

March 6, 2019

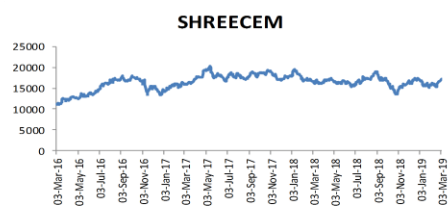
Company	Sector	CMP	Recommendation	Target	Potential Upside
Shree Cement Ltd.	Cement	17308	BUY	19179	11%

Key Stock Data

BSE Script Code	SHREECEM
NSE Script Code	SHREECEM
No. of shares	3.48
FV (Rs.)	10
MCAP (Rs.)	60,032
MCAP (\$)	857 Crs
52 Week High	Rs. 19260
52 week Low	Rs. 13,125
Time Frame	6 months

Shareholding Pattern

Promoters	64.79%
DII's	5.75%
FII's	13.13%
Others	16.33%

3 years Price Chart

Source: All above data from BSE Website and Capital Line

Shree Cement is one of the leading cement manufacturers in India with a total capacity of 37.8mt. Over the years, the company has diversified its presence from being a north-based company to East and is also venturing into south. The company has 646MW of power generation capacity.

Investments Rationale**1. Strong 3QFY19 Numbers**

SHREECEMENT continuous to report stellar set of quarterly numbers whereby sales grew by 21% Y-o-Y and 7% Q-o-Q to Rs. 2,781 Crs in 3QFY19 as against Rs. 2303 Crs in 3QFY18 on a Bottom-line jump of whopping 516% on a sequential basis to Rs. 302 Crs in 3QFY19 as against Rs. 49 Crs in 2QFY19.

2. Double digit volume growth

Cement volume rose by 11.3% to 5.93mt which includes 0.29mt of clinker sales in 3QFY19. The Northern region continues to have a dominant share of the volume. Capacity addition in FY18 including clinker unit in Chhattisgarh and grinding capacity in Rajasthan & Bihar also aided volume growth.

Outlook & Valuations

The Indian cement industry has been facing turbulent times given the acute housing segment stress post RERA and GST but with revision of GST in the housing segment, we feel the demand will be back in th cement sector supported by hike in the cement prices. SHREECEMENT is trading at premium valuations of 37.73x FY20E PE and we would like to allot PE multiple of 42x to arrive at a target price of Rs. 19179.

Key Financial

Particulars	FY16 A	FY17 A	FY18 A	Amt in Crs	
				FY19 E	FY20 E
Total Revenue	6190	661	9608	11530	3259
EBITDA	2079	2875	2204	3161	3713
PAT	1143	1339	1384	1252	1591
EPS	397.33	384.38	397.32	359.35	456.66
PE	43.56	45.03	43.56	48.16	37.9

Source : BSE Website and company research

Analyst Stock Rating	
Ratings	Expected absolute returns over 6 months
BUY	>10%
HOLD	5-10%
SELL	<5%

Note: Our target price is within 6 months perspective. Returns stated in the rating scale are our internal benchmark.

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