Initiating Coverage Report

29th Aug 2019

SHREE CEMENT LIMITED

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Table of Contents

Shree Cement Ltd

Sector: Cement

29th Aug 2019

Brief Overview

CMP (INR) (As on 28th Aug 2019)	19110
Target (INR)	20995
Upside(%)	10
Recommendation	**Accumulate**

BSE Code	500387
NSE Code	SHREECEM
Reuters Ticker	SHCM.NS
Bloomberg Ticker	SCRM.IN

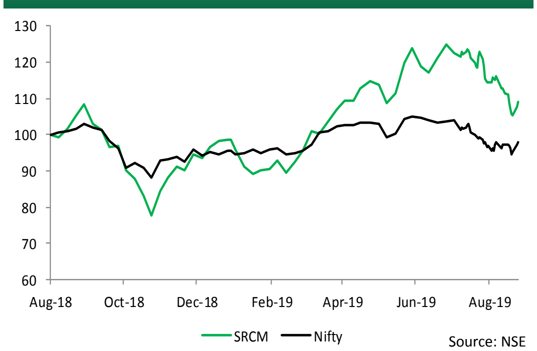
Stock Scan

Market cap (INR Cr.)	66574
Outstanding Shares (Cr.)	3.48
Face Value (INR)	10.00
Dividend Yield(%)	0.30
TTM P/E (x)	66.12
Industry P/E (x)	28.27
Debt/Equity (x)	0.24
Beta vs. Sensex	1.10
52 Week High/ Low (INR)	22200/13125
Avg. Daily Volume (NSE)/1yr	20370

Shareholding Pattern (%)

	June-2019	Mar-2019	Dec-2018
Promoters	64.79	64.79	64.79
Institutions	19.07	19.19	29.7
Non-Institution	16.14	16.03	5.52

Stock vs. Nifty (Relative Returns)



Source: NSE

Shree Cement Ltd

We initiate a coverage on Shree Cement Ltd (SRCM) with an **"Accumulate"** rating. The company is the second-largest cement player in India with current cement capacity of 40.4 MT and power capacity of 646MW. It is the most cost efficient in the industry and credited for its low cost of expansions. Cement remains its core business, accounting for 90%+ of EBITDA. SRCM has 24% market share in North and is ramping up its presence in East, South and West India. The company undertook steady expansion at economical cost without diluting equity or taking significant leverage on its balance sheet. Recently, the company acquired 97.61% stake in Union Cement Company (UCC), UAE having 4MT cement capacity. This gives the company an overseas exposure of entire Middle East. Currently the stock is trading 17.4x FY21E EV/EVITDA leaving little room for upside. However, any dip in the stock price should be a good entry point.

- **Geographical diversification, Most cost efficient:** The company is fast ramping up its expansion projects in East, South and West India. This would take the overall domestic capacity to 46.4MTPA. Hence, with higher volumes and improving profitability, overall revenue & earnings should get a boost up in the coming future.
- **High Govt spending on Infrastructure to continue:** With NDA Govt being re-elected, we expect the Govt to continue with high infra spending in the coming years. In the Union Budget (2019-20), the Govt has also announced low cost/affordable housing schemes to continue and also plans to invest 100 lakh crore in infrastructure over the next 5 years which should create massive cement demand in the Industry.
- **Strong Financials:** Strong cash flow from operation and low debt on Balance sheet has kept the financials quite strong. Also, high cash balance of INR300 cr as on FY19 provides further strength to the Balance Sheet.

We have valued the Standalone business of the company by assigning equal weightage to 19x FY21E EV/EBITDA multiple and USD220x FY21E EV/Ton ($). Further, by assigning 7.0x FY21E EV/EBITDA to UAE operations to arrive at **Target Price of INR20995** per share for the consolidated business.

Financial Performance at a glance (Standalone)

Particulars (INR Cr)	FY18	FY19	FY20E	FY21E	FY22E
Net Sales	9833	11722	12770	14101	15385
Growth %	14%	19%	9%	10%	9%
EBITDA	2416	2614	3479	3907	4248
EBITDA Margin (%)	25%	22%	27%	28%	28%
Net Profit	1384	951	1710	2140	2667
Net Profit Margin (%)	14%	8%	13%	15%	17%
EPS	397.25	272.87	490.87	614.16	765.68
BVPS	2553.69	2754.79	3189.80	3725.73	4401.14
P / E (x)	48.1	70.0	38.9	31.1	25.0
P / BV (x)	7.5	6.9	6.0	5.1	4.3
ROE (%)	16.7%	10.3%	16.5%	17.8%	18.8%
ROCE(%)	15.3%	10.4%	14.4%	15.3%	16.7%
EV/EBITDA (x)	28.2	26.0	19.6	17.4	16.0
EV/Ton ($)	274.7	253.0	220.9	206.6	206.6

Source: Company Data, SMIFS Research

Investment Rationale

North Cement capacity mix (%)		
Entities	**Market Share FY19**	**Market Share FY21E**
Shree Cement	**24%**	**23%**
Ultratech	23%	25%
Ambuja	12%	13%
J.K Lakshmi	8%	7%
J.K Cement	8%	9%
ACC	6%	5%
Wonder Cement	7%	8%
Others	12%	10%

Source: SMIFS Research

Market Leader in North India

Shree Cement is the largest player in the North commanding ~24% market share in the region as on FY19. The company has an installed cement and clinker capacity of 26.3MT followed by Ultratech's 23.8MT (post acquisition of Binani). Shree Cement and Ultratech together commands around ~47% market share in the Northern region (~103MT market size). The company's clinker capacity is situated in Beawar (3MT) and Ras (12.4MT) in Rajasthan supporting the 26.3MT grinding capacity.

We expect the Northern region to witness lowest capacity addition of around 6.4MT in the next 2 years and cement demand to grow at a CAGR of 7-8% driven by infrastructure sector for the next 2 years which could keep the cement utilisation levels high at 85%. Strong utilisation levels could eventually help to keep a strong pricing scenario and high realisation for North based players like Shree Cement.

East Cement capacity mix (%)		
Entities	**Market Share FY19**	**Market Share FY21E**
Shree Cement	**7%**	**10%**
ACC	14%	13%
Ultratech	13%	12%
Dalmia Bharat	9%	15%
Ambuja	11%	9%
Birla Corp	5%	4%
JSW	6%	7%
Nuvoco	13%	13%
Emami	4%	3%
Others	18%	14%

Source: SMIFS Research

Diversifying its geographical exposure

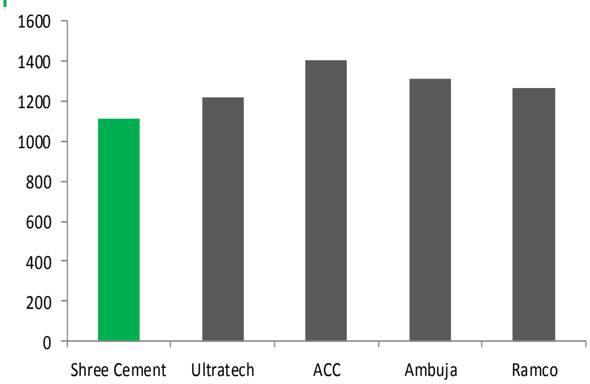
East: Shree cement has forayed into East India over the last few years, diversifying its geographical exposure. In the East the company has 5.2MT clinker capacity and 8.6MT cement capacity. The company is also setting up grinding units at Cuttak, Odisha (3.0MT) with a capex of INR423 crore (to be commissioned by Q3FY20) and Saraikela, Jharkhand (2.5MT) with a capex of INR480 crore (commissioned in June-2019). With these expansions total capacity of the company would increase to 14.1MT capacity in the East. Moreover, to support the upcoming grinding units, the company is planning a brownfield expansion of its clinkerisation capacity at Chhattisgarh unit. We expect cement demand in the East to grow at a rate of 8-9% for the next two years, which is higher than other regions on the back of higher infrastructure spends and better low cost housing demand. This augurs well for the company as the company is fast ramping up its grinding units in the Eastern region and has already became market leader in Bihar.

South: The company has recently commissioned an integrated unit with 2.8MT clinker capacity and 3.0MT cement capacity at Kedla district in Karnataka. In Q1FY20 the current utilisation stood at 35% we expect the utilisation level to increase to at least 60% in FY20.

West: In Pune, Maharashtra, the company has plans to set up 3.0MT grinding unit expected to be commissioned by mid FY21 and supported by the Karnataka clinker plant.

These expansions would help the company to diversify from its geographical concentration in the North and to emerge into a Pan India cement Player. Till FY15 **Shree *Cement had only 18% cement capacity outside Northern India region which is expected to go up to 48% of total capacity by FY21.*** The company in the past has set up expansion projects in record time and has deployed capital efficiently with strong execution. The Company has a track record in expanding its Grinding Units at a reasonable cost (lower than peers) funded by internal accruals and without leveraging the Balance Sheet too much.

FY19: Freight Cost per ton lowest in the Industry

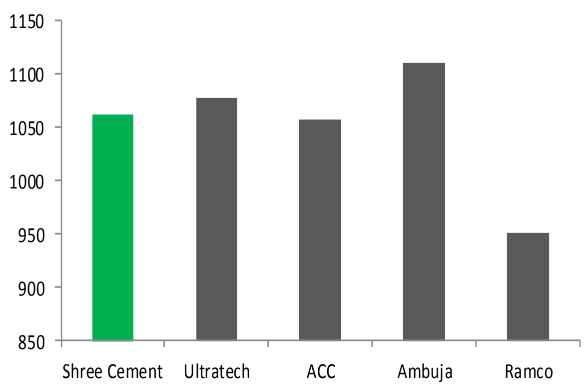


Source: Company Data, SMIFS Research

Most cost efficient cement producer:
Shree Cement is the most cost efficient cement producer in India. The company's operating cost/ton of around INR3100 is among the lowest in the industry and 25-35% lower than the large cap companies. This is due to both low power and freight costs – which account for ~50-55% of overall costs for cement companies.

Freight cost: More than 70% of cement are produced are from split grinding units. These units are strategically located in close proximity to end user markets. Since the company has an overall cement – clinker (CC) ratio of ~1.4x, it is much more economical to transport 1MT clinker to grinding units and then transport 1.4MT cement to nearby locations than to transport 1.4MT cement to longer distant markets. This also lowers the overall lead distance to 464km. However, the benefit of this strategy accrues mostly in the Eastern region where the CC ratio is around ~2.0x due to easier availability of slag. Going forward the new axle load norms would lead to further savings in freight cost.

FY19: Power & Fuel Cost per ton among the lowest in the Industry

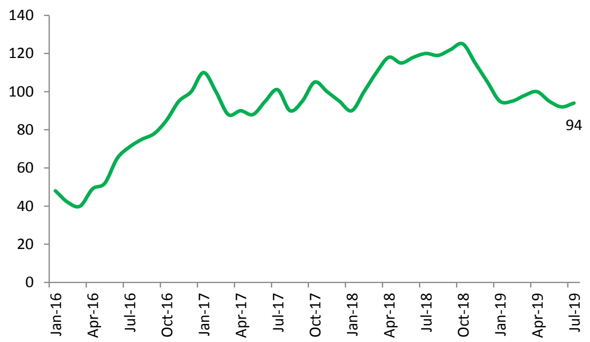


Source: Company Data, SMIFS Research

Power: The company has all its plants multi-fuel based i.e it can switch to pet coke or coal as and when needed based on availability and cost. Also the company has been a pioneer in using 100% petcoke which has helped the company to keep the power cost significantly below its peers. Also 100% usage of captive power plant including a total of 126MW WHR (Waste Heat Recovery) system (largest WHR plant capacity ex China) has led to power consumption being lowest in the industry at ~69 units per ton of cement.

Investment Rationale

Petcoke price trend ($/MT)



Even though the petcoke prices has increased significantly, from USD72 in per ton in FY14 to USD120 in per ton in FY18 and currently hovering at around USD92 per ton it is still more cost efficient than coal based on calorific value.

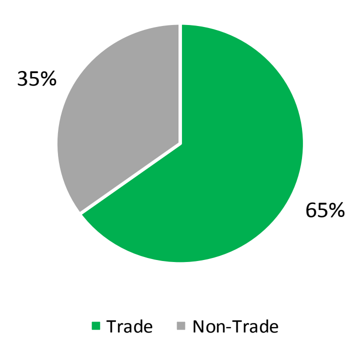
While the cost of setting up WHR power system is higher the cost of generation is relatively negligible and going forward the company plans to increase WHR power capacity and other renewable energy capacity from current 140MW to 207MW, which could further decrease the power cost.

Focus on pricing:

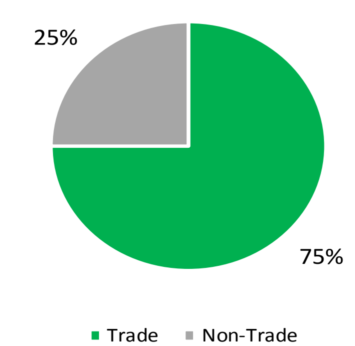
Shree Cement has been a key volume player in the industry. The company has grown its volumes at a much faster rate of CAGR 17% over the last decade v/s industry growth rate of 7-8%. This is also explained by the company's higher sales mix contribution from Non-Trade segment (35%) where the prices are INR30-35 per bag lower than the retail Trade segment prices.

However, with rise in input cost, the management is now focusing more on Trade sales which would improve the overall blended realisations and also improve the margins. In FY19 the company has improved its Trade mix to 75%. **Also, to position itself in the Tier-1 brands the company has launched 2 premium brands under the name - "Roofon" and "Bangur Power"- priced INR20-30 per bag higher than existing brand.** *Cost of these premium cements is also INR10 per bag higher which could lead to an incremental margin of INR10-20 per bag.*

FY17: Trade-Non Trade mix



FY19: Trade-Non Trade mix



Source: Company Data, SMIFS Research

Investment Rationale

UAE acquisition:

Shree Cement has recently acquired 97.61% stake in Union Cement Company (UCC) in UAE having 4MT cement capacity and 3.3MT clinker capacity. The transaction was done at USD305.2 mn which translates to USD76.3 EV/ton and EV/EBITDA of 8.8x on annualized EBITDA of CY18. This is significantly lower than average transaction price in India. From the date of acquisition in July-19 to FY19 end, UCC has achieved a Net Revenue of INR814 cr with an EBITDA margin of 17%. The Plant is located within 1 kilometer reach of Saqr Port in Ras al Khaimah, giving access to key export destinations like Gulf Cooperation Council (GCC) Countries, Africa and South Asia.

Transaction Matrix	
Clinker Capacity	3.3 MTPA
Cement Capacity	4.0 MTPA
Transaction Value ($)	305.24 Mn
Transaction Value (INR)	21672 Mn
EV/Tonne ($)	76.31

Source: Company Data, SMIFS Research

Source: Company Data

FY19: Union Cement Company

Particulars	Amount (AED Mn)	Amount (INR Cr.)
Net Turnover	420.9	813.8
EBITDA	72.8	140.6
Net Income	36.0	69.5
Net worth	980.9	1847.5

** figures are based on July-18 to March-19 period.*

After the acquisition, UCC has ramped up its production from 12000 tons per day to 13500 tons per day. UCC has undertaken several process improvement measures to increase the productivity of its Kiln, enhancing capacity of WHRS plant and other equipment as well as improving its power and fuel consumption levels. All these measures are likely to help in enhancing revenues and rationalizing costs thereby contributing to increased profitability.

However, as per the management UCC is facing some headwinds due to deterioration of trade relation with UAE and other Middle Eastern countries.

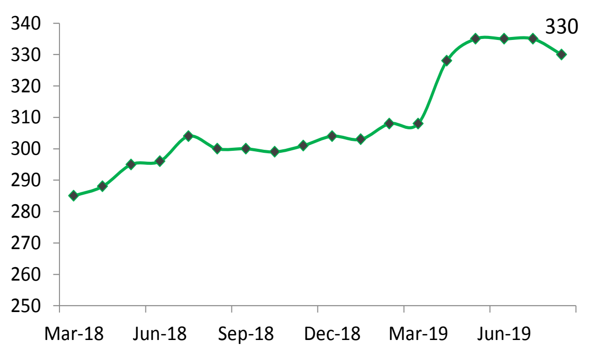
Industry Overview

North Cement Utilisation levels

Particulars	FY19	FY20E	FY21E
Installed Cement Capacity (MT)	103.0	105.0	109.4
Installed Clinker Capacity (MT)	70.3	72.9	78.3
Clinker Utilisation (%)	90%	93%	94%
Clinker Production (MT)	63.3	67.8	73.6
CC Ratio	1.2	1.2	1.2
Cement Production (MT)	75.9	81.4	88.3
Cement Utilisation (%)	74%	77%	81%
YoY Volume growth (%)		*7%*	*9%*

Source: Industry, SMIFS Research

North Cement Price trend



Source: Industry, SMIFS Research

In the month of July & Aug 2019, prices in the ***Northern region*** *are holding stronger than other regions, declining only by INR5 per bag from the peak prices of June-19. The Aug-19 price in the North is around INR330, 10% higher than Aug-18 price.*

North—Utilisation to remain strong

The Northern region is a 103MT market with Shree and Ultratech commanding almost half the market share. The region has two clinker clusters- Rajasthan and Himachal Pradesh.

Key demand drivers – Northern market, particularly Rajasthan is dependent on rural demand trends driven by rural housing and state housing schemes, while Haryana and Delhi witness demand from real estate/ infrastructure activities.

Current cement capacity utilisation in North is around 75%. However, the current clinker capacity utilisation has reached close to 90% in the region. which could limit volume growth to some extent in the region.

We expect the region to witness lowest cement capacity addition of ~6.4MT in the next 2-3 years. Ultratech's ramping up of Binani's asset would also increase the supply to some extent. **Apart from these, there has been some recent auctions of limestone reserves in Rajasthan for a total capacity of 1084 MT. We understand that the mining lease granted should come into production by 4-5 years i.e mines allocated in 2016 should come up by 2020-21.** Hence, there could be some more announcements on the clinker side. Besides new players like Dalmia, Emami and JSW who also participated in the auctions may enter the Northern market.

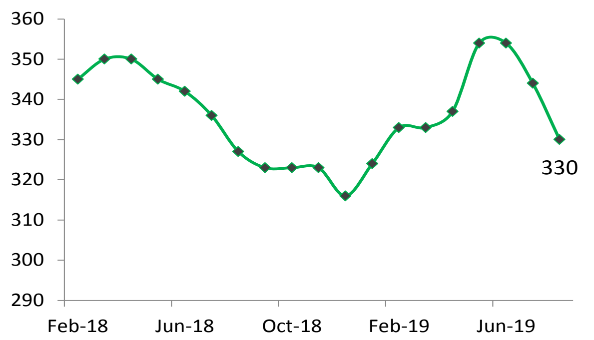
Industry Overview

East Cement Utilisation levels

Particulars	FY19	FY20E	FY21E
Installed Cement Capacity (MT)	89.8	104.6	111.2
Installed Clinker Capacity (MT)	43.5	43.5	46.64
Clinker Utilisation (%)	84%	91%	93%
Clinker Production (MT)	36.5	39.6	43.4
CC Ratio	1.9	1.9	1.9
Cement Production (MT)	69	75	82
Cement Utilisation (%)	77%	72%	74%
YoY Volume growth (%)		*8%*	*10%*

Source: Industry, SMIFS Research

East Cement price trends



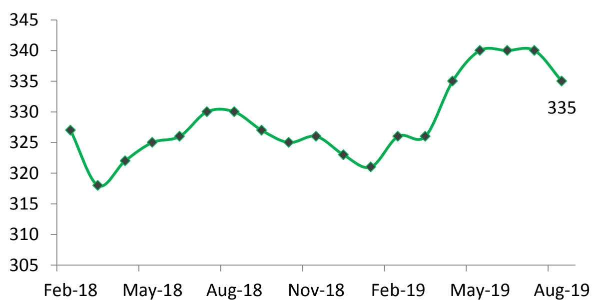
Source: Industry, SMIFS Research

Central Cement Utilisation levels

Particulars	FY19	FY20E	FY21E
Installed Cement Capacity (MT)	58.7	62.7	65.4
Installed Clinker Capacity (MT)	36.1	38.4	41.4
Clinker Utilisation (%)	75%	75%	76%
Clinker Production (MT)	27.1	28.8	31.5
CC Ratio	1.8	1.8	1.8
Cement Production (MT)	49	52	57
Cement Utilisation (%)	83%	83%	87%
YoY Volume growth (%)		*6%*	*9%*

Source: Industry, SMIFS Research

Central Cement price trends



Source: Industry, SMIFS Research

East - to witness higher demand growth

The Eastern region is a ~90MT market dominated by ACC, Ultratech, Dalmia Bharat, Ambuja and Nirma (Nuvoco)- comprising more than 50% of the market size. The region has 3 clinker cluster- Baloda Bazar in Chhattisgarh, and Rajganjpur and Bargarh in Orissa. However, the Eastern region is also served from Satna cluster in Madhya Pradesh.

The region is the fastest growing region in the country in terms of volume on the back of higher infrastructure investments and commercial developments over the years. The per capita cement consumption is also lowest in the country. This creates a big growth potential in the infrastructure, housing and commercial developments and hence, strong demand of cement can be expected.

On the other hand, this region is going to witness the highest capacity addition to the tune of ~23MT in the next 2 years. However, the region is also likely to see healthy demand growth of 8-9% in the next 2 years on account of low per capita cement consumption and the government's increased focus on housing/road projects. The incremental demand is expected to be lower than the incremental supply in this region and hence, the capacity utilisation could fall from current 66% to 63% by FY21E which could put pressure on the cement pricing in the region.

Central

This region has an installed capacity of ~55MT. After the acquisition of Century Textiles cement unit, Ultratech would command almost half of the capacity in the region. Apart from Ultratech, other key players include ACC, Birla Corp and Heidelberg.

The region has only one clinker cluster i.e. Satna cluster which caters to cement capacity of 55MT in the region as well as grinding facilities in the Eastern region.

The central region is also expected to witness high capacity additions to the tune of ~9MT in the next 2 years. We expect the demand in this region to grow at a healthy growth rate of 6-7% on the back of Govt spending on infrastructure and rural housing.

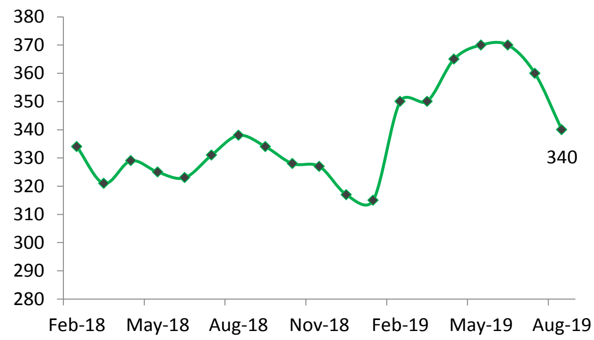
Industry Overview

South Cement Utilisation levels

Particulars	FY19	FY20E	FY21E
Installed Cement Capacity (MT)	151.1	156.2	165.0
Installed Clinker Capacity (MT)	118.2	124.4	130.5
Clinker Utilisation (%)	41%	42%	43%
Clinker Production (MT)	62.0	65.6	71.0
CC Ratio	1.4	1.4	1.4
Cement Production (MT)	87	92	99
Cement Utilisation (%)	57%	59%	60%
YoY Volume growth (%)		*6%*	*8%*

Source: Industry, SMIFS Research

South Cement price trends



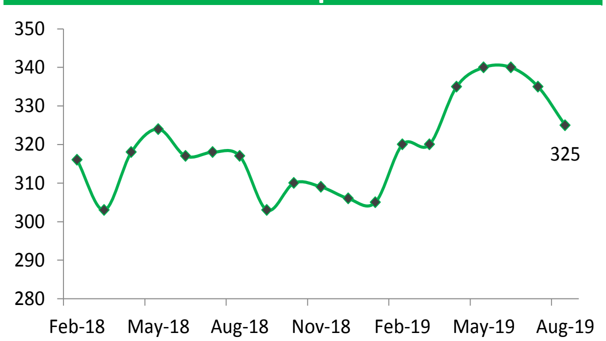
Source: Industry, SMIFS Research

West Cement Utilisation levels

Particulars	FY19	FY20E	FY21E
Installed Cement Capacity (MT)	68.2	70.9	79.8
Installed Clinker Capacity (MT)	41.3	44.6	48.5
Clinker Utilisation (%)	87%	86%	85%
Clinker Production (MT)	35.9	38.4	41.2
CC Ratio	1.4	1.4	1.4
Cement Production (MT)	50	54	58
Cement Utilisation (%)	74%	76%	72%
YoY Volume growth (%)		*7%*	*7%*

Source: Industry, SMIFS Research

West Cement price trends



Source: Industry, SMIFS Research

South- highest clinker addition

The Southern region has the highest capacity installed because of better availability of limestone reserves in the country. The region is a ~150MT market and comprises states of Tamil Nadu, Kerala, Karnataka, Andhra Pradesh and Telangana. This region's clinker capacity also supports Western and Eastern region. Overall around 24 cement players operate in the region. Major players are Dalmia Bharat, Ramco, Ultratech, India Cements, Chettinad, Penna.

Over the years the region has witnessed aggressive capacity additions and temporary shortage of sand availability has kept the average capacity utilisation low at ~58%. AP/Telangana was the fastest growing state in terms of cement demand. However, formation of new Govt in AP and cancellation of upcoming projects in the pipeline could create a set back in demand until new policies are made. Moreover floods in parts of Tamil Nadu and Kerala could also impact the demand. Considering these, we expect the Southern region growth to be muted to 5-6% in FY20.

The region is also expected to witness large capacity additions to the tune of 14MT in cement and 12MT in clinker over the next 2 years. We understand that the excess clinker production would be pushed to other regions as well mainly in the states of Orissa and Maharshtra.

West: Mild growth

Cement capacity in the Western region stands at ~60MT with dominant players like Ultratech and Amubuja commanding more than 50% of the market. Other Players including ACC, J.K Lakshmi and Sanghi Industries also have a high market share in the region. The region is supported by two clinker clusters, one in Gujarat (Kodinar and Kutch) and another in Maharashtra (Chandrapur).

The region comprises states of Maharashtra, Gujarat and northern Karnataka. Capacities from Rajasthan and Southern states also push their supply to these regions as well.

The state election of Maharashtra is due to be held in Oct-2019. Although it is expected that current NDA Govt should continue in power, some temporary delay in project funding could be expected in H2FY20. We expect a mild demand growth at around 5-6% in FY20 in this region and capacity utilisation to remain flat at around 70%.

Industry Overview

Clinker capacity Addition by FY21 Region-wise break up						(In MT)
S.l	Name	South	East	Central	West	North
1	Ultratech Cement			2.3		2.3*
2	ACC			3		
3	Ambuja					3.1
4	Dalmia Bharat		3.14			
5	Ramco	3.8				
6	Birla Corp				3.9	
7	J.K Cement					2.3
8	Sagar Cement					
9	Sanghi				3.3	
10	Chettinand Cement	2.1				
11	JSW cement					
12	Penna Cement	2.6				
13	Chettinad	2.3				
14	Wonder Cement					2.6
15	Others	2.01				
	Total	**12.8**	**3.1**	**5.3**	**7.2**	**8.0**

**Ultratech's Pali expansion is currently put on hold*

Source: Industry, SMIFS Research

Cement capacity Addition by FY21 Region-wise break up						(In MT)
S.l	Name	South	East	Central	West	North
1	Ultratech Cement			4.0		
2	ACC		1.1			
3	Ambuja					1.8
4	Dalmia Bharat		8.1			
5	Shree Cement	3	5.5		2	
6	Ramco	2.1	3			
7	Birla Corp			1.2	3.9	
8	India Cement			1.5		
9	J.K Lakshmi					
10	J.K Cement			1.5	0.7	2.0
11	Sagar Cement	1.5			1	
12	Sanghi				4	
13	Chettinand Cement	2				
14	JSW cement		1.2			
15	Penna Cement	2.1				
16	Wonder Cement					2.6
17	Emami Cement		2.5			
18	Others	3.2				
	Total	**13.9**	**21.4**	**8.2**	**11.6**	**6.4**

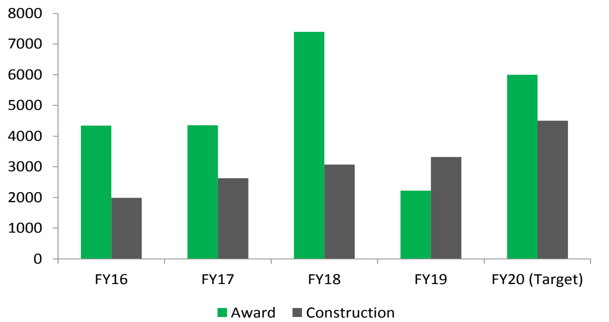
Source: Industry, SMIFS Research

Industry Overview

Infra spending as a % on GDP

Source: IBEF, Industry, SMIFS Research

NHAI project award trend



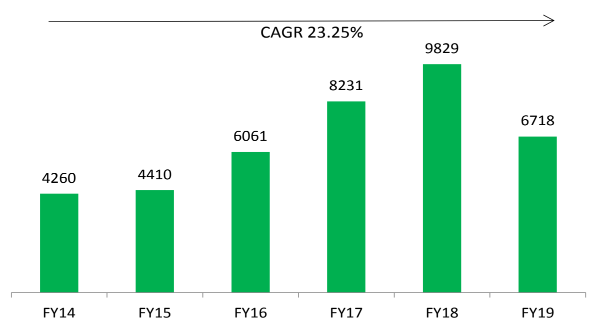
Source: NHAI, Industry, SMIFS Research

FDI Inflow in Infrastructure (in USD Bn)

Years	Construction activities	Construction Development
FY13	2.09	22.08
FY14	2.58	23.3
FY15	3.43	24.06
FY16	7.96	24.18
FY17	9.82	24.29
FY18	12.55	24.83
FY19	13.49	24.9

Source: IBEF, Industry, SMIFS Research

Year wise Highway Construction length (Km)



Source: MoRTH, Industry, SMIFS

Demand Drivers

Infrastructure Investments: Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from the Government for creation of world class infrastructure in the country. Infrastructure sector includes power, bridges, dams, roads and urban infrastructure development. In 2018, India ranked 44th out of 167 countries in World Bank's Logistics Performance Index (LPI) 2018. Hence, there is immense potential in the infrastructure space.

Infrastructure segment in the recent years has led to 25% of cement demand in the country. In the Union Budget 2019-20, the Government of India has allocated INR1.12 trillion (US$ 15.48 billion) under the Ministry of Road Transport and Highways. Thus, it can be inferred that the trend of high Government spending on infrastructure is likely to continue. Also the Central Government announced that it will spend INR100 lakh crore on infrastructure upgradation over the next five years. The Finance Minister also spoke about investing INR80,250 crores on upgrading 125,000 km of rural roads in the next five years.

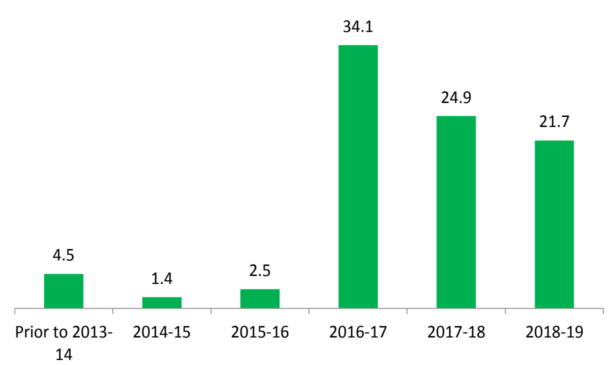
Also the National Highways Authority of India (NHAI) proposes to award 6,000-km highway projects in the current fiscal. The authority has also set its highest construction target ever for 2019-20. The authority, which had built 3,320 highways in 2018-19, plans to construct 4,500 km (12.32km/day) in 2019-20, proposing to clock over 35% growth. Also the ambitious Bharatmala project is going to get steam from 2019-20 which envisages construction of 20,000 km of roads at an estimated investment of INR7 trillion.

Several other infrastructure projects such as Metro Rail construction, airport and port modernization are within Government's focus and should get impetus in the next 3-4 years.

We expect the Modi 2.0 Government would continue to maintain the high momentum of infrastructure spending in the 5-year term. Although there are some clouds over the funding of such huge projects we understand that even if 50% of the projects announced/planned are implemented that should create an incremental cement demand of 50-60MT.

Industry Overview

PMAY-G-Houses constructed (in Lakhs)



Source: Industry, SMIFS Research

PMAY-G estimated cement requirement	
Total target no. of Houses to be constructed	200 lakhs
Assuming 50% of target to be achieved	100 lakhs
Average each unit size	270 sq ft
Cement consumption each sq ft	19 kg
Cement requirement in one unit	5130kg
Total Cement requirement	**51.3MT**
Total Cement requirement per annum	**17.1MTPA**

Source: Industry, SMIFS Research

Housing: PMAY-G Rural housing has got a major impetus in the annual budget, announced by the Finance Minister Nirmala Sitharaman. The Pradhan Mantri Awas Yojana-Gramin (PMAY-G) has aimed to achieve the objective of housing for all by 2020.

As per data from the rural department there are a total of 1.54 crore rural homes that have been completed in the last five years and in the second phase of PMAY-G, from 2019-22, 1.95 crore houses are proposed to be provided to the eligible beneficiaries. The PMAY-G was introduced in April 2016 (part of "Housing for all by 2022" scheme), estimated around 4.39 crore houses to be built under this scheme. The Government had a target to build 1 crore houses by 2018-19. Track record shows that the government has achieved this target much better than expected.

Even if we assume 50% of new target to be achieved i.e ~ 1 crore units and 270 sqft for each unit, it can create a requirement of around 17.1MT cement per annum.

PMAY-U estimated cement requirement	
Total target no. of Houses to be constructed	114.8 lakhs
Assuming 50% of target to be achieved	57.4 lakhs
Average each unit size	350 sq ft
Cement consumption each sq ft	19 kg
Cement requirement in one unit	6650kg
Total Cement requirement	**38.2MT**
Total Cement requirement per annum	**12.7MTPA**

Source: Industry, SMIFS Research

PMAY-U: In the Urban side, the PMAY-Urban had set a target of completion of 20million houses in FY22. However, till date only 8.3 million houses have been sanctioned and within that only 26.14 lakh houses have been completed so far. Assuming that at least 50% of the remaining 11.7 million houses will be further sanctioned i.e. 5.8 million houses and 50% of the remaining total sanctioned houses would be completed i.e 57.43 lakh and considering the time left, the Govt has to complete 1.9 million units per year requiring a total cement consumption of 12.7MT per annum.

The government has allocated INR6,450 crore for the Smart Cities Mission for 2019-2020 against INR6,169 crore in 2018-2019, which is about 4.5 percent more than the amount set aside last year. Also the government has set aside INR7,300 crore under the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) scheme that is targeted at upgrading urban infrastructure across 500 towns and cities. This is an increase of almost 14.06 percent over last year's allocation.

Industry Overview

Upcoming State elections in 2020 and 2021 could spur demand from Govt led spending

Upcoming State Elections

Region	State	Date of next State Elections
North	Rajasthan	2023
	Punjab	2022
	Uttarakhand	2022
	Haryana	Sep-Oct 2019
	Delhi	Jan-Feb 2020
	Himachal Pradesh	2022
	Jammu and Kashmir	Jan-Feb 2021
Central	Uttar Pradesh	2022
	Madhya Pradesh	2023
South	Andhra Pradesh	May-Jun 2024
	Karnataka	2023
	Tamil Nadu	2021
	Telangana	2023
	Pondicherry	2020
	Kerala	2021
West	Goa	2022
	Gujarat	2022
	Maharashtra	Sep-Oct 2019
East	West Bengal	2021
	Odisha	May-Jun 2024
	Jharkhand	Nov-Dec 2019
	Bihar	2020
	Chhattisgarh	2023

Source: Industry, SMIFS Research

Region growth expectations: Highly skewed towards Govt spending in coming quarters

Region	State	Infrastructure	Low Cost/Rural Housing	Urban Housing	Commercial	Overall Growth expectation (%)
North	Rajasthan	🟡	🟢	🔴	🟡	7-8%
	Punjab	🟡	🟢	🔴	🔴	
	Haryana	🟢	🟢	🟡	🟢	
	Delhi + NCR	🟡	🟢	🟡	🟡	
	Himachal Pradesh	🟡	🟡	🔴	🟢	
Central	Uttar Pradesh	🟢	🟢	🟡	🟢	6-7%
	Madhya Pradesh	🟢	🟢	🔴	🟡	
South	AP/Telangana	🟡	🟢	🟡	🟢	5-6%
	Karnataka	🟡	🟢	🟡	🟢	
	Tamil Nadu/ Kerala	🟡	🟡	🟡	🔴	
West	Gujarat	🟢	🟢	🟡	🟡	5-6%
	Maharashtra	🟢	🟢	🟡	🟡	
East	West Bengal	🟢	🟢	🔴	🟡	8-9%
	Odisha	🟢	🟢	🟡	🔴	
	Bihar/Jharkhand	🟡	🟢	🔴	🔴	
	Chhattisgarh	🟡	🟡	🔴	🔴	

Source: Industry, SMIFS Research

Supply concerns-not so much

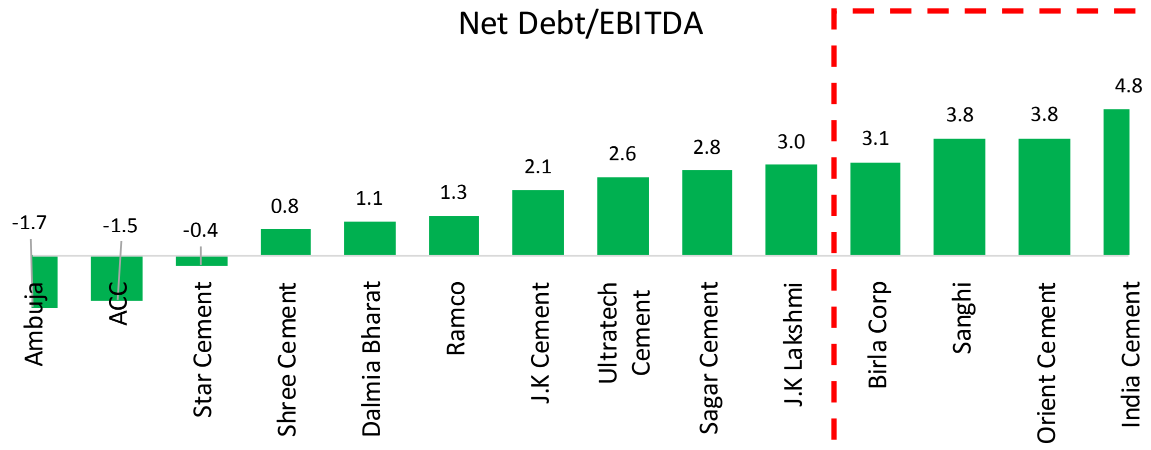
Limestone Capacities auctioned in the last 4 years				
States	**Name of the Block**	**Reserves (MT)**	**Date of Bid**	**Preferred Entity**
Andhra Pradesh	Gudipadu	26.7	14.04.2016	Penna Cements
Andhra Pradesh	Hussainapuram	9.0	17.07.2017	Shree Jayajyoti Cements Pvt Ltd
Andhra Pradesh	Venkatapuram	1.7	17.07.2017	Shree Jayajyoti Cements Pvt Ltd
Chattisgargh	Kesla	67.0	8.12.2015	Century Cements
Chattisgargh	Karhi	155.0	8.12.2015	Shree Cements
Chattisgargh	Kesla- II	215.0	21.02.2017	Dalmia Bharat
Chattisgargh	Guma block	124.0	2.01.2018	Ultratech
Odisha	Kottameta	98.7	26.10.2016	Dalmia Bharat
Rajasthan	Sindwari	174.5	11.11.2016	Dalmia Bharat
Rajasthan	3B1-(a) n/v Deh	127.0	11.11.2016	Emami
Rajasthan	3B1-(b) n/v Deh	168.8	2.07.2016	Emami
Rajasthan	3D1, n/v Harima	199.2	24.07.2017	Ambuja Cement
Rajasthan	3B2, n/v Sarasani	205.5	15.12.2017	JSW
Rajasthan	Tehsil Shri Mohangarh	209.3	25.05.2018	Shree Cements
Madhya Pradesh	Deora- Sitapuri	62.0	30.01.2018	Ultratech
Madhya Pradesh	Hinauti- 1, Satna	2.8	30.01.2018	Digiyana Industries Pvt Ltd
Madhya Pradesh	Hinauti- 2, Satna	1.7	30.01.2018	Digiyana Industries Pvt Ltd
Gujarat	Mudhvay Subblock B	301.5	28.03.2017	Shree Cements
Gujarat	Mudhvay Subblock D	125.0	28.03.2017	JSW
Maharshtra	Chandrapur	42.1	5.04.2017	Ambuja Cement
	Total	**2316**		

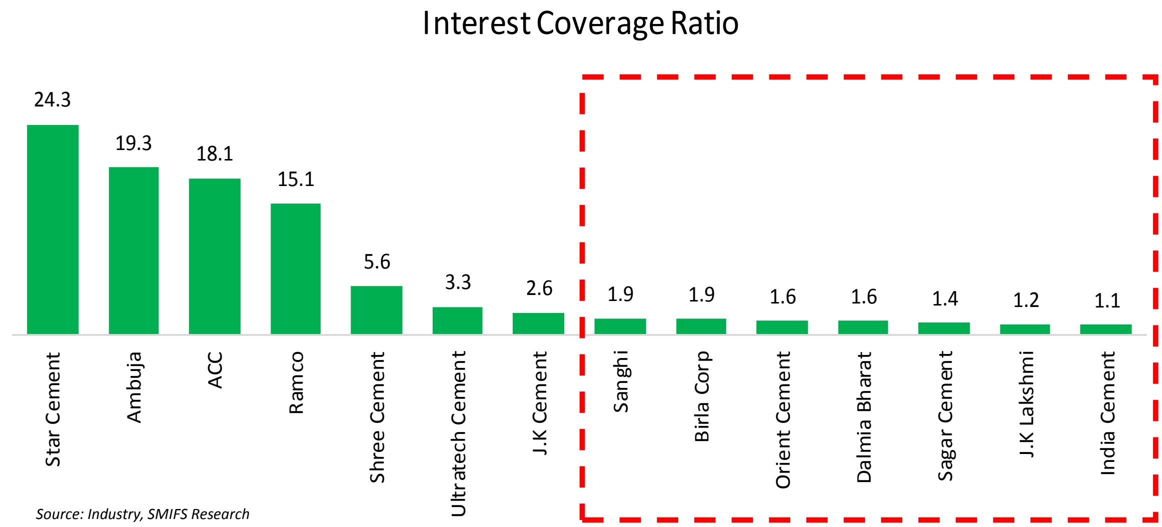
Source: Industry, SMIFS Research

Limestone reserves

- Limestone reserves to the extent of 2.3bn tonnes were auctioned in the last 4 years.
- We understand that the mining lease granted should come into production by 4-5 years i.e mines allocated in 2016 should come up by 2020-21.
- A total of 2.3bn tonnes could eventually lead to around 100MTPA clinker, assuming life of 30 years and 1.3 limestone to clinker ratio. Hence, availability of limestone is more than enough to support the clinker expansions of 30- 35MT in the next 3 years.
- However, we observed that only the big cement players have recently auctioned for limestone reserves.
- Hence, mid-size and small cement players going for clinker expansions like Birla Corp, Ramco and J.K Cements could face limestone constraints going forward.

Supply concerns-not so much





Source: Industry, SMIFS Research

Balance Sheet strength

- We have analysed the Balance Sheet of cement companies to understand their ability to incur capex to fund their expansion plans.
- We found that companies with higher than 3.0x Net Debt/ EBITDA and Interest coverage ratio of less than 2.0x could face some constraints to smoothly fund these large expansion projects.
- Some of the capacity expansions in the pipeline are: Birla Corp (expanding 1.2MT and 3.9MT in Central and West region); Orient Cement with an aggressive expansion plan to add 4MT of cement capacity in South; Sanghi Industries Ltd (4MT cement capacity in West); and India Cement with a capacity addition plan of 1.5MT in the Central region.
- We believe these above expansion projects could face high probability of slippage and eventually get delayed. **Hence, a capacity addition to the tune of 12-16MT may not be happen by FY21-22E, further improving the capacity utilisation to higher levels.**

Supply concerns-not so much

Particulars	FY17	FY18	FY19	FY21E
Installed Cement capacity	440	465	478	530
Intalled Clinker capacity	310	320	328	358
Cement production	280	297	337	401
Clinker production	212	220	244	286
Cement Utilisation (%)	64%	64%	71%	76%
Clinker Utilisation (%)	68%	69%	74%	80%
CC ratio	1.32	1.35	1.38	1.40

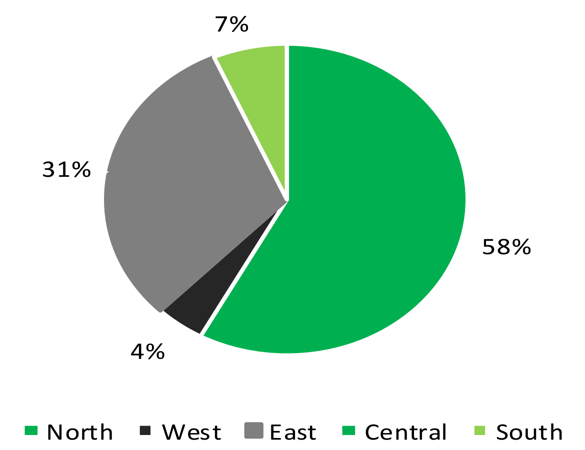
Source: Industry, SMIFS Research

Clinker restrictions

- Almost all the cement companies have announced capacity expansion to the tune of 60-65MT in the next 2-3 years. However, analyzing the financials of some of the mid cap companies, we expect there could be some slippage in capacity addition. We expect there could be atleast 48-52MT addition in cement capacity by FY21.
- Among the regions, East would witness the highest addition, an increase in capacity to the extent 20-23MT; followed by South where capacity close to 14 -16MT could be added.
- However most of the addition is coming in the grinding capacity. Clinker capacity addition is limited to the extent of 33-35MT. Hence, clinker utilisation to remain significantly higher than cement utilisation levels.
- As on FY19 current clinker capacity in India is around 328MT. By FY21 clinker capacity is expected to increase to 350-355MT.
- Assuming Cement to clinker ratio of 1.4 and clinker utilisation of 80% we can expect that max increase in cement supply would be in the range of 400- 410MT. This would mean overall cement utilisation would be around 76%. A 500bps increase over the current capacity utilisation of 71%.
- Also, we can conclude that the incremental demand (64MT) would be higher than incremental supply (52MT).

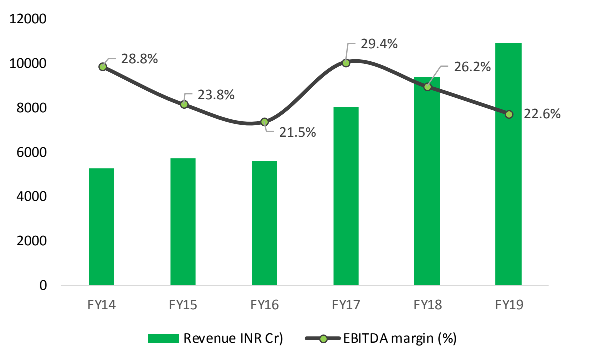
Company Overview

Cement capacity mix (%)



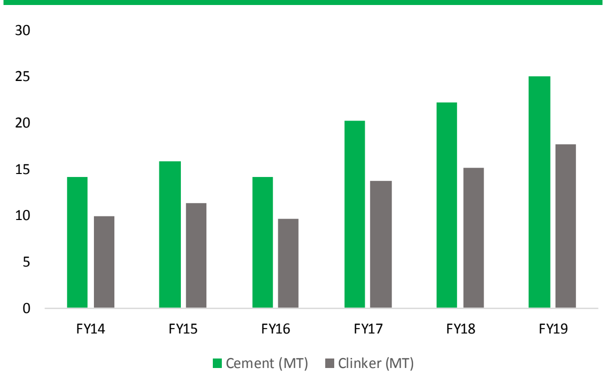
Source: Company Data, SMIFS Research

Cement Revenue & EBITDA margin (%)



Source: Company Data, SMIFS Research

Cement and Clinker Production



Source: Company Data, SMIFS Research

Promoted by Bangur family, Shree Cement is the second largest cement player in India and largest player in North India. The company started production in 1985 and has increased its total annual cement capacity to 40.4MT and clinker capacity of 23.4MT with North accounting for 65% of the capacity; while remainder comes from East and South. Cement remains its core business, accounting for 90%+ of EBITDA. SRCM has 24% market share in North and is ramping up its presence in East India. The company markets its products through three brands: Shree Ultra, Bangur Cement and RockStrong Cements.

SRCM's recent expansion plan will take its capacity to 50.4MT by FY21 – which will entail enhancing its presence in East and foray in South & West market along with overseas market. CThe ompany also has a power business with 646MW capacity which is cash cow segment for the company. 30% of total power capacity is used for captive consumption; while the surplus is sold to regional power distribution companies, power intermediaries and the IEX. Out of total 646MW power capacity—: Thermal capacity is 520MW and rest 147MW is WHRS and Renewables. All of SRCM's plants are multi-fuel capable (used petcoke or coal), which provide it with the flexibility to adjust the cost of generation based on availability and prices of fuel.

The company undertook steady expansions at economical cost, thereby taking Shree to among the Top 3 players in India with an extremely strong balance sheet. The company has managed to achieve this scale without diluting equity or putting any undue stress on its balance sheet.

Plants	Type	Region	Clinker (MT)	Cement (MT)	Thermal Power (MW)	WHRS (MW)	Wind Power (MW)
Beawar	IU	Rajasthan	3.0	3.6	344.0	21.0	-
Ras	IU	Rajasthan	12.4	7.0	136.0	75.0	-
Jobner	GU	Rajasthan	-	1.5	-	-	-
Suratgargh	GU	Rajasthan	-	1.8	-	-	-
Khuskhera	GU	Rajasthan	-	3.5	-	-	-
Sriganganagar	GU	Rajasthan	-	3.6	-	-	-
panipat	GU	Haryana	-	1.5	-	-	-
Roorkee	GU	Uttaranchal	-	1.8	-	-	-
Bulandshahr	GU	UP	-	2.0	-	-	-
North			**15.4**	**26.3**			
Aurangabad	GU	Bihar	-	5.6	-	-	-
Raipur	IU	Chattisgarh	5.2	3.0	19.0	30.0	-
Cuttak*	GU	Odisha	-	3.0	-	-	-
Saraikela	GU	Jharkhand		2.5	-	-	-
East			**5.2**	**14.1**			
Pune**	GU	Maharashtra	-	2.0	-	-	-
West			**-**	**2.0**			
Kedla	IU	Karnataka	2.8	3.0	21.0		21.0
South			**2.8**	**3.0**	**520.0**	**126.0**	**21.0**
		Total	**23.4**	**45.4**	**520.0**	**126.0**	**21.0**

**expected to get commission by Dec'19*
*** expected to be commissioned by mid FY21*

Source: Company Data, SMIFS Research

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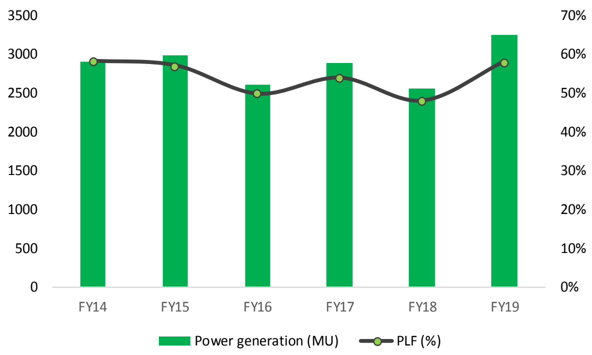
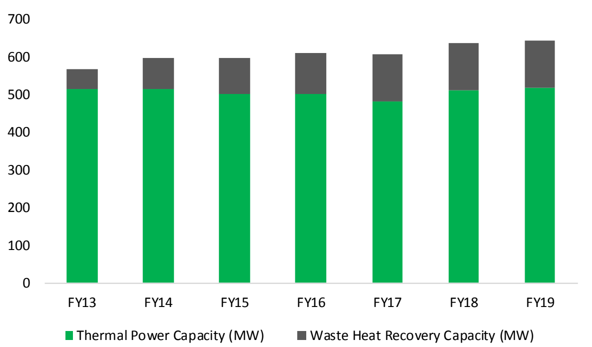
Company Overview

Power Generation



Source: Company Data, SMIFS Research

Power Capacity



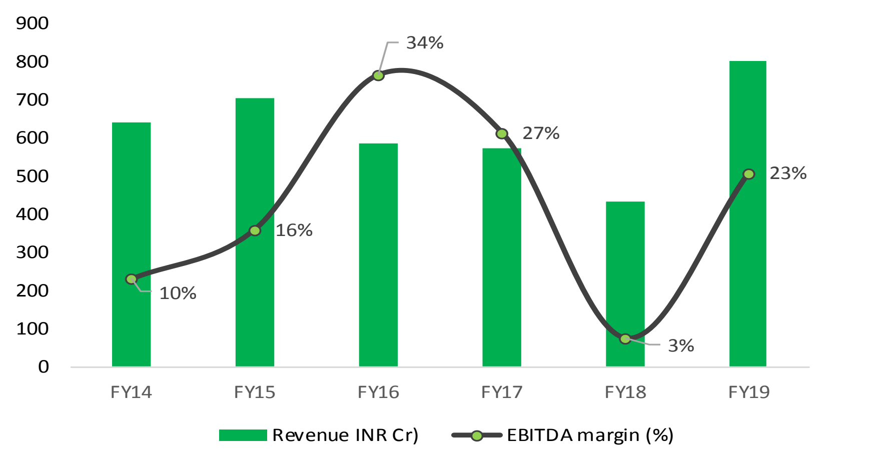
Source: Company Data, SMIFS Research

Power business – Company's captive power generation supports cost efficiencies. Shree has an installed power capacity of 646 MW including 520 MW of thermal power plant, while the remaining capacity of ~126MW is waste heat recovery based. Further, the Company commissioned 21 MW of wind power capacity at Koppal, Karnataka in phases in FY18 and FY19. This project is meant to partially meet the power requirement of upcoming Kodla integrated cement plant in Karnataka.

While company had forayed in power business for captive consumption, around 70% of the capacity is available for sale in the market (primarily in North). The power is generally sold in open market mainly to Regional Power Distribution Companies or in Indian Energy Exchange.

We expect the power segment to account for under 10% of the company's EBITDA over the next two years, as per our estimates. Merchant realizations have been under pressure and the trend is likely to continue given surplus power supply. The average all-India exchange traded prices have remained in the R3.15-4.0/kWh range in the last 2 years. We however note that all of the company's plants are multi-fuel capable (use pet-coke or coal), which provide it with the flexibility to adjust the cost of generation based on availability and prices of fuel.

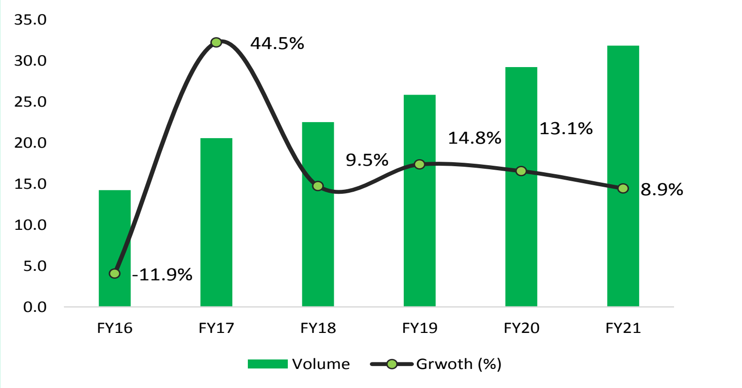
Power segment Revenue & EBITDA margin (%)



Source: Company Data, SMIFS Research

Key Performance Indicators

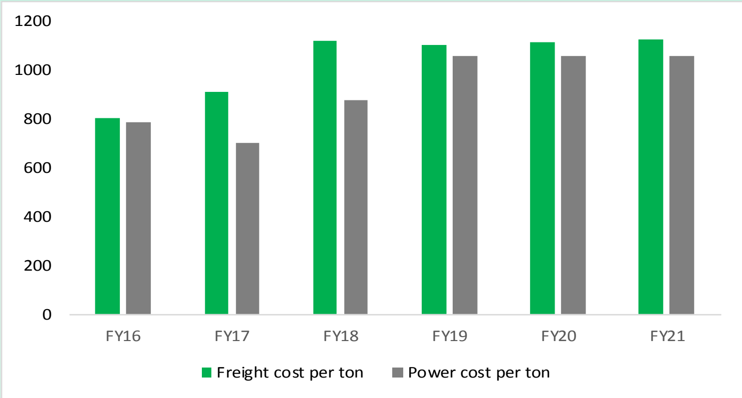
Better volume growth than Industry

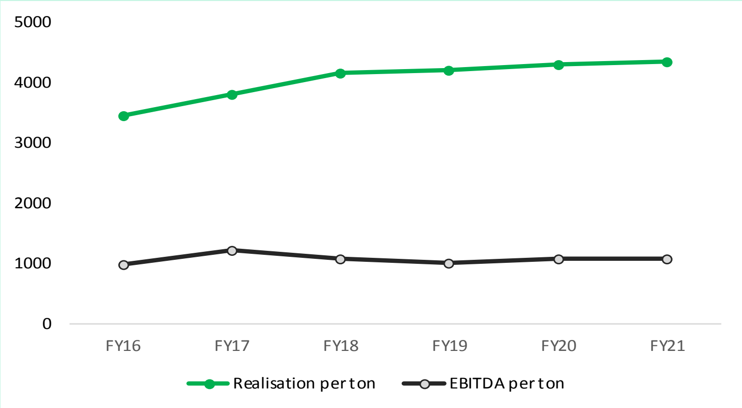


Source: Company Data, SMIFS Research

We expect a volume growth of CAGR of 11.0% over the next 2 years mostly on the back of new capacities coming up in East and further ramping up Karnataka plant.

Cost and Profitability





Source: Company Data, SMIFS Research

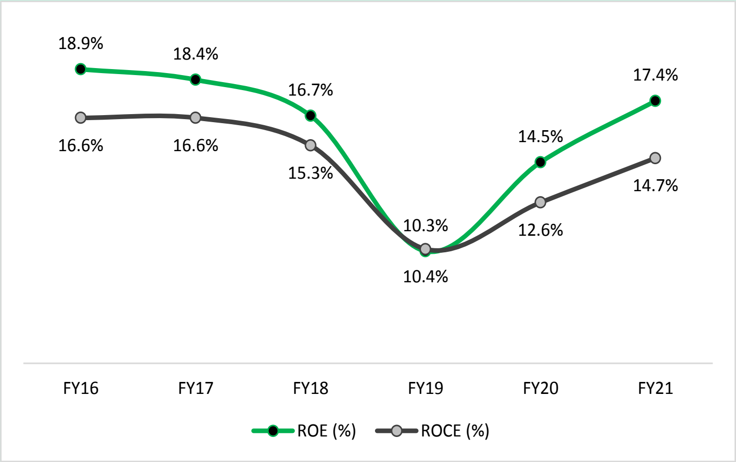
Price of petcoke has started moderating from Q3FY19 and currently hovering at around USD94 per ton. Most cement companies keep a 3 months inventory of petcoke and hence, price impact didn't reflect to the full extent in FY19 and actually got reflected in Q1FY20. According to the industry the petcoke prices are expected to further decline and further benefit to be accrued in Q2FY20 and onwards.

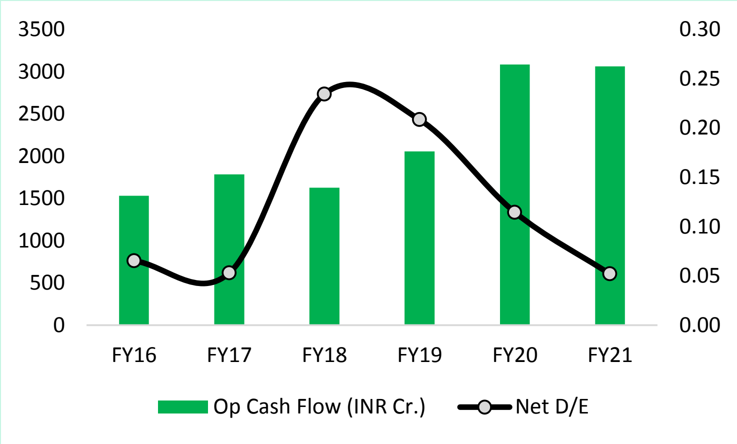
Diesel cost has moderated to INR68 per litre from INR75 per litre in 2018. Also new axle load norms to reduce freight cost by atleast 3-4%.

Overall on the cost front, we expect the operating cost to remain more or less stable in FY20E and FY21E.

In the long run we expect Govt spending to resume from H2FY20 and cement demand in the industry to stay fairly robust and incremental demand to be moderately higher than incremental supply.

Strong Balance Sheet





Source: Company Data, SMIFS Research

The company has generated strong operating cash flows over the years and comfortably funded past expansions majorly from the internal accruals. The Net Debt/ Equity ratios stands at mere 0.21x and Interest coverage is 5.62x. As on FY19 the company has cash balance of INR300cr which provides strength to the Balance Sheet.

Outlook & Valuation

Petcoke, a major key input, whose price has come down from peak levels of USD120-130 per ton to now USD94 per ton and expected to further decline in near term

Reflecting a slowdown in overall construction activity and the subsequent fall in demand, cement companies saw sales volumes contract during the first quarter of FY20. This was primarily due to general elections leding to a halt in government led construction activities and labor shortage. Our channel checks suggest that YoY demand scenario for Q2FY20 is also quite benign due to lack of Govt led spending. However, considering the Govt stance on Infra and projects in the pipeline we expect the Govt spending to resume from Q3FY20 onwards and with a good monsoon rural economy to also pick up and normalize after the festive season of Oct-2019.

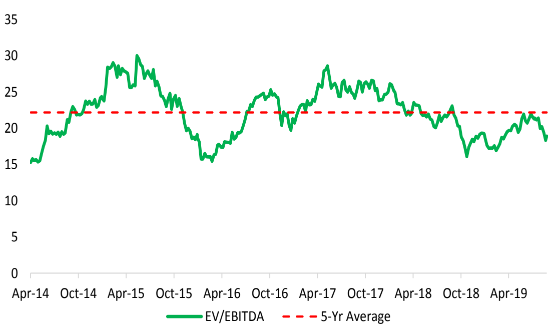
Also price hikes taken in Q1FY20 resulted in sharp improvement in realisations and with benign input cost operating performance for most cement companies witnessed a massive uptick. However, such high realisation is unlikely to sustain as the demand scenario is expected to remain soft with low input prices in FY20. However, cement prices in the Northern region is witnessing a strong hold to previous hikes. This is highly beneficial for Shree Cement which has the highest market share in that region.

We expect cement demand to grow moderately at a rate of 5-6% p.a. in FY20 and pickup to 7-8% in FY21 which could improve the average industry utilisation rate to around 76%. Overall we believe the demand growth rate to moderately outpace the supply growth rate in the next 2 years.

Petcoke price has come down from peak levels of USD120-130 per ton to now USD94 per ton and now is expected to decline further in coming quarters. This would further contribute to margin improvement.

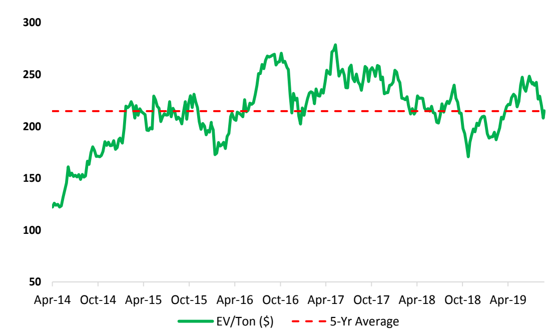
We have valued the Standalone business of the company assigning equal weightage to 19x FY21E EV/EBITDA multiple and USD220x FY21E EV/Ton ($). We also assigned 7.0x FY21E EV/EBITDA to Union Cement company to arrive at **Target Price of INR20995** per share for the consolidated business.

1 year fwd EV/EBITDA band



Source: Company Data, SMIFS Research

1 year fwd EV/Ton band



Source: Company Data, SMIFS Research

Shree Cement (Standalone)								
Method	Multiple	FY21E EBITDA/Ton	EV	Net Debt	Equity	Per Share	Weight	Wtd Equity Value Per share
EV/EBITDA	19.0	3907.0	74232	1820	72412	20786	50%	10393
EV/Ton	220.0	46.4	72477	1820	70657	20282	50%	10141
					Total			**20534**
UAE Operations								
Method	Multiple	FY21E EBITDA	EV	Net Debt	Equity	Per Share	Weight	Wtd Equity Value Per share
EV/EBITDA	7.0	166.3	1164	-441	1605	461	100%	**461**
			Total Consolidated					**20995**

Peer Analysis

Summary of FY19 operating performance							
Entity	**Volume (MT)**	*growth % (YoY)*	**Realisation per ton (INR)**	*growth % (YoY)*	**EBITDA per ton (INR)**	*growth % (YoY)*	**Capacity Utlisation (%)**
Shree Cement	**25.1**	**13%**	**4682.5**	**7%**	**1113.0**	**0%**	**66%**
ACC*	28.4	8%	5217.3	6%	721.9	-1%	85%
Ambuja*	24.3	6%	4681.3	-4%	779.7	-8%	82%
Ultra Tech	72.7	20%	5141.6	-2%	933.7	-8%	71%
Dalmia Bharat	18.7	10%	4795.5	-3%	1039.6	-13%	75%
India Cement	12.4	11%	4638.6	-5%	503.0	-21%	80%
J.K Cement	9.9	5%	4993.4	0%	847.1	1%	87%
J.K lakshmi	8.7	15%	4949.5	-3%	520.2	-9%	67%
Ramco	11.1	19%	4664.6	-6%	939.3	-21%	62%
Birla Corp	13.6	10%	4560.5	0%	696.0	7%	87%

Company	CMP	Mcap (INR Cr)	EPS			EV/EBITDA(x)			EV/ton($)			ROE(%)		
			FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Ultra tech cement	4122	113231	88.65	139.10	171.50	19..8	13.6	12.1	196.7	181.5	154.0	8.9%	12.2%	12.8%
ACC*	1529	28714	80.97	77.20	84.35	10.6	9.5	9.3	109.8	124.5	112.4	12.6%	12.3%	12.5%
Ambuja*	204	40437	7.49	8.47	8.86	14.9	13.7	13.1	141.8	125.0	109.2	7.8%	8.2%	8.0%
Dalmia Bharat	933	18017	15.79	56.03	71.92	8.1	7.2	5.6	140.4	122.5	96.3	5.4%	6.6%	12.3%
Shree Cement#	**19110**	**66574**	**272.87**	**490.87**	**614.16**	**26.0**	**19.6**	**17.4**	**253.0**	**220.9**	**206.6**	**10.8%**	**15.0%**	**18.9%**
Ramco#	**750**	**17668**	**21.48**	**31.93**	**37.69**	**17.4**	**12.4**	**11.0**	**152.0**	**134.8**	**120.8**	**10.5%**	**16.5%**	**16.4%**
Birla Corp	534	4112	33.20	45.84	50.35	7.5	6.0	5.6	68.8	59.8	43.0	5.8%	7.7%	8.1%
India Cement	74	2293	0.62	6.72	8.57	10.2	6.8	6.1	54.5	72.1	61.6	0.5%	4.4%	5.8%
J.K Lakshmi	325	3824	20.70	32.02	34.80	12.1	7.7	6.8	71.1	60.2	47.1	2.8%	3.2%	5.4%
J.K Cement	1062	8210	31.12	52.38	57.65	10.0	9.3	8.2	120.8	115.9	72.6	11.3%	14.7%	14.3%
Heidelberg Cement	197	4465	9.74	12.59	14.51	8.3	8.0	7.2	118.0	111.1	114.3	19.9%	22.0%	21.4%
Star Cement	98	4108	7.13	7.59	9.22	10.0	8.2	7.2	241.0	179.9	133.7	17.0%	17.1%	17.3%
Orient Cement	84	1721	2.32	6.32	7.68	8.9	6.5	5.9	60.1	48.1	28.3	4.6%	12.8%	16.5%
Sagar Cement	569	1248	6.66	32.35	38.86	11.9	6.8	5.5	50.8	43.1	25.1	1.7%	7.3%	9.2%
Sanghi	48.15	1194	2.09	3.48	3.80	12.2	7.8	5.6	71.7	73.9	68.8	3.2%	4.9%	5.1%

** CY ending*

 # SMIFS Coverage

Key Risks

- **Low demand and supply overhang (High):** The Indian cement Industry is expected to witness capacity addition of around 60-65MT over the next two years. The current utilisation levels in the Industry is around 72% and any dip in demand would cause under utilisation in the industry and put pressure on the cement prices and eventually margins to shrink.

- **Availability of Limestone (Moderate):** The key raw material for cement is limestone and its availability is essential for upcoming cement capacities as well as production from existing plants. Limited reserves at existing mines and acquisition of new limestone mines being uncertain due to regulatory and competition issues could threat the expansion of volumes. However, Shree Cement has adequate limestone reserves and continuously making efforts to conserve limestone by optimizing its usage.

- **Freight Cost (High):** The company is exposed to open market volatility in Diesel prices. Since Freight cost accounts for 31% of total operating cost, any adverse movement in diesel prices can increase the freight rates in the market.

- **Power Cost (High):** The Company sources fuel from open market and hence, is exposed to volatility of market prices of the fuel. We have seen the margins of all cement companies to impacted with rise in petcoke and coal prices. Power cost takes up 30% of total operating cost and hence, any adverse movement in petcoke and coal prices could negatively impact the profitability of the company.

- **Power Price (Moderate):** Company sells its surplus power under short term contracts. This exposes it to price volatility in this segment. Any adverse movement in he market prices can dampen the margins of power segment.

Financial Details

Performance Analysis (Standalone)					
Particulars	**FY18**	**FY19**	**FY20E**	**FY21E**	**FY22E**
Blended Realisation per ton	**4364**	**4533**	**4788**	**4820**	**4829**
Material Cost per ton	342	334	337	332	332
Employee Cost per ton	261	262	278	277	275
Power Cost per ton	879	1061	955	955	955
Freight Cost per ton	1120	1107	1114	1125	1136
Other Expense per ton	689	756	799	795	797
EBITDA/ton	**1072**	**1011**	**1304**	**1335**	**1333**

Income Statement (Standalone)					
Particulars (INR Cr.)	**FY18**	**FY19**	**FY20E**	**FY21E**	**FY22E**
Net Revenues	**9833**	**11722**	**12770**	**14101**	**15385**
Expenses	7417	9108	9291	10194	11136
EBITDA	**2416**	**2614**	**3479**	**3907**	**4248**
Depreciation & Amortisation	899	1391	1491	1551	1367
Other Income	389	245	374	423	532
EBIT	**1962**	**1506**	**2393**	**2810**	**3449**
Interest Cost	135	247	183	166	126
PBT	**1827**	**1081**	**2210**	**2644**	**3323**
Tax expense	443	131	500	504	655
PAT	**1384**	**951**	**1710**	**2140**	**2667**

Balance Sheet (Standalone)					
Particulars (INR Cr.)	**FY18**	**FY19**	**FY20E**	**FY21E**	**FY22E**
Share Capital	**35**	**35**	**35**	**35**	**35**
Reserves & Surplus	8862	9562	11078	12945	15298
Networth	**8896**	**9597**	**11112**	**12979**	**15332**
Long term Borrowings	**2208**	**2309**	**1844**	**1362**	**929**
Other Non-Current Liabilities	**1070**	**1300**	**1273**	**973**	**947**
Short term Borrowings	**1186**	**468**	**417**	**275**	**313**
Other Current Liabilities	**1781**	**1519**	**1654**	**1548**	**1592**
Total Equity & Liabilities	**15141**	**15193**	**16300**	**17138**	**19114**
Net Tangibile Asset	**3577**	**4465**	**4870**	**4849**	**4456**
Other Non Current Assets	**5864**	**6737**	**7219**	**7657**	**9595**
Inventories	1569	1589	1469	1494	1686
Trade Receivables	**459**	**732**	**780**	**823**	**940**
Cash and Cash Equivalents	121	307	570	690	688
Other Current assets	**3551**	**1362**	**1391**	**1626**	**1749**
Total Assets	**15141**	**15193**	**16300**	**17138**	**19114**

Source: Company Data, SMIFS Research

Financial Details

Cash Flow Statement (Standalone)					
Particulars (INR Cr.)	**FY18**	**FY19**	**FY20E**	**FY21E**	**FY22E**
PBT	**1827**	**1259**	**2210**	**2644**	**3323**
Depreciation & Amortisation	899	1391	1491	1551	1367
Interest expense	135	247	183	166	126
(Increase)/Decrease in CA	(776)	(333)	127	(207)	(234)
Increase/(Decrease) in CL	341	(256)	(100)	(172)	69
Taxes Paid	507	230	523	555	721
Cash Flow from Operating Activities	**1628**	**2060**	**3088**	**3065**	**3450**
Capital Expenditure	(3840)	(2072)	(1899)	(1534)	(980)
Dividend Received	83	85	84	102	134
Cash Flow Investing Activities	**(3408)**	**(812)**	**(2140)**	**(2246)**	**(2436)**
Increase/(Decrease) in Borrowings	2110	113	(226)	(411)	(434)
Cash Flow from Financing Activities	**1791**	**(1265)**	**(690)**	**(992)**	**(837)**
Net Cash Flow	**11**	**(17)**	**258**	**(173)**	**178**
Bank OD	**18**	**17**	**18**	**19**	**18**
Other Bank Balance	**68**	**273**	**273**	**273**	**273**
Closing Balance	**34**	**17**	**279**	**398**	**397**

Key Ratios					
Margins					
Particulars	**FY18**	**FY19**	**FY20E**	**FY21E**	**FY22E**
EBITDA Margin	24.6%	22.3%	27.2%	27.7%	27.6%
PAT Margin	14.1%	8.1%	13.4%	15.2%	17.3%
Per Share Data					
BVPS	2553.69	2754.79	3189.80	3725.73	4401.14
EPS	397.25	272.87	490.87	614.16	765.68
DPS	44	55	55	65	75
No. of Shares	34.8	34.8	34.8	34.8	34.8
Financial Ratios					
RoE	17%	10%	17%	18%	19%
RoCE	15%	10%	14%	15%	17%
Debt/Equity(x)	0.25	0.24	0.17	0.10	0.06
Interest Coverage (x)	14.5	6.1	13.1	16.9	27.3
Valuation Ratios(x)					
P/E	48.1	70.0	38.9	31.1	25.0
P/BV	7.5	6.9	6.0	5.1	4.3
EV/EBITDA	28.2	26.0	19.6	17.4	16.0
EV/Ton ($)	274.7	253.0	220.9	206.6	206.6

Source: Company Data, SMIFS Research

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