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## **Shree Cement Ltd— BUY—1198—INR**

Sector — Cement  
Regd.Off.— Bangur Nagar District Ajmer Beawar Rajasthan-305 901  
Listed — NSE, BSE.

### **Company Overview—**

Incorporated in 1979, Calcutta based Shree Cements Limited (SCL) was promoted by the B.G.Bangur group. The company's plant is located in Beawar, Rajasthan. Shree Cement continues to earn a major part on revenues through cement sales, while leasing & hire purchase account for a small amount. The company is considered one of the more power efficient units in the country with a power consumption of around 79 units per ton. The company has also pioneered the use of high-sulphur coal in the cement industry, which has reduced costs. All Shree Cement plants bear the stamp of ISO 9002 certification. Shree Cement is ISO 9001, ISO 14001, SA 8000, and OHAS 18001 certified. It has deployed key modules of the Oracle E-Business Suite including procurement, financials, order management, process manufacturing, logistics, sourcing, enterprise asset management, payroll, and human resources to improve efficiency. The company has its business centers in Delhi, Haryana, Punjab, Rajasthan and Uttar Pradesh. Recent awards include the Energy Conservation Award 2005 and the Greentech Environment Award for the year 2004-2005. The registered office of the company is located at Bangur Nagar, Ajmer district, Beawar, Rajasthan-305901.

### **Products & Services—**

The company produces portland cement in the grades 53, 43, 33, and red oxide under the brand name Shree Ultra. It has four cement manufacturing units in Rajasthan with a total capacity of 7.5 MTPA. It has undertaken a Rs 20,000 million project involving a new manufacturing plant with a capacity of 6 MTPA and a 50 MW captive thermal power plant in Katni, Madhya Pradesh. The company has planned capacity expansion to 9 MTPA by 2008-2009 and 20 MTPA by 2012. It has commissioned its 2.0 MTPA cement grinding unit at Khushkhera, Gurgaon and its 1.0 MTPA clinkerization unit (Unit-V) at Bangur City, Rajasthan in September 2007, and a 18-MW captive thermal power plant in March 2007.

Company manufactures various types of cement and main products are Ordinary Portland Cement (OPC) and Pozzolona Portland Cement (PPC). Shree Cement has been operating at higher capacity utilization of over 95%. The demand for cement in India is growing at a higher rate of nine per cent compared to China (5 per cent), Japan (-14 per cent), and USA (1 per cent).

### **Recent development—**

Shree Cement (SCL) plans to invest Rs 5.50 billion in the current fiscal. Of the total, the Kolkata-based firm will invest Rs 2.5 billion for building a waste heat recovery-based power plant of 10- mw capacity in (Rajasthan). Further it will invest the remaining Rs 3 billion for increasing its clinker capacity by one-million ton per annum (MTPA) in Rajasthan, along with associated split grinding capacity.

Credit rating agency, CARE has assigned a rating of AA to the NCD issue of Shree Cement (SCL) for Rs 2 billion (enhanced from Rs 1 billion) to be placed on private placement basis. The proposed NCDs shall be redeemed by way of bullet payment at the end of seven years from the date of allotment. CARE also retained the PR1+ rating assigned to the STD (short term debt) program upto Rs 3 billion (enhanced from Rs 2.5 billion) of SCL for a maturity period upto 90 days, with daily put and call option. Instruments with AA rating are considered to offer adequate safety for timely servicing of debt obligations. Such instruments carry low credit risk. Instruments with PR1+ rating would have strong capacity for timely payment of short-term debt obligations and carry lowest credit risk. PR1+ is CARE's highest rating for short term instruments.

Shree Cement announced that it has, on Mar. 24, 2009, commissioned its clinker manufacturing unit (Unit VII) of 1 million tons per annum capacity at Bangur City, Ras in Pali Dist of Rajasthan. The company has set a world record by commissioning this unit in a period of 367 days (12 months) against the industry standard of 630 days (21 months).

## Financials—

### Annual Financial results for 2008-09

Description	Amount(Rs. in lakhs)
Net Sales/Income from Operations	271502.02
Other Operating Income	2555.18
Increase/Decrease in Stock in trade and work in progress	962.74
Consumption of Raw Materials	85194.42
Purchase of traded goods	652.47
Employees Cost	10387.43
Depreciation	20538.70
Other Expenditure	79228.60
Total Expenditure	196964.36
Profit before Other Income, Interest & Exceptional Items	77092.84
Other Income	5734.43
Profit before Interest & Exceptional Items	82827.27
Interest	7443.18
Profit after Interest but before Exceptional Items	75384.09
Exceptional items	3093.05
Profit(+)/Loss(-) from Ordinary Activities before tax	72291.04
Tax Expense	14494.10
Net Profit(+)/Loss(-) from Ordinary Activities after tax	57796.94
Net Profit (+) / Loss (-) for the period	57796.94
Dividend (%)	50
Face Value (in Rs.)	10.00
Paid-up Equity Share Capital	3483.72
Reserves excluding Revaluation Reserves	117517.97

Basic EPS after Extraordinary items (in Rs.)	165.91
Diluted EPS after Extraordinary items (in Rs.)	165.91

### **Valuation—**

At current market price, stock is trading at attractive valuation of 6,52 P/E multiple of its FY2010 estimated earnings. We recommend investors to buy “Shree Cement Limited” with medium to long term investment horizon.

**We invite Readers to send Valuable feedback, stock and subscription queries at E-mail [investment\\_guru1@yahoo.com](mailto:investment_guru1@yahoo.com)**

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