

Result Update

Q3 FY24

Shree Cement Ltd.

Institutional
Research

Shree Cement Ltd.



Cement | Q3FY24 Result Update

05th February 2024

Promising results from the Northern region and fuel prices going south improve financial performance

Q3FY24 turned out to be a fruitful quarter for Shree Cement Ltd. as it recorded a revenue of Rs. 5,223 crores which grew by 13.9% QoQ and 28.3% YoY. Recording an EBITDA of Rs. 1,263 crores (up 26.9% QoQ/up 45.4% YoY), the company posted an EBITDA margin of 24.2% compared to the estimated margin of 21%. This was primarily achieved by a reduction in average fuel cost by 15% and an increase in sales volume by 9% on a sequential basis. The company's EBITDA per tonne stood at Rs. 1,387 compared to Rs. 881 in the previous year. Realizations increased from Rs. 4,843/tonne to Rs. 5,006/tonne (up 3%) on a sequential basis. Sales volume stood at 8.9 million tonnes. The company on its path to achieve a capacity of 75 MT by March 2027, commissioned a 3.5MT plant in Nawalgarh and another plant of 3MT is about to be commissioned in the next quarter. On the energy capacity front, the company has commissioned a green power capacity plant worth 73MW in January 2024. The company's blended cement production stood at 72%. On a sequential basis, the company experienced a demand growth of 10% each from the north and south regions followed by 2% from the east. Overall, the geographical sales mix for the quarter saw a 60% share from the northern region followed by 28% from east and 12% from the south. The lead distance reduced to 448km from the previous quarter's 475km.

Valuation and Outlook

Shree Cement Ltd. experienced a good quarter as it beat market estimates on all fronts. While the company was successful in capturing the increased sales demand and lower fuel costs, the company also achieved a capacity utilization of 77%. The company also commissioned a 3.5MT plant during the quarter and has plans for adding up capacities in the future. Going forward, the fuel consumption of the company may start going down because of increasing operating efficiency and power costs may also go down due to 73MW plant commissioned in January 2024 which will start giving benefits in two months. The company has been able to cut down on lead time instead of lead distances and by March 2027, the company aims to be 80-90% dependent on its own railway siding. Therefore, the logistics costs currently are expected to remain stable in Q4FY24. The overall demand outlook is expected to be between 8-10% in the following year, however, due to various initiatives such as rolling out a brand campaign "Bangur Magna", the company expects to have a demand growth of around 12%. We remain positive on future quarters for the company due to increasing demand, reducing fuel costs, operating efficiency, and adding up of new capacities.

Key Highlights

Particulars (Rs. millions)	Q3FY23	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Revenue	4,299	4,800	5,223	21.4%	8.8%
EBITDA	726	886	1,264	73.9%	42.6%
EBIT	284	474	820	188.5%	72.8%
Profit After Tax	281	446	701	149.0%	57.1%
EBITDA / tonne	881	1,060	1,387	57.4%	30.8%

Source: Company, BP Equities Research

Sector Outlook

Positive

Stock

CMP (Rs.)	28,510
BSE code	500387
NSE Symbol	SHREECEM
Bloomberg	SRCM IN
Reuters	SHCM.BO

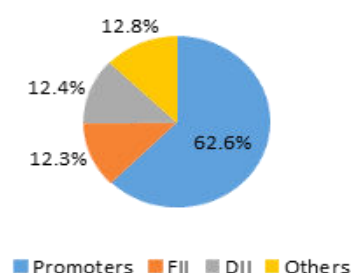
Key Data

Nifty	21,854
52 Week H/L (Rs.)	29,249/ 22,601
O/s Shares (Mn)	36.08
Market Cap (Rs. bn)	1013.44
Face Value (Rs.)	10

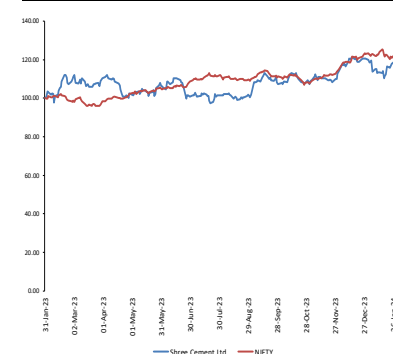
Average Volume

3 months	24,280
6 months	27,490
1 year	39,020

Share Holding (%)



Relative Price Chart



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Key Concall Highlights

Capacity Expansion:

- Company started a new plant in Nawalgarh, Rajasthan, which is one of the largest plants in the country.
- Another 3MT plant is likely to be commissioned in Q4FY24.
- The company targets a capacity of 75MT by March 2027 and 80MT by March 2028.
- The company's capex plans up to March 2027 is approximately Rs. 12,500 crores. The company currently has cash reserves of Rs. 6,000 crores and it plans to fulfill the remaining requirement from internal accruals .

"The company targets a capacity of 80MT by March 2028."

Energy and Power Cost:

- The company's current energy capacity stands at 977MW which is quite close to 1GW.
- The company has commissioned a green power plant bearing a capacity of 73MT in January 2024 and another 133MW capacity is expected to be commissioned in phases over 2024-2025.
- These additions shall take the total power capacity to 1,110MW, giving the company a power sufficiency of 65% from the current power sufficiency of 61%.
- South African vendors due to the Red Sea turmoil are unable to ship coal to European countries. As a result, they have started to offer coal to Indian consumers at a discounted international price. This shall benefit the company's fuel cost as this will reduce the procurement cost and overall inventory cost.

"Cement demand growth to be 8%."

Other Points:

- The company expects an overall cement demand growth of 8%.
- As the company increases its lending units in diverse geographical locations, the lead distance will start to fall.
- The company expects the logistics cost to remain steady.

"Once the company increases its lending units in diverse geographical locations the lead distance starts to fall."

Key Financials						
YE March (Rs. millions)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	1,19,040	1,26,690	1,43,060	1,68,370	2,09,450	2,33,369
Revenue Growth (Y-o-Y)	1.5%	6.4%	12.9%	17.7%	24.4%	11.4%
EBIDTA	36,860	39,920	36,500	29,420	42,374	51,164
EBIDTA Growth (Y-o-Y)	38.7%	8.3%	(8.6%)	(19.4%)	44.0%	20.7%
Net Profit	15,700	23,120	23,770	13,280	22,020	25,828
Net Profit Growth (Y-o-Y)	65.0%	47.3%	2.8%	(44.1%)	65.8%	17.3%
Diluted EPS	435.4	633.5	646.3	352.2	610.0	715.5
Diluted EPS Growth (Y-o-Y)	59.4%	45.5%	2.0%	(45.5%)	73.2%	17.3%
Profitability & Valuation						
EBIDTA Margin (%)	31.0%	31.5%	25.5%	17.5%	20.2%	21.9%
NPM (%)	13.2%	18.2%	16.6%	7.9%	10.5%	11.1%
RoE (%)	37.6%	52.5%	50.9%	25.5%	38.3%	42.8%
RoCE (%)	88.4%	90.7%	78.2%	56.5%	73.8%	84.9%
P/E (x)	64.5x	44.3x	43.4x	79.7x	46.0x	39.2x
EV/EBITDA	2.7x	2.5x	2.7x	3.4x	2.4x	2.0x
P/BV (x)	24.3x	2.6x	1.8x	2.3x	17.7x	16.8x
Market Cap. / Sales (x)	0.9x	0.8x	0.7x	0.6x	0.5x	0.4x

Source: Company, Bloomberg



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