

How Shree Cement Made Its Way Into Nifty 50 Replacing Yes Bank

Nickey Mirchandani

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Shree Cement Ltd. will become the second pure-play cement maker in the Nifty 50 Index after it replaces private lender Yes Bank Ltd. on March 27.

The company, controlled by the Bangur family, has gained more than 60% in the last year, making it the nation's second largest cement maker with a market cap of nearly Rs 88,360 crore. Its peers have either lost or gained in the range of 2-30 percent during the period. ACC Ltd was removed from Nifty 50 in 2017.

Shree Cement's performance was mainly aided by higher revenue growth than peers, lower cost of operation and better capex management. Edelweiss research expects an inflow of nearly \$95.6 million into Shree Cement following the rebalancing of index funds. The stock, the brokerage said, is estimated to have a weight of 64 basis points in the Nifty 50 index.

Here's a look at what has helped Shree Cement perform better than peers.

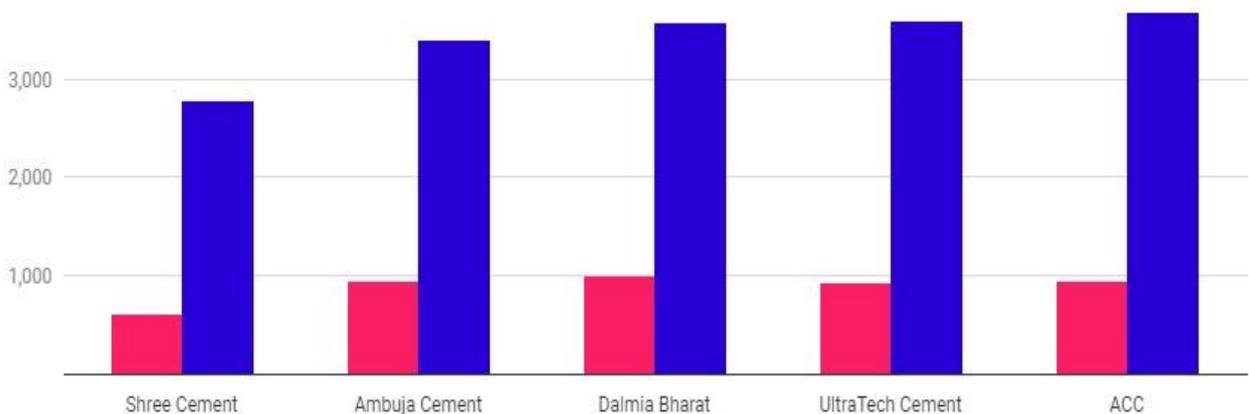
Low Cost Of Operation

Shree Cement has the lowest power and fuel expenses than peers as it generates energy using waste heat recovery mechanism – where the waste from the plant is recycled to generate power.

Cost Count

Average cost in last 10 years (Rs/tonne)

■ Power & Fuel Expenses ■ Total Expenses



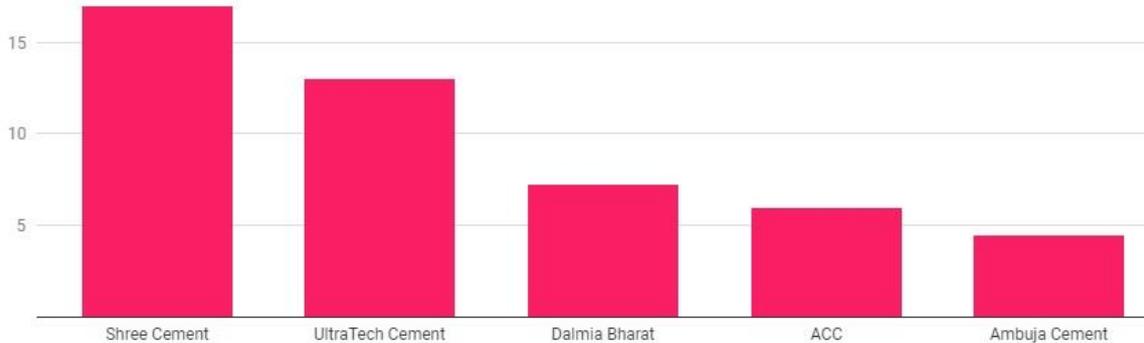
Source: Anand Rathi

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Also, Shree Cement's five year compounded annual growth rate for revenue is higher than counter parts.

Growth Graph

Five-year CAGR of revenue for large-cap cement makers (%)



Source: Data Compiled By BloombergQuint



Gaining Market Share

Shree Cement's capacity increased at an annualised rate of 18.7 percent over the last 14 years to 40.4 million tonnes per annum in the ongoing financial year. The company, market leader by capacity in the northern region, has expanded into east (Bihar and Chattisgarh) and in south (Karnataka) in over the last one year.

Who Owns The Market

Who Owns The Market

Companies	Market Share (%)
UltraTech Cement	19
Holcim (ACC+Ambuja)	13
Shree Cement	8
Dalmia Bharat	5



Companies	Cement Capacity In North (MTPA)
Shree Cement	24.3
UltraTech Cement	20-25
Holicim (ACC+Ambuja)	15-19
JK Cement	7-9
JK Lakshmi Cement	6-8



Better Capex Management

Capex Management

Companies	Capacity Addition (MTPA)	Capex (Rs Crore)	Five-Year Average Capex (Rs/Tonne)
Shree Cement	24.4	9,664	3,961
Industry Average	110.5	62,812	5,683

Source: Shree Cement's investor presentation

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Analysts View

Only 13 out of 42 analysts covering Shree Cement's stock have a 'buy' rating. While 14 analysts recommend a 'sell', 15 suggest a 'hold'. A consensus of analysts estimate the stock to drop about 14 percent in the next 12 months, according to Bloomberg data. That, according to HDFC securities, is mainly on the back of expensive valuations and peaking-out of margin.

Valuations Of Cement Makers

Stock	FY20 EV/Ebitda* (Times)
Shree Cement	22.0
UltraTech Cement	14.4
Ambuja Cement	11.6
ACC	9.3
Dalmia Bharat	11.4

*Estimated

Source: HDFC Securities, Bloomberg

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Read more at: <https://www.bloombergquint.com/markets/how-shree-cement-made-its-way-into-the-nifty-50>

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