

May 2, 2017

Ambuja Cement (AMBCE)

₹ 242

Higher realisation offsets cost headwinds...

- Ambuja's results were above our expectation mainly due to higher-than-expected topline. The beat on the topline front was led by 2.7% YoY increase in volumes to 6.0 MT, which came in as a positive surprise against 12% YoY decline in pan-India production volumes in Q1CY17 as per core industry data
- Revenues increased 5.3% YoY (up 15.3% QoQ) to ₹ 2,533.4 crore (above I-direct estimate of ₹ 2,202.0 crore) led by 2.7% YoY increase in volumes to 6.0 MT (above I-direct estimate of 5.2 MT) and 2.5% YoY increase in realisation to ₹ 4,208 (vs. I-direct estimate of 4,271)
- EBITDA margin fell 328 bps YoY to 14.4% (vs. I-direct estimate of 13.5%) due to a rise in power & fuel and freight cost. EBITDA/tonne declined 16.5% YoY to ₹ 606/tonne (better than I-direct estimate of ₹ 576/tonne mainly led by operating leverage benefit)

Improving demand, pricing in company's key markets to drive growth

The government's focus on infrastructure development (as seen in the current Budget) and its new thrust on affordable housing projects are expected to drive cement demand in coming years. Further, healthy monsoons are expected to drive demand for rural housing thereby further boosting cement demand. Consequently, cement demand is expected to reach 311 MT by FY19E (i.e. at CAGR of 7.5%) vs. (CAGR of 4.7% in the last five years). In addition, we expect improvement in pricing to continue especially in north led by pick-up in demand. Consequently, we expect revenues to increase at a CAGR of 11.7% in CY16-18E.

ACC-Ambuja restructuring to result in synergy benefits of ~₹ 900 crore

With FIPB approval, LafargeHolcim's stake in Ambuja increased from 50.5% to 61.1% (leading to equity dilution of 43.6 crore). Further, LafargeHolcim received ₹ 3,500 crore from Ambuja. In turn, Ambuja now owns LafargeHolcim's 50.05% stake in ACC. Although the cash outflow of ₹ 3500 crore from the books of Ambuja would lower the pace of major capex in the medium term, the synergy benefit in terms of cost saving (~₹ 900 crore) and dividend from ACC would start generating healthy cash flow from CY17E.

Improving margins, efficient WC management to result in higher OCF

We expect the company to generate cash flow of ~₹ 4,200 crore over CY16-18E led by efficient working capital management and improving margins. Hence, despite meeting ₹ 3,000 crore capex requirement the company will be able to maintain debt free status in future.

Cement cycle upturn, cost rationalisation to improve financials

The company's exposure to high growth regions like north and east is expected to result in higher utilisation in coming years. Further, increased focus of the government on infrastructure development is expected to drive cement demand in coming years. Consequently, we expect revenues to increase at a CAGR of 11.7% in CY16-18E. Further, cost control initiatives like higher share alternative fuels, better sales mix and synergy benefits will help the company in margin expansion, going forward. Hence, we continue to maintain our **BUY** rating with a target price of ₹ 280 share (i.e. valuing Ambuja's business at 16.0x CY18E EV/EBITDA and valuing stake in ACC at a discount of 10% on fair value that works out to implied valuation of \$185 EV/tonne on combined adjusted capacity).

Rating matrix	
Rating	: Buy
Target	: ₹ 280
Target Period	: 12-15 months
Potential Upside	: 16%

What's Changed?	
Target	Unchanged
EPS CY17E	Chaged from ₹ 6.5 to ₹ 6.4
EPS CY18E	Chaged from ₹ 6.8 to ₹ 6.9
Rating	Unchanged

Quarterly Performance					
	Q1CY17	Q1CY16	YoY (%)	Q4CY16	QoQ (%)
Revenue	2,533.4	2,406.0	5.3	2,196.7	15.3
EBITDA	365.1	425.5	-14.2	294.7	23.9
EBITDA (%)	14.4	17.7	-328 bps	13.4	99 bps
PAT	246.5	53.5	360.7	175.9	40.2

Key Financials				
₹ Crore	CY15	CY16	CY17E	CY18E
Net Sales	9368.3	9148.1	10236.9	11413.3
EBITDA	1438.4	1577.3	2015.7	2282.2
PAT	807.6	971.5	1277.7	1369.4
Adjusted EPS (₹)	5.2	4.9	6.4	6.9

Valuation summary				
	CY15	CY16	CY17E	CY18E
PE (x)	46.4	49.5	37.6	35.1
Target PE (x)	53.7	57.2	43.5	40.6
EV to EBITDA (x)	30.0	28.9	22.8	20.1
EV/Tonne(US\$)	166	171	167	167
Price to book (x)	3.6	2.5	2.4	2.4
RoNW (%)	7.8	5.1	6.5	6.8
RoCE (%)	7.9	3.8	7.1	7.9

Stock data	
Particular	Amount
Market cap	₹ 48053 crore
Debt (CY16)	₹ 32 crore
Cash & Invest (CY16)	₹ 2479 crore
EV	₹ 45605 crore
52 week H/L	₹ 282 / 191
Equity capital	₹ 309.9 crore
Face value	₹ 2

Price performance (%)				
	1M	3M	6M	12M
ACC	14.8	13.7	7.2	13.1
Ambuja Cement	7.7	5.6	1.9	11.8
Shree Cement	15.3	21.3	15.5	50.8
UltraTech Cement	6.6	15.3	6.7	34.1

Research Analyst	
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Variance analysis

	Q1CY17	Q1CY17E	Q1CY16	YoY (%)	Q4CY16	QoQ (%)	Comments
Net Sales	2,533.4	2,202.0	2,406.0	5.3	2,196.7	15.3	Improving demand and higher realisation in company's key markets drove revenues during the quarter
Other Incomes	131.0	170.0	151.3	-13.5	75.5	73.6	
Raw Material Expenses	204.3	195.9	220.7	-7.4	177.6	15.1	
Employee Expenses	167.7	152.1	147.3	13.9	148.6	12.9	
Change in stock	31.1	0.0	-66.8	-146.6	80.4	N.A	
Power and fuel	538.8	448.5	511.8	5.3	415.3	29.7	The rise in power & fuel cost was mainly due to higher pet coke prices
Freight	741.2	592.9	696.7	6.4	578.0	28.2	Increase in diesel prices led to higher freight cost
Others	485.3	515.5	470.7	3.1	502.1	-3.3	
EBITDA	365.1	297.1	425.5	-14.2	294.7	23.9	
EBITDA Margin (%)	14.4	13.5	17.7	-328 bps	13.4	99 bps	EBITDA margin decline was led by increase in power and freight cost
Interest	37.7	18.1	18.8	100.5	13.6	176.6	
Depreciation	146.0	157.6	383.0	-61.9	156.3	-6.6	Depreciation expenses declined from ₹ 383 crore to ₹146 crore mainly led by absence of amortisation of goodwill in Q1CY17
PBT	312.4	291.4	175.1	78.4	200.3	56.0	
Total Tax	65.8	84.5	121.6	-45.9	24.4	169.8	
PAT	246.5	206.9	53.5	360.7	175.9	40.2	PAT during the quarter improved significantly due to fall in depreciation expenses
Key Metrics							
Volume (MT)	6.02	5.20	5.86	2.7	5.00	20.4	
Realisation (₹)	4,208	4,271	4,106	2.5	4,393	-4.2	Better pricing in north led to higher realisation
EBITDA per Tonne (₹)	606	576	726	-16.5	589	2.9	EBITDA/t declined 16.5% YoY led by higher power and freight cost/t

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	CY17E			CY18E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	10,857.0	10,236.9	-5.7	12,032.0	11,413.3	-5.1	Revenues are expected to increase at a CAGR of 11.7% over CY16-18E
EBITDA	2,132.4	2,015.7	-5.5	2,385.1	2,282.2	-4.3	
EBITDA Margin (%)	19.6	19.7	5 bps	19.8	20.0	17 bps	We expect EBITDA margins to improve 275 bps in CY16-18E led by cost rationalisation
PAT	1,281.4	1,277.7	-0.3	1,346.8	1,369.4	1.7	
EPS (Diluted) (₹)	6.5	6.4	-0.3	6.8	6.9	1.7	

Source: Company, ICICIdirect.com Research

Assumptions

	Current				Earlier		Comments
	CY14	CY15	CY16	CY17E	CY18E	CY17E	
Volume (MT)	21.5	21.5	21.1	22.9	24.7	24.1	We expect volume growth to improve led by an increase in infrastructure spend by the government and higher demand from individual house builders
Realisation (₹)	4,601	4,351	4,331	4,478	4,612	4,499	Price improvement in company's key markets to boost realisation
EBITDA per Tonne (₹)	864	667	747	882	922	884	We expect EBITDA/tonne at ₹ 922 in CY18E

Source: Company, ICICIdirect.com Research

Annual Report Analysis

Robust capacity expansion plans

Ambuja reported a 1.9% YoY dip in volumes in vs. industry growth of 5.0%, which we believe is mainly due to loss in market share. However, we believe the expansion plans will help Ambuja regain lost market share. The company has guided to set up 1.7 MT clinkerisation plant at Marwar Mudwa, Nagpur district of Rajasthan. Site development, infrastructure, engineering, tendering and contracting of the project is expected to commence in CY17. Further, the company ultimately plans to set up 4.5 MT cement capacity with three grinding units.

Other key developments

The new coal block acquired by Ambuja in Chhattisgarh and having extractable reserves of 50 MT is expected to commence mining operations in CY18. This new coal block will help the company reduce fuel cost volatility. Further, the company has secured limestone reserves at Bhatpara plant and Ambujanagar plants by acquiring new mining lease at Maldi Mopar mines and Loadhva mines.

Cost rationalisation helps margin expansion

Ambuja's focus on cost reduction has enabled the company to lower its overall cost/t by 2.5% YoY. The company was able to achieve this by 9.1% YoY decline in power cost/tonne and reduction in raw material cost (mainly led by 10.0% decline in gypsum cost). The reduction in power and fuel cost/t was driven by higher usage of pet coke, alternative fuels and WHRMS. Going forward, we expect the cost structure to further improve led by expected synergy benefit for ACC-Ambuja over the next three years.

Higher amortisation impacts depreciation

Depreciation increased 35.9% YoY mainly led by amortisation of goodwill of ₹ 240 crore arising on account of amalgamation of ACC.

Better working capital management

Although there was a marginal increase in inventory days (from 35 days to 37 days), increase in payable days (from 83 days to 94 days) enabled the company to register an improvement in working capital cycle.

Return ratio falls to all-time low

Return ratios dipped to 5.1% mainly due to lower capacity utilisation (down from 76.0% to 73.0% in CY16) and 0.3% YoY decline in realisation.

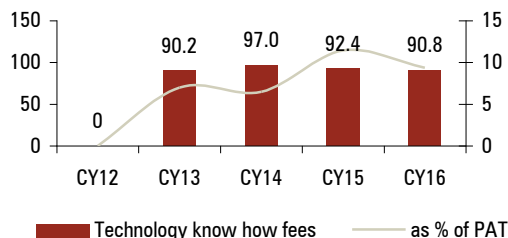
Technical know how fees continue to rise

The company has paid ₹ 90.8 crore (increased from nil in CY12 to 9.4% of PAT in CY16) as technology know how fees to Holcim Technology. In addition, remuneration to top management, independent directors and non-executive directors accounted for 1.3% of PAT.

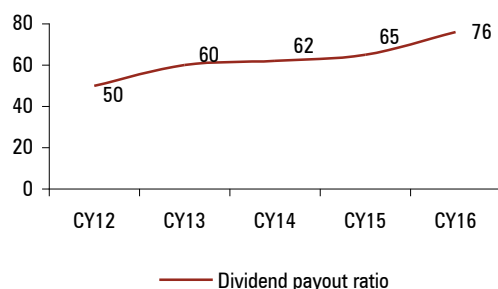
Flat dividend per share despite rise in payout ratio

The company declared a dividend of ₹ 2.8 per share same as last year. However, dividend payout ratio increased from 66.0% to 76.0% mainly due to equity dilution.

Technical know how fees trend



Dividend payout ratio



Company Analysis

Third largest player with no exposure to volatile southern region

Ambuja Cement is the third largest cement manufacturer in India with cement production capacity of ~29 MT. The company has a presence in all regions except south where the issue of overcapacity persists. Out of total capacity of ~29 MT, highest capacity is in the north region, which is ~12 MT while capacity in west, east and central regions are ~8 MT, ~7 MT and ~2 MT, respectively. Ambuja Cement has a market share of ~17% in the northern region, ~12% in the eastern region and ~24% in the western region.

Strong presence in north keeps plant utilisation at healthy levels

Due to the company's strong focus on the northern region where demand is continuously rising, Ambuja has been able to maintain higher utilisation even in a difficult business environment. Along with higher utilisation level, availability of sea transport and majority of sale through robust retailers has helped the company to keep healthy EBITDA margins.

To reach capacity of 34 MT by CY18E

The company is planning to expand its capacity to ~34 MTPA by CY18E. Out of the new capacity planned, 1.7 MTPA will come up in the northern region while the central region is expected to see capacity expansion by 3.0 MTPA respectively.

Exhibit 1: Capex plans

	State	Region	MT
Current Capacity in CY16			29.1
Additions :			
Marwar Mundwa, Nagaur	Rajasthan	North	1.7
Dadri, Gautam Buddha Nagar	Uttar Pradesh	Central	1.5
Osara, Mandsaur	Madhya Pradesh	Central	1.5
Total by CY18E			33.8

Source: Company, ICICIdirect.com Research

Improving margins, efficient working capital management to result in higher OCF

We expect the company to generate cash flow of ~₹ 4,200 crore over CY16-18E led by efficient working capital management and improving margins. Hence, despite meeting ₹ 3,000 crore capex requirement the company will be able to maintain debt free status in future.

Lower raw material cost due to lower use of purchased clinker

The company has maintained lower raw material cost compared to the industry for many years. Raw material cost per tonne for the company has come down drastically after commissioning of two new clinkerisation plants at Bhatpara and Rauri in CY10, which reduced the amount of purchased clinker for the company. Barring CY09, its total RM cost has consistently remained below industry average.

Regional presence

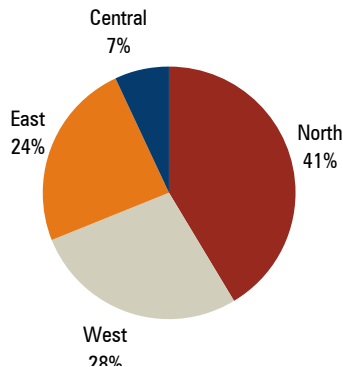
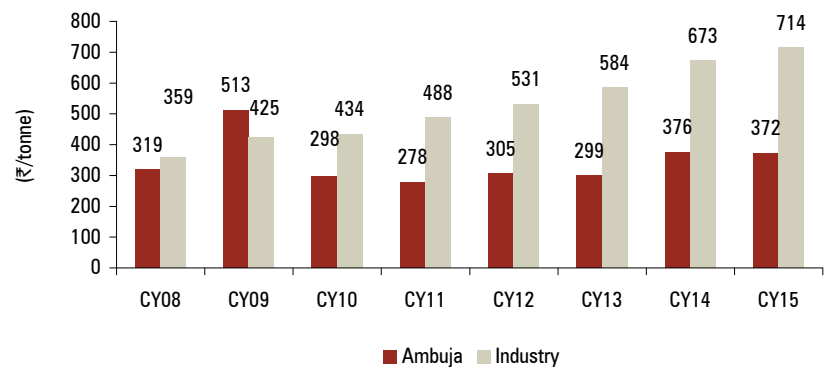


Exhibit 2: Lower raw material cost per tonne compared to industry

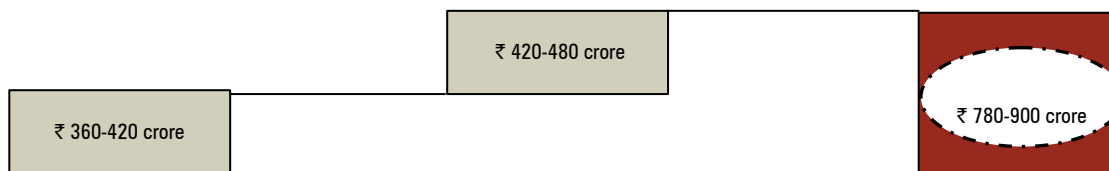


Source: Company, ICICIdirect.com Research

ACC's stake acquisition to drive synergy benefits in longer run

The acquisition of ACC by Ambuja is expected to reduce cost through consolidation of shared services (like finance, HR and marketing) vendor consolidation and swapping of plants (to reduce lead distance). The restructuring is expected to result in synergy benefits of ~₹ 900 crore resulting in long term benefits for ACC and Ambuja. We expect the benefits of synergies to start flowing in CY17E.

Exhibit 3: Potential synergy benefit of ₹ 900 crore as indicated by management



Supply Chain Optimisation:

- Clinker Swaps
 - 2 ACC plants supply clinker to 2 ACL units
 - 2 ACL plants supply to 4 ACC units
- Cement Swaps
 - 13 ACL plants supply in parts of 21 states for ACC
 - 10 ACC plants supply in parts of 16 states for ACL

Shared Services/ Fixed Costs:

- Procurement
- Fixed cost reduction through shared services in back-end processes
 - Finance/Controlling
 - Human Resources
 - Marketing/Sales
- Financial Optimisation

Expected Synergies & Benefits:

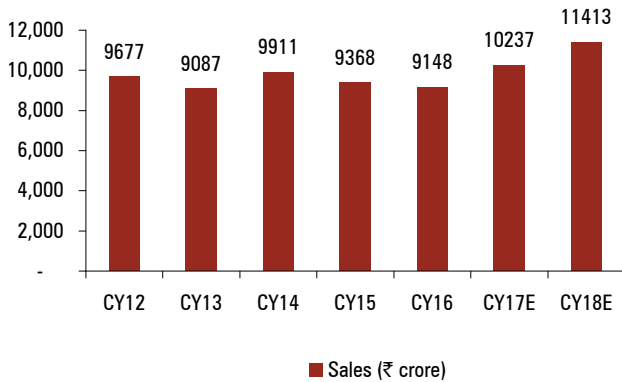
- Replication of best practices
- Annual saving potential to be realised in a phased manner over 2 years
- Equally beneficial for ACL & ACC
- 'India Management Committee' structure

Source: Company, ICICIdirect.com Research

Expect revenue CAGR of 11.7% during CY16-18E

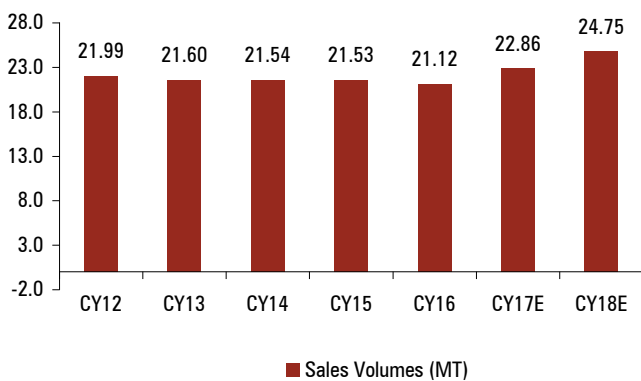
Revenues have grown at 1.4% CAGR in CY11-16 led by realisation CAGR of 1.1% and volume CAGR of 0.3% during the same period. For CY16-18E, we expect sales CAGR of 11.7% with realisation CAGR of 3.2% and volume CAGR of 8.2% during the same period led by increase in infra spend by the government. The company is well on track on the capacity expansion front and will expand current capacity of 29 MT to ~34 MT by CY18E.

Exhibit 4: Expect expansion led revenue CAGR of 11.7% during CY16-18E



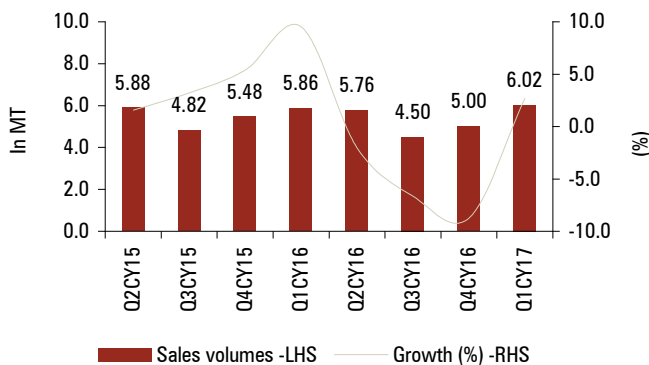
Source: Company, ICICIdirect.com, Research

Exhibit 6: Volume to grow at 8.2% CAGR during CY16-18E



Source: Company, ICICIdirect.com Research

Exhibit 8: Q1CY17 sales volume up 2.7% YoY



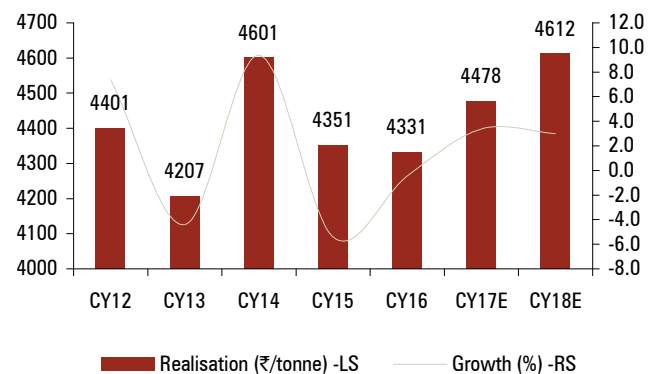
Source: Company, ICICIdirect.com Research

Exhibit 5: Capacity addition plans

	State	Region	MT
Current Capacity in CY16			29.1
Additions :			
Marwar Mundwa, Nagaur	Rajasthan	North	1.5
Dadri, Gautam Buddha Nagar	Uttar Pradesh	Central	1.5
Osara, Mandsaur	Madhya Pradesh	Central	1.5
Total by CY18E			33.6

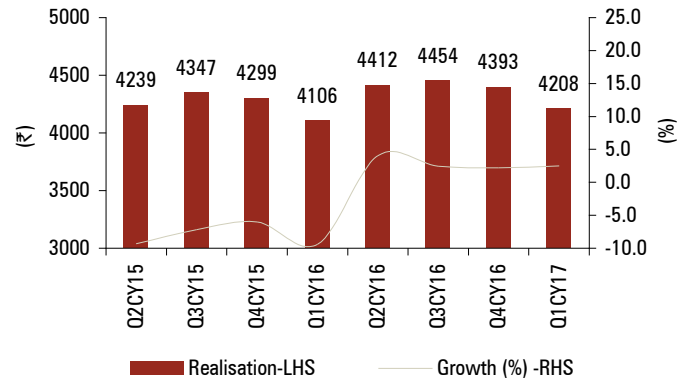
Source: Company, ICICIdirect.com, Research

Exhibit 7: Realisation to pick up led by recovery in demand



Source: Company, ICICIdirect.com Research

Exhibit 9: Q1CY17 realisations up 2.5% YoY

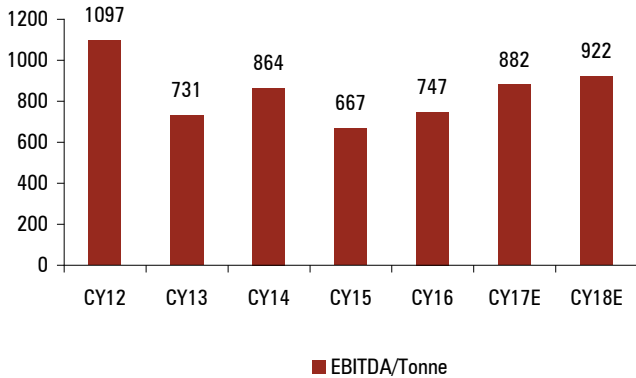


Source: Company, ICICIdirect.com Research

Margins to improve led by higher realisation and cost rationalisation

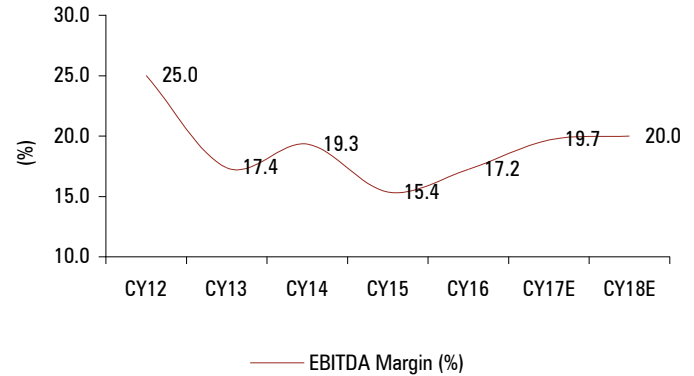
Given the up-tick in demand, we expect operating margins of Ambuja to improve led by higher realisation and better cost efficiency.

Exhibit 10: Expect EBITDA/tonne of ₹ 922 by CY18E



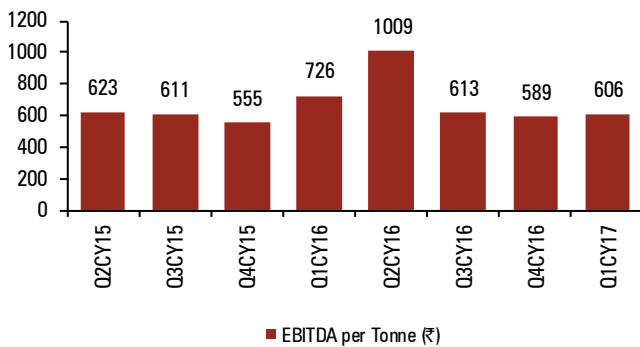
Source: Company, ICICIdirect.com Research

Exhibit 11: Margins to improve led by cost efficiency



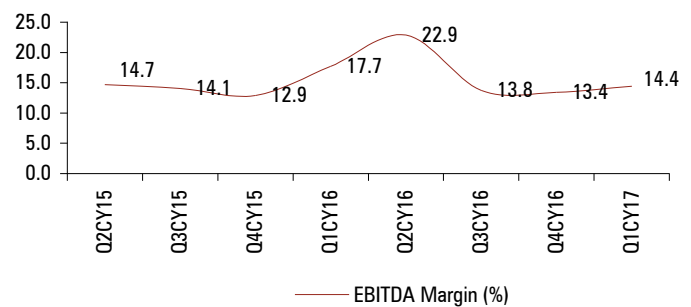
Source: Company, ICICIdirect.com Research

Exhibit 12: Q1CY17 EBITDA/tonne declines 16.5% YoY



Source: Company, ICICIdirect.com Research

Exhibit 13: Margins decline due to higher power cost

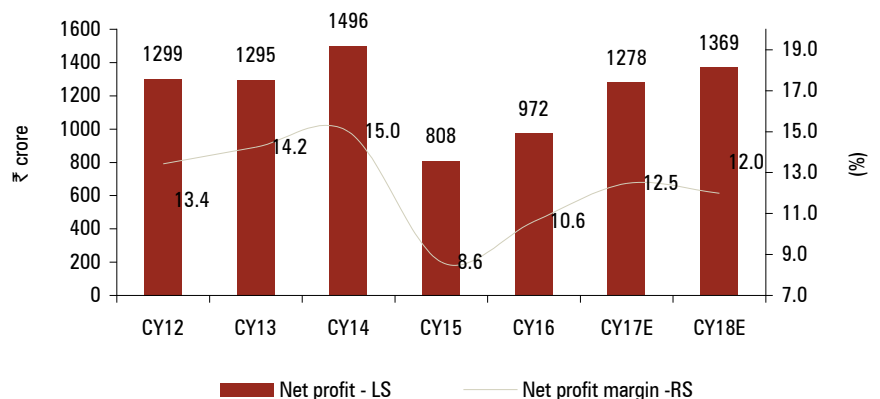


Source: Company, ICICIdirect.com Research

Expect net profit to increase at CAGR of 18.7% in CY16-18E

We expect net margins to improve to 12.0% in CY18E (from 10.6% in CY16) led by better demand and higher realisation in CY18E. As a result we expect net profit to increase at a CAGR of 18.7% in CY16-18E.

Exhibit 14: Profitability trend



Source: Company, ICICIdirect.com Research

Outlook and valuations

The company's exposure to high growth regions like north and east is expected to result in higher utilisation in coming years. Further, increased focus of the government on infrastructure development is expected to drive cement demand in coming years. Consequently, we expect revenues to increase at a CAGR of 11.7% over CY16-18E. Further, cost control initiatives like higher share alternative fuels, better sales mix and synergy benefits will help the company in margin expansion, going forward. Hence, we continue to maintain our **BUY** rating with a target price of ₹ 280 share (i.e. valuing Ambuja's business at 16.0x CY18E EV/EBITDA and valuing stake in ACC at a discount of 10% on fair value that works out to implied valuation of \$185 EV/tonne on combined adjusted capacity).

Exhibit 15: Fair value calculations (in ₹ crore)

Fair value calculation	in ₹ crore
EBITDA Estimates CY18E	2,282.2
Target EV/EBITDA	16.4
Target Enterprise value	37,428.0
Debt	31.5
Balance Cash (post invetsment)	2,479.3
Target equity value	39,875.8
O/s shares post ACC deal	198.6
Fair value of Ambuja [A]	200.8
Cost of Investment in ACC (50% stake) [A]	10,909.9
ACC's fair equity valuation	34,724.5
Valuation of 50% stake [B]	17,362.3
Holding company discount	10.0%
Net value to Ambuja	15,626.0
O/s shares post ACC deal	198.6
Fair value of Investment in ACC [B]	78.7
Fair value per share [A + B]	280

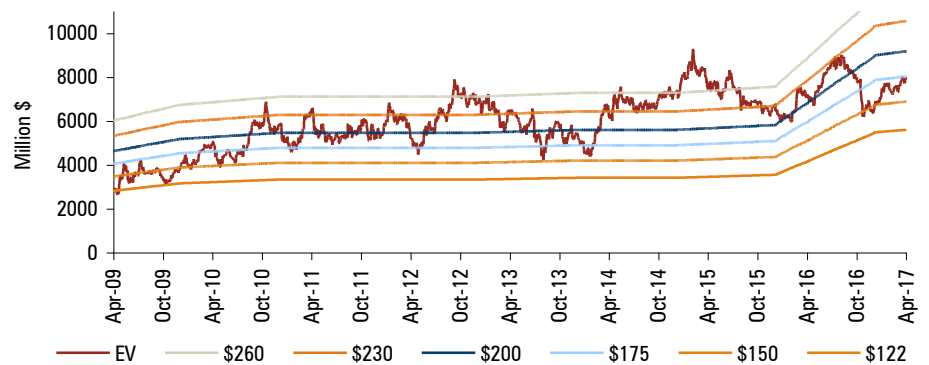
Source: Company, ICICIdirect.com Research

Exhibit 16: Assumptions

₹ per tonne	CY13	CY14	CY15	CY16	CY17E	CY18E
Sales Volume (mtpa)	22	22	22	21	23	25
Net Realisation	4207	4601	4351	4331	4478	4612
Total Expenditure	3476	3737	3684	3585	3596	3690
Stock Adjustment	55	7	12	-14	14	0
Raw material	302	388	372	368	339	360
Power & Fuel	955	1052	955	867	895	950
Employees	233	270	274	280	279	275
Freight	1092	1137	1166	1171	1231	1250
Others	840	884	906	913	838	855
EBITDA per Tonne	731	864	667	747	882	922

Source: Company, ICICIdirect.com Research

Exhibit 17: One year forward EV/Tonne



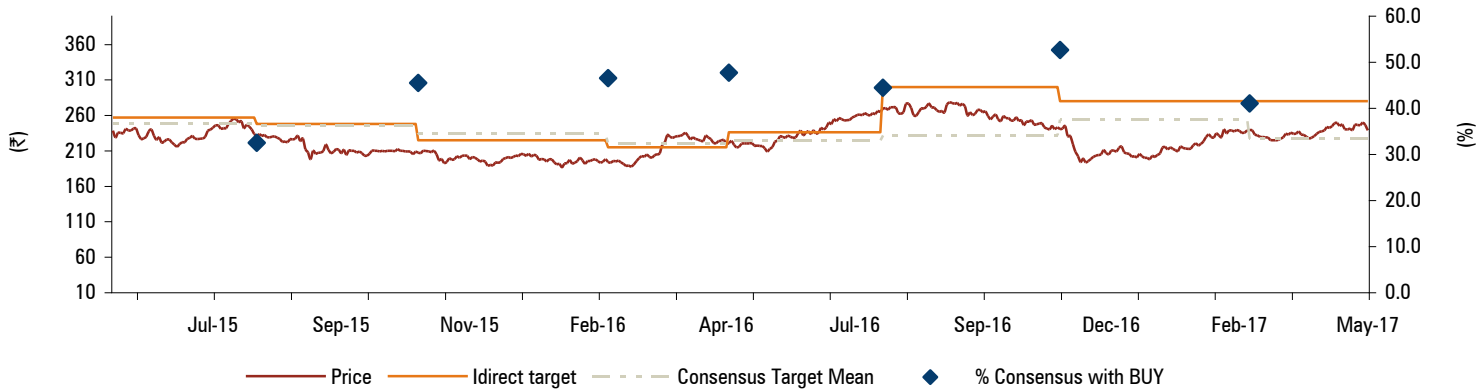
Source: Company, ICICIdirect.com Research

Exhibit 18: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/Tonne (\$)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
CY15	9368.3	9.8	5.2	15.2	46.4	165.8	30.0	7.8	7.9
CY16	9148.1	-2.4	4.9	-6.1	49.5	171.0	28.9	5.1	3.8
CY17E	10236.9	11.9	6.4	31.5	37.6	166.6	22.8	6.5	7.1
CY18E	11413.3	11.5	6.9	7.2	35.1	166.7	20.1	6.8	7.9

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus Estimate



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Jan-11	Starts commercial production in a new cement mill at a cost of ~₹ 185 crore at Bhatapara plant. Also, commissions a new cement mill of 0.9 MT cement grinding capacity at Maratha Cement Works plant at a cost of ~₹ 61 crore
Jun-11	Makes strategic investments in Dang Cement Industries Pvt Ltd, Nepal and acquires 85% shareholding for ₹ 19.13 crore to help further expansion of capacity in north India and Nepal
Sep-11	Acquires 60% shareholding in Dirk India Pvt Ltd, Maharashtra for ₹ 16.51 crore. The company enters into a joint venture for speciality cement manufacturing facility in Goa with Counto Microfine Products Pvt Ltd
Jun-12	CCI imposes a fine of 50% of annual profit of fiscal year ending 2010 and 2011, a total of ₹ 6000 crore, on 11 cement companies including Ambuja cement for alleged cartelisation
Sep-12	The inter-ministerial panel recommends de-allocation of coal blocks held by five companies, including Ambuja Cement
Dec-12	Ambuja Cement discontinues providing monthly production and sales updates citing provision in new accounting norms
Mar-13	Obtains a stay on penalty of ₹ 1163 crore imposed on it by CCI but ordered to deposit 10% of the amount
Jul-13	Holcim Group to consolidate its holding in ACC through Ambuja Cements. The transaction will result in Ambuja holding 50% stake in ACC, in which Holcim India currently holds 50.01%
Mar-15	Ambuja Cement secures block at Gare-Palma Sector-IV/8 in the state of Chhattisgarh
Feb-16	Ambuja commissions 0.9 mt grinding unit at Sankrail
Aug-16	Ambuja acquires 50.05% stake in ACC

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Holcim Group	31-Mar-17	63.1	1,253.2	0.0
2	Life Insurance Corporation of India	31-Mar-17	6.6	131.4	0.0
3	Capital Research Global Investors	31-Mar-17	2.4	46.7	0.0
4	Aberdeen Asset Management (Asia) Ltd.	28-Feb-17	2.1	41.2	0.0
5	J.P. Morgan Asset Management (Hong Kong) Ltd.	28-Feb-17	1.4	28.7	0.0
6	The Vanguard Group, Inc.	31-Mar-17	1.2	23.9	0.3
7	BlackRock Institutional Trust Company, N.A.	31-Mar-17	0.9	17.1	1.0
8	Harding Loevner LP	28-Feb-17	0.8	15.7	-0.6
9	T. Rowe Price Hong Kong Limited	28-Feb-17	0.5	10.2	-0.3
10	British Columbia Investment Management Corp.	31-Mar-16	0.5	8.8	-1.7

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	51.04	50.80	61.62	63.61	63.62
FII	24.02	25.21	20.49	18.53	18.35
DII	16.96	14.44	10.87	10.68	10.77
Others	7.98	9.55	7.02	7.18	7.26

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Union Investment Luxembourg S.A.	6.8	2.2	HSBC Global Asset Management (Hong Kong) Limited	-8.7	-2.8
BlackRock Institutional Trust Company, N.A.	3.5	1.0	Lyxor Asset Management	-8.3	-2.3
City of London Investment Management Co. Ltd.	1.6	0.5	L&T Investment Management Limited	-4.6	-1.3
The Vanguard Group, Inc.	1.0	0.3	Tata Asset Management Limited	-2.6	-0.7
Northern Trust Global Investments	0.8	0.2	DSP BlackRock Investment Managers Pvt. Ltd.	-2.6	-0.7

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement					₹ Crore				
(Year-end March)	CY15	CY16	CY17E	CY18E					
Total operating Income	9,368.3	9,148.1	10,236.9	11,413.3					
Growth (%)	-6.1	-2.4	11.9	11.5					
Raw material	826.7	746.5	807.0	890.8					
Power & Fuel	2052.9	1832.0	2046.0	2350.8					
Employees	589.5	591.1	636.9	680.5					
Freight	2509.7	2472.8	2814.5	3093.2					
Others	1951.1	1928.1	1916.7	2115.7					
Total Operating Exp.	7,929.9	7,570.5	8,221.1	9,131.1					
EBITDA	1,438.4	1,577.6	2,015.7	2,282.2					
Growth (%)	-25.4	9.7	27.8	13.2					
Depreciation	625.7	850.1	615.9	683.4					
Interest	91.8	72.1	150.8	149.8					
Other Income	451.3	683.7	536.4	550.0					
Exceptional items	0.0	0.0	0.0	0.0					
PBT	1,172.3	1,339.0	1,785.5	1,999.1					
Total Tax	364.7	367.2	507.8	629.7					
PAT	807.6	971.8	1,277.7	1,369.4					
Adjusted PAT	807.6	971.5	1,277.7	1,369.4					
Growth (%)	-46.0	20.3	31.5	7.2					
Adjusted EPS (₹)	4.1	4.9	6.4	6.9					

Source: ICICIdirect.com Research

Balance sheet					₹ Crore				
(Year-end March)	CY15	CY16	CY17E	CY18E					
Liabilities									
Equity Capital	310.4	397.1	397.1	397.1					
Reserve and Surplus	9,996.5	18,677.9	19,235.4	19,861.3					
Total Shareholders funds	10,306.9	19,075.0	19,632.5	20,258.5					
Total Debt	28.7	31.5	31.5	31.5					
Deferred Tax Liability	564.9	492.9	492.9	492.9					
Total Liabilities	10,900.5	19,599.4	20,157.0	20,782.9					
Assets									
Gross Block	11,792.9	12,935.6	14,435.6	15,935.6					
Less: Acc Depreciation	5,786.8	6,636.9	7,252.7	7,936.1					
Net Block	6,006.1	6,298.7	7,182.8	7,999.5					
Capital WIP	500.0	0.0	0.0	0.0					
Total Fixed Assets	6,506.1	6,298.7	7,182.8	7,999.5					
Investments	2,505.7	13,229.0	13,229.0	13,229.0					
Inventory	895.5	937.5	1,109.8	1,172.8					
Debtors	286.4	300.1	356.2	375.5					
Loans and Advances	1,057.0	1,041.6	923.9	1,244.6					
Other Current Assets	62.9	34.5	37.1	54.2					
Cash	2,848.4	1,414.3	1,136.5	1,116.5					
Total Current Assets	5,150.1	3,728.0	3,563.6	3,963.6					
Creditors	2,141.8	2,361.2	2,670.2	2,939.5					
Provisions	1,119.7	1,295.0	1,148.2	1,469.7					
Total Current Liabilities	3,261.5	3,656.3	3,818.4	4,409.2					
Net Current Assets	1,888.6	71.7	-254.9	-445.6					
Application of Funds	10,900.5	19,599.4	20,157.0	20,782.9					

Source: Company, ICICIdirect.com Research

Cash flow statement					₹ Crore				
(Year-end March)	CY15	CY16	CY17E	CY18E					
Profit after Tax	807.6	971.5	1,277.7	1,369.4					
Add: Depreciation	625.7	850.1	615.9	683.4					
(Inc)/dec in Current Assets	-238.3	-12.0	-113.4	-420.0					
Inc/(dec) in CL and Provisions	81.3	394.8	162.2	590.7					
CF from operating activities	1,276.3	2,204.4	1,942.4	2,223.4					
(Inc)/dec in Investments	-43.7	-10,723.3	0.0	0.0					
(Inc)/dec in Fixed Assets	-214.5	-642.7	-1,500.0	-1,500.0					
Others	-24.1	-72.0	0.0	0.0					
CF from investing activities	-282.3	-11,438.0	-1,500.0	-1,500.0					
Issue/(Buy back) of Equity	0.4	86.8	0.0	0.0					
Inc/(dec) in loan funds	0.4	2.9	0.0	0.0					
Dividend paid & dividend tax	-509.3	-654.4	-720.2	-743.4					
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0					
Others	-95.1	8,364.2	0.0	0.0					
CF from financing activities	-603.6	7,799.5	-720.2	-743.4					
Net Cash flow	390.4	-1,434.2	-277.8	-20.0					
Opening Cash	2,458.1	2,848.4	1,414.3	1,136.5					
Closing Cash	2,848.4	1,414.3	1,136.5	1,116.5					

Source: Company, ICICIdirect.com Research

Key ratios									
(Year-end March)	CY15	CY16	CY17E	CY18E					
Per share data (₹)									
Adjusted EPS	4.1	4.9	6.4	6.9					
Cash EPS	9.2	9.2	9.5	10.3					
BV	66.5	96.1	98.9	102.0					
DPS	2.8	2.8	3.1	3.2					
Cash Per Share	18.4	7.1	5.7	5.6					
Operating Ratios (%)									
EBITDA Margin	15.4	17.2	19.7	20.0					
PAT Margin	8.6	10.6	12.5	12.0					
Inventory days	34.8	36.6	36.5	36.5					
Debtor days	10.0	11.7	11.7	11.7					
Creditor days	80.1	89.8	89.7	89.7					
Return Ratios (%)									
RoE	7.8	5.1	6.5	6.8					
RoCE	7.9	3.8	7.1	7.9					
RoIC	16.7	4.4	8.0	8.8					
Valuation Ratios (x)									
P/E	46.4	49.5	37.6	35.1					
EV / EBITDA	30.0	28.9	22.8	20.1					
EV / Net Sales	4.6	5.0	4.5	4.0					
Market Cap / Sales	5.1	5.3	4.7	4.2					
Price to Book Value	3.6	2.5	2.4	2.4					
Solvency Ratios									
Debt/EBITDA	0.0	0.0	0.0	0.0					
Debt / Equity	0.0	0.0	0.0	0.0					
Current Ratio	1.6	1.0	0.9	0.9					
Quick Ratio	0.7	0.6	0.6	0.6					

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Cement)

Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			EV/EBITDA (x)			EV/Tonne (\$)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)			FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
ACC*	1584	1850	Buy	29,770	31.3	35.6	63.7	24.3	22.6	15.1	155	155	133	6.0	6.9	11.4	7.0	7.7	12.7
Ambuja Cement*	242	280	Buy	48,053	4.1	4.9	6.4	30.0	28.9	22.8	166	171	167	7.9	3.8	7.1	7.8	5.1	6.5
UltraTech Cem	4,181	4750	Buy	114,727	86.4	95.8	118.9	25.5	22.8	19.6	290	279	277	11.6	12.3	14.1	11.3	11.0	12.4
Shree Cement	18,928	17000	Hold	65,869	202	366	565	48.5	28.5	19.0	411	383	382	6.5	12.3	18.5	10.9	16.8	20.8
Heidelberg Cem	136	135	Hold	3,059	1.7	1.8	3.6	13.4	19.7	18.7	124	120	113	8.4	6.0	6.2	6.8	4.3	4.4
India Cement	209	175	Buy	6,420	4.3	5.9	8.5	12.0	11.5	9.6	101	100	97	8.5	8.8	10.4	4.0	4.8	6.5
JK Cement	958	990	Hold	6,699	15.4	32.7	31.4	18.2	14.4	15.0	127	124	125	8.9	12.2	11.4	6.3	12.6	10.6
JK Lakshmi Cem	467	550	Buy	5,497	2.0	6.9	12.3	19.9	26.1	18.2	143	122	87	7.8	5.4	9.0	7.2	1.8	5.8
Mangalam Cem	366	340	Buy	977	-7.8	13.0	25.2	38.7	11.8	7.7	67	53	52	1.7	9.4	15.2	NA	6.8	11.8
SFCL	140	115	Hold	3,114	4.1	4.5	4.4	9.7	10.3	8.8	173	173	170	12.0	11.8	12.3	12.3	12.0	11.0

Source: Company, ICICIdirect.com Research, *FY16E,FY17E,FY18E is CY15,CY16,CY17,

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