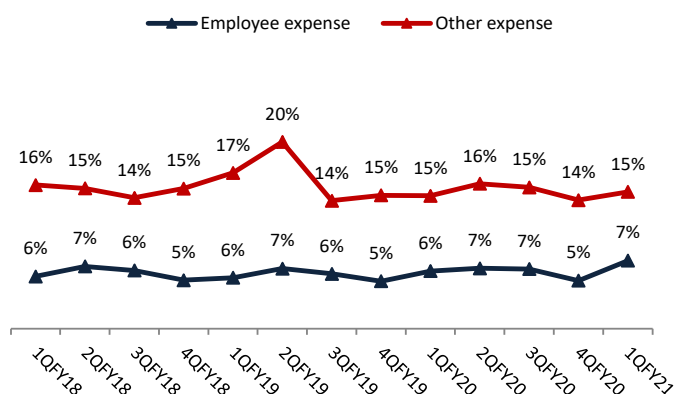


Exhibit: Gross margin & EBITDA margin trend

EBITDA margin improvement led by decline in power & fuel cost.

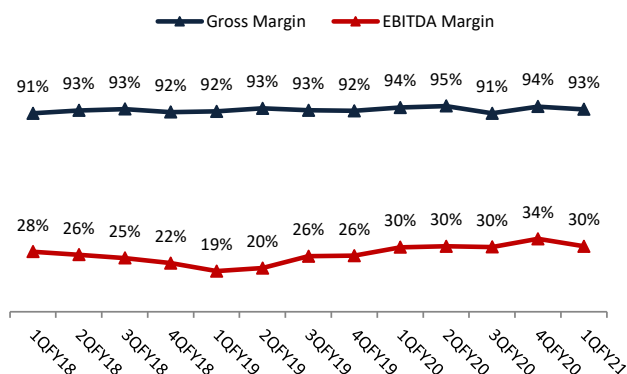


Exhibit: PAT and PAT growth trend

PAT growth led by higher other income and EBITDA expansion with PAT margin at 15.9% in 1QFY21.

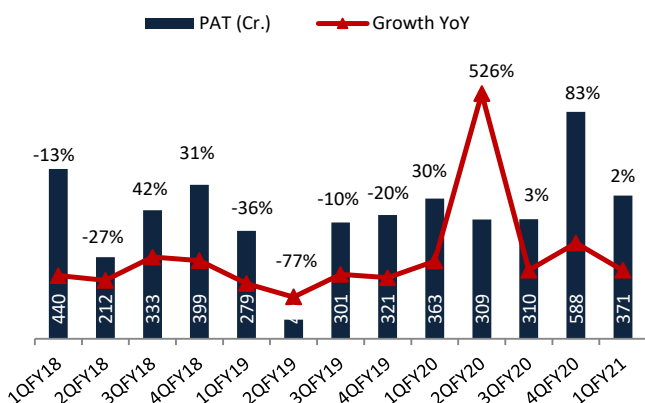
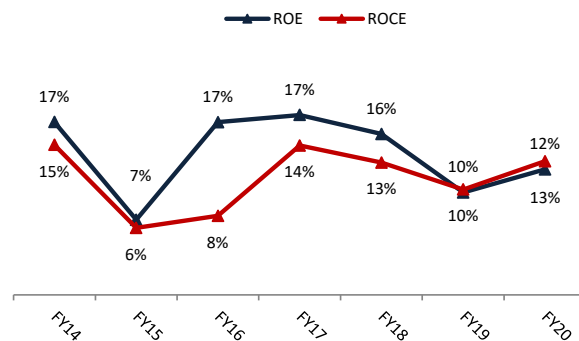


Exhibit: Return On Equity

ROE and ROCE are expected to be at 13% and 12% respectively in 4QFY20.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	35	35	35	35	35	35	36	36
Reserves	4676	5828	6811	7663	8862	9563	12900	15039
Networth	4711	5863	6846	7698	8897	9597	12936	15075
Debt	1078	604	726	1292	3394	2777	2347	1607
Total Capital Employed	5158	6271	7376	8217	11105	11906	14575	16414
Net Fixed Assets (incl CWIP)	2952	3432	3315	3310	5016	5597	4941	5428
Non Current Investments	1519	2069	2950	3388	3123	4411	3271	3271
Other Non Current Assets	0	426	769	414	440	396	339	339
Non Current Assets	4999	6515	7655	7884	9442	11202	12512	12999
Inventory	810	919	815	1315	1569	1589	1428	1506
Debtors	297	476	329	335	459	732	828	874
Cash & Bank	159	99	83	111	121	308	108	219
Other Current Assets	34	291	312	775	1139	1219	1163	1163
Current Assets	2330	2040	1809	3282	5700	3992	6826	6674
Creditors	188	311	257	352	727	451	528	413
Provisions	100	4	1	1	1	22	1	63
Other Current Liabilities	581	243	230	475	619	622	611	536
Curr Liabilities	868	1225	966	1215	1781	1519	2492	1430
Net Current Assets	1462	815	843	2067	3919	2473	4333	5244
Total Assets	7329	8555	9463	11166	15142	15193	19338	19673

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Revenue from Operation	5887	6454	5514	8594	9833	11722	11904	12557
Change (%)	5%	10%	-15%	56%	14%	19%	2%	5%
Other Income	185	138	673	362	389	245	272	396
EBITDA	1390	1344	1407	2513	2473	2653	3675	4155
Change (%)	-11%	-3%	5%	79%	-2%	7%	39%	13%
Margin (%)	24%	21%	26%	29%	25%	23%	31%	33%
Depr & Amor.	550	925	828	1215	899	1392	1699	1109
EBIT	840	419	579	1298	1573	1261	1975	3047
Int. & other fin. Cost	129	121	76	129	135	247	287	289
EBT	896	436	1176	1531	1827	1260	1960	3153
Exp Item	81	35	0	0	0	178	0	0
Tax	28	-26	33	192	443	130	390	631
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	787	426	1143	1339	1384	951	1570	2523
Adjusted PAT	709	389	1143	1339	1384	791	1570	2523
Change (%)	-22%	-46%	168%	17%	3%	-31%	65%	61%
Margin(%)	12%	6%	21%	16%	14%	7%	13%	20%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
ROE	17%	7%	17%	17%	16%	10%	12%	17%
ROCE	15%	6%	8%	14%	13%	10%	13%	18%
Asset Turnover	0.8	0.8	0.6	0.8	0.6	0.8	0.6	0.6
Debtor Days	18	27	22	14	17	23	25	25
Inv Days	50	52	54	56	58	49	44	44
Payable Days	12	18	17	15	27	14	16	12
Int Coverage	6.5	3.5	7.6	10.0	11.6	5.1	6.9	10.5
P/E	32	93	38	44	41	68	40	32
Price / Book Value	5.4	6.7	6.3	7.7	6.3	6.7	4.9	5.4
EV/EBITDA	19	30	31	24	24	25	18	20
FCF per Share	46	28	24	32	35	88	30	61
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	FY20	FY21E
PBT	815	401	1176	1531	1827	1260	1960	3153
(inc)/Dec in Working Capital	119	-22	-175	-51	-113	-530	559	-738
Non Cash Op Exp	550	925	828	1215	899	1392	1699	1109
Int Paid (+)	129	121	76	129	135	247	287	289
Tax Paid	-56	-91	-143	-289	-507	-230	-486	-631
others	-157	-95	-196	-333	-363	-78	-268	0
CF from Op. Activities	1401	1239	1566	2202	1879	2060	3751	3183
(inc)/Dec in FA & CWIP	-1583	-1124	-737	-1295	-2526	-1885	-1294	-1595
Free Cashflow	-182	115	829	907	-648	174	2457	1587
(Pur)/Sale of Inv	9	572	-659	-1125	-1833	886	-4432	0
others	340	-439	131	372	764	187	353	0
CF from Inv. Activities	-1234	-990	-1265	-2048	-3595	-813	-5373	-1595
inc/(dec) in NW								
inc/(dec) in Debt	-89	-283	-22	445	2039	-758	162	-741
Int. Paid	-147	-125	-89	-128	-125	-275	-287	-289
Div Paid (inc tax)	-89	-89	-159	-485	-184	-231	-623	-384
others	170	239	0	0	0	0	0	0
CF from Fin. Activities	-156	-259	-271	-167	1730	-1264	-748	-1414
Inc(Dec) in Cash	11	-10	31	-13	14	-17	-2370	173
Add: Opening Balance	30	41	6	36	23	33	15	108
Closing Balance	41	31	36	23	37	17	-2355	281

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