

May 26, 2017

Heidelberg Cement (HEICEM)

₹129

Operationally healthy performance...

- Heidelberg Cement's results were above our expectations mainly due to higher-than-expected topline. Revenues (excluding excise) increased 14.3% YoY to ₹ 453.8 crore led by 9.0% YoY increase in volumes to 1.2 MT (vs. I-direct estimate of 0.98 MT) while realisation increased 4.8% YoY at ₹ 3,750 (vs. I-direct estimate of ₹ 3,678)
- EBITDA margin declined 74.0 bps YoY to 15.5% in Q4FY17 mainly led by a rise in employee expenses (up 10.4% YoY) and higher freight expenses (up 17.5% YoY). EBITDA/tonne was flat YoY at ₹ 580/tonne (vs. I-direct estimate of ₹ 361)
- The company reported 49.4% YoY increase in net profit to ₹ 37.1 crore in Q4FY17. However, adjusting for exceptional item of ₹ 15.1 crore (i.e. reversal of provision for doubtful capital subsidy), adjusted net profit declined 11.4% YoY to ₹ 22.0 crore
- The board has recommended dividend of ₹ 2 per share

Consolidation in central region to drive pricing

In Q4FY17, the company witnessed strong realisation growth led by a pick-up in demand. Going forward, we expect demand to remain robust led by higher government spending on infra and normal monsoon. This, coupled with absence of new capacity addition in the central region, is expected to keep utilisation healthy. Further, consolidation of cement capacity in the region is expected to bring pricing discipline in the region. Consequently, we expect realisation to remain elevated over the next couple of years.

Operating leverage benefit, cost rationalisation to drive margins

We expect improving utilisation (from 83.0% in FY17 to 96.0% in FY19E) to lead to operating leverage benefit of ~₹ 25-30/t. Further, the 12 MW waste heat recovery plant commissioned by the company will help the company reduce power cost by ~10-20/t and lower dependence on grid power. Considering these benefits, we expect EBITDA/t to improve from ₹ 556/t in FY17 to ₹ 692/t in FY19E.

Limited capex, healthy free cash flow to help reduce debt

With limited capex (due to no major capacity addition) and improving margins we expect the company to generate free cash flow of ~₹ 360 crore over the next two years. We believe a significant portion of this will be used to reduce debt. As a result, we expect the debt to equity to decline to 0.6x in FY19E from 0.9x in FY17.

Improving macro, cost rationalisation to drive growth; upgrade to BUY

The central region is expected to witness healthy growth in volumes and realisation led by strong growth in demand and absence of new capacity addition. Further, higher government spending and revival in rural economy is expected to further drive cement demand. Consequently, we expect Heidelberg's revenues to increase at a CAGR of 11.9% in FY17-19E. In addition, we expect EBITDA margin to improve from 14.8% to 17.1% in FY19E led by operating leverage benefit and cost efficiency. Further, steady cash flow is expected to help reduce debt in FY17-19E. Considering this, we upgrade the stock from Hold to **BUY** and revise our target price upwards to ₹ 145 (i.e. valuing at 11x FY18E EV/EBITDA, \$121/tonne on capacity of 5.4 MT).

Rating matrix	
Rating	: Buy
Target	: ₹ 145
Target Period	: 15-18 months
Potential Upside	: 12%

What's Changed?	
Target	Changed from ₹ 135 to ₹ 145
EPS FY18E	Changed from ₹ 5.5 to ₹ 5.8
EPS FY19E	Introduced at ₹ 7.2
Rating	Changed from Hold to Buy

Quarterly Performance					
	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	453.8	397.1	14.3	387.8	17.0
EBITDA	70.1	64.3	9.0	39.1	79.2
EBITDA (%)	15.5	16.2	-74 bps	10.1	536 bps
PAT	22.0	24.8	-11.4	11.5	91.4

Key Financials				
	FY16	FY17	FY18E	FY19E
Net Sales	1628.1	1687.6	1899.4	2114.0
EBITDA	211.0	249.0	321.5	362.0
Net Profit	35.4	76.2	131.6	162.1
EPS (₹)	1.6	3.4	5.8	7.2

Valuation summary				
	FY16	FY17	FY18E	FY19E
PE (x)	82.6	38.4	22.2	18.0
Target PE (x)	92.8	43.1	25.0	20.3
EV to EBITDA (x)	19.5	15.1	11.3	9.8
EV/Tonne(US\$)	127	116	112	110
Price to book (x)	3.3	3.0	2.8	2.6
RoNW (%)	4.0	7.9	12.6	14.6
RoCE (%)	5.3	8.2	12.4	14.5

Stock data	
Particular	Amount
Mcap	₹ 2923 crore
Debt (FY17)	₹ 863 crore
Cash & Invest (FY17)	₹ 14 crore
EV	₹ 3772 crore
52 week H/L	₹ 150 / 94
Equity cap	₹ 226.6 crore
Face value	₹ 10

Price performance (%)				
	1M	3M	6M	12M
Heidelberg Cem	-5.4	9.4	11.8	34.6
India Cement	2.9	16.3	68.9	130.6
JK Cement	16.8	24.8	61.0	85.0
JK Lakshmi Cem	3.6	22.7	31.2	39.4

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Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Net Sales	453.8	360.5	397.1	14.3	387.8	17.0	The increase in revenues was driven by 9.0% YoY growth in volumes and 4.8% YoY rise in realisation
Other Incomes	12.9	17.4	13.0	-1.2	17.4	-25.9	
Raw Material Expenses	94.6	67.1	86.9	8.8	73.5	326.7	
Employee Expenses	33.8	27.4	30.6	10.4	27.4	23.4	
Change in stock	-0.6	0.0	-23.5	NA	12.8	NA	
Power and fuel	116.9	100.5	111.2	5.1	103.5	12.9	The increase in power & fuel expense was restricted mainly due to commissioning of WHRMS We believe the rise in freight cost is mainly due to increase in diesel price and lead distance
Freight	66.8	52.7	56.8	17.5	56.5		
Others	72.3	77.4	70.7	2.2	75.1	-3.7	
EBITDA	70.1	35.4	64.3	9.0	39.1	79.2	
EBITDA Margin (%)	15.5	9.8	16.2	-74 bps	10.1	536 bps	The fall in EBITDA margins was mainly due to higher freight cost
Interest	19.5	23.5	26.2	-25.5	22.2	-12.0	
Depreciation	24.9	26.6	24.4	2.1	24.6	1.4	
PBT	53.7	2.6	26.7	100.7	-5.3	LP	
Total Tax	16.6	0.6	1.9	763.5	-1.8	NA	
Reported PAT	37.1	2.0	24.8	49.4	-3.6	LP	The company made reversal of provision for doubtful capital advance (₹ 15.1 crore), which led it to report 49.4% YoY increase in PAT
Adjusted PAT	22.0	2.0	24.8	-11.4	11.5	91.4	Adjusted net profit declined mainly due to poor performance at operating level

Key Metrics						
Volume (MT)	1.21	0.98	1.11	9.0	1.05	15.2
Realisation (₹)	3,750	3,678	3,578	4.8	3,693	1.5
EBITDA per Tonne (₹)	580	361	579	0.0	373	55.5

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E		% Change	FY19E		Comments
	Old	New		Old	New	
Revenue	1,964.3	1,953.4	-0.6	2,170.0		We expect revenues to increase at a CAGR of 11.9% over FY17-19E
EBITDA	320.7	321.5	0.3	362.0		
EBITDA Margin (%)	16.3	16.5	13 bps	16.7		We expect EBITDA margin to improve led by cost rationalisation and operating leverage benefit
PAT	124.9	131.6	5.4	162.1		
EPS (₹)	5.5	5.8	5.4	7.2		

Source: Company, ICICIdirect.com Research

Assumptions

	FY15	Current FY16	FY17	FY18E	FY19E	Earlier FY18E	Comments
Volume (MT)	5.3	4.4	4.5	4.8	5.2	4.8	Higher government spending and revival in rural economy to drive volumes over the next two years
Realisation (₹)	3,809	3,667	3,767	3,924	4,042	3,968	
EBITDA per Tonne (₹)	547	474	556	664	692	663	We expect EBITDA/tonne of ₹ 692 in FY19E

Source: Company, ICICIdirect.com Research

Company Analysis

Substantial portion of company's revenues from central region

Heidelberg Cement India sells ~94% of total cement volumes in the central region, a favourable region in India considering the demand-supply scenario. The company sells the rest of the volume in the western and southern regions. Its share in the central region had gone up from 75% to over 94% led by capacity expansion in CY13. With no major capacity addition on the cards, we believe it will likely remain a central regional player.

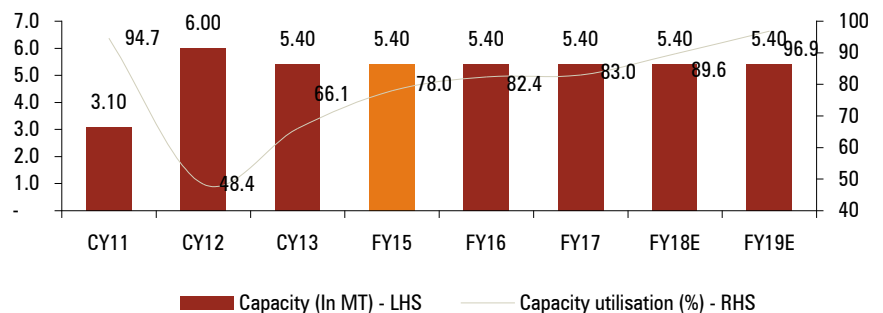
Improving macro to keep utilisation healthy

In Q4FY17, the company witnessed strong growth in realisation led by pick-up in demand. Going forward, we expect demand to remain robust led by higher government spending on infra and normal monsoon. This coupled with absence of new capacity addition in the central region is expected to keep utilisation healthy. Further, consolidation of cement capacity in the region is expected to bring pricing discipline in the region. Consequently, we expect realisation to remain elevated over the next couple of years.

Cost efficiency to drive margins...

The company doubled its cement capacity to 6 MT from 3 MT in CY13 at a total capex of ₹ 1,570 crore. However, due to subdued demand, these major expansions took a heavy toll on its profitability with the company reporting a net loss of ₹ 41 crore in CY13 (vs. net profit of ₹ 31 crore in CY12) led by high interest and depreciation. However, with improving utilisation along with stabilisation of new capacity, its margins have improved. We expect its margin to climb over 17.1% by FY19E.

Exhibit 1: Revival in demand to drive utilisation



Source: Company, ICICIdirect.com Research

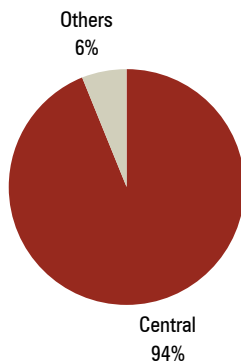
Healthy free cash flow generation to help reduce debt significantly

With limited capex (due to no major capacity addition) and improving margins we expect the company to generate free cash flow of ~₹ 360 crore over the next two years. We believe a significant portion of this will be used to reduce debt. As a result, we expect the company's debt to equity to decline to 0.6x in FY19E from 0.9x in FY17.

Large global promoter

Heidelberg's Indian operations have the support of the rich experience of the German promoter (Heidelberg AG), a Germany-based company, which is one of the world's largest cement manufacturers with consolidated revenue of over €15 billion in 2016. This, we believe, would provide huge potential to grow inorganically over the longer run.

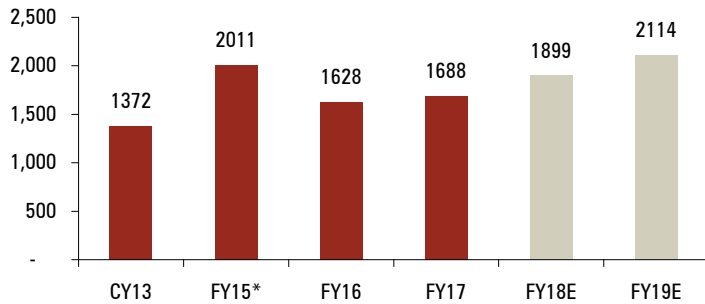
Regional presence



Improvement in realisation, utilisation to drive revenues

Utilisation has improved from 66.1% in CY13 to 83% in FY17. Going forward, we expect utilisation to further improve to 96.0% in FY19E. We expect volumes to grow at a CAGR of 8.0% in FY17-19E led by increased government spending. Further, we expect pricing to improve in the central region. Consequently, we expect sales to increase at a CAGR of 11.9% over FY17-19E.

Exhibit 2: Expect revenue at ₹ 2,114 crore by FY19E



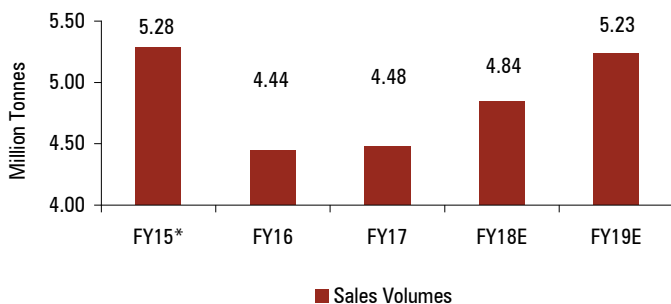
Source: Company, ICICIdirect.com Research *15 months period

Exhibit 3: Cement capacity

	State	Region	MT
Ammasandra, Tumkur	Karnataka	South	0.7
Village Imlai, Damoh	Madhya Pradesh	Central	2.0
Village Madora, Jhansi	Uttar Pradesh	Central	2.7
Gadab, Taluka Pen, Raigad	Maharashtra	West	0.7
Total Capacity			5.4

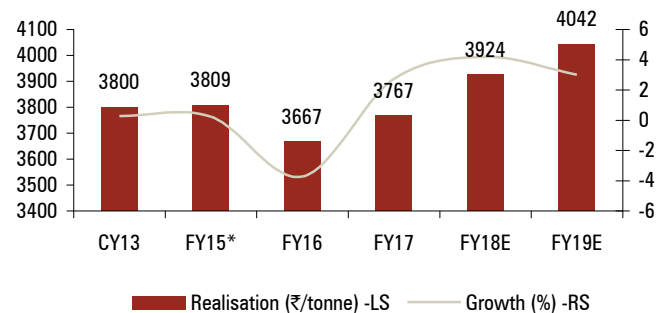
Source: Company, ICICIdirect.com Research

Exhibit 4: Volume expected at 5.2 MT by FY19E



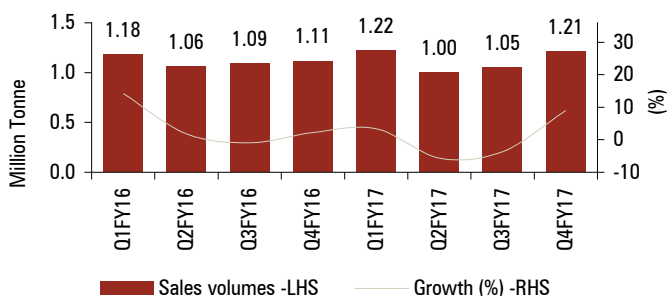
Source: Company, ICICIdirect.com Research

Exhibit 5: Realisation to improve in FY17-19E



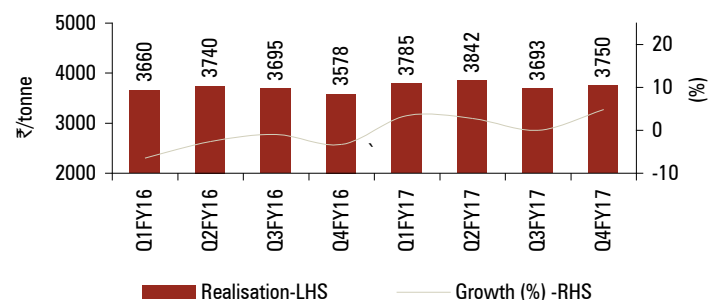
Source: Company, ICICIdirect.com Research

Exhibit 6: Q4FY17 volumes up 9.0% YoY



Source: Company, ICICIdirect.com Research

Exhibit 7: Q4FY17 realisation increases 4.8% YoY

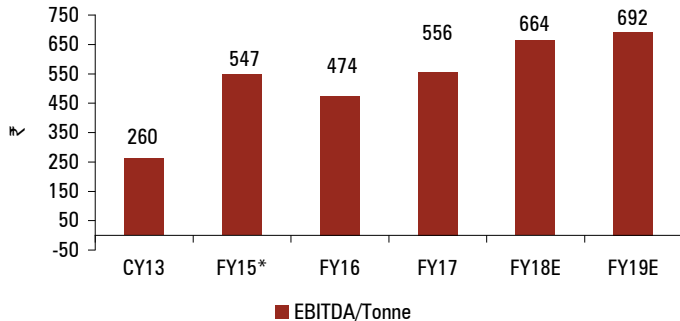


Source: Company, ICICIdirect.com Research

Margins to improve, going forward, on economies of scale

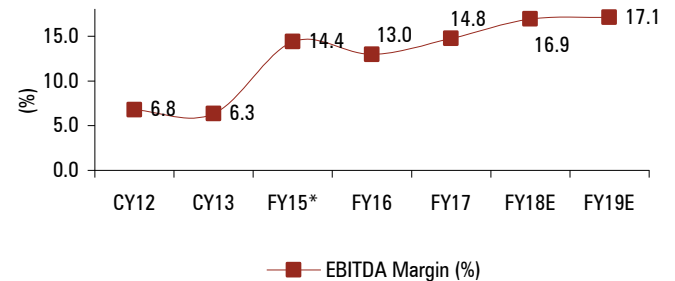
Higher utilisation and steps like overhead belt conveyor and WHRMS will drive cost downwards, going forward. Consequently, we expect margins to improve ~230 bps to 17.1% in FY19E.

Exhibit 8: Expect EBITDA/tonne of ₹692/tonne in FY19E



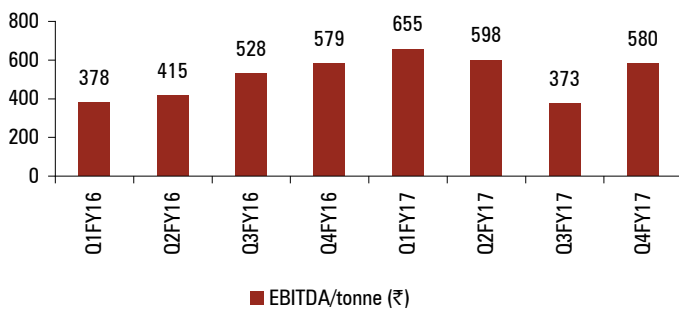
Source: Company, ICICIdirect.com Research

Exhibit 9: Margins to improve led by improvement in utilisation



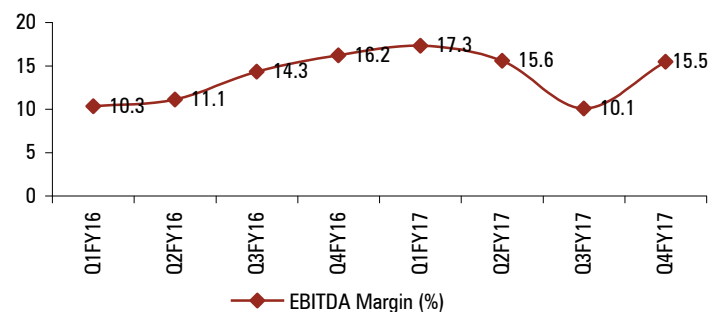
Source: Company, ICICIdirect.com Research

Exhibit 10: Q4FY17 EBITDA per tonne at ₹ 580



Source: Company, ICICIdirect.com Research

Exhibit 11: Pick-up in margins expected, going forward, led by improvement in capacity utilisation, cost efficiency

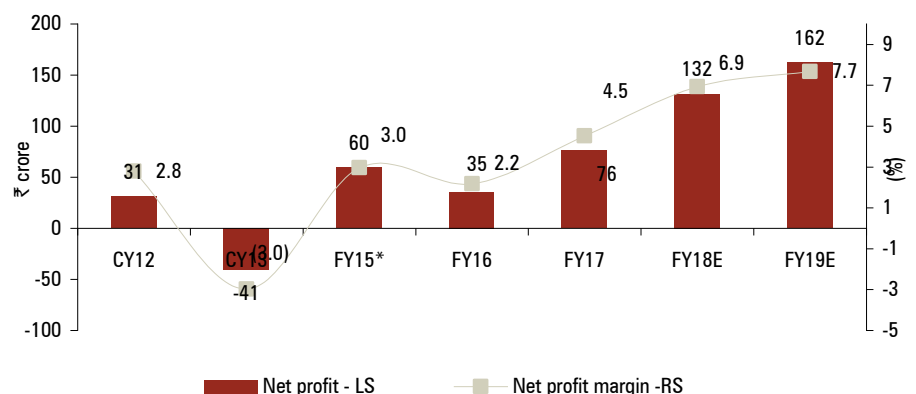


Source: Company, ICICIdirect.com Research

Net profit to increase at a CAGR of 45.8% over FY17-19E

After witnessing a loss in CY13, mainly due to higher interest cost on debt due to expansion, we expect the company to report CAGR of 45.8% over FY17-19E.

Exhibit 12: Profitability trend



Source: Company, ICICIdirect.com Research

Outlook and valuations

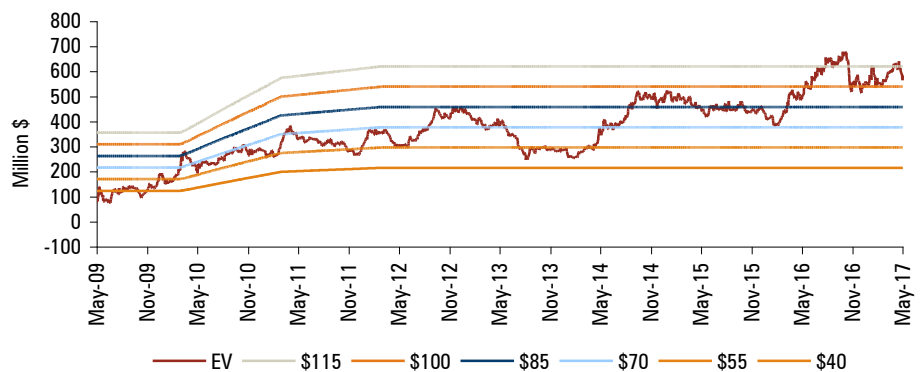
The central region is expected to witness healthy growth in volumes and realisation led by strong growth in demand and absence of new capacity addition. Further, higher government spending and revival in rural economy is expected to further drive cement demand. Consequently, we expect Heidelberg's revenues to increase at a CAGR of 11.9% over FY17-19E. In addition, we expect the EBITDA margin to improve from 14.8% to 17.1% in FY19E led by operating leverage benefit and cost efficiency. Further, steady cash flow is expected to help reduce debt over FY17-19E. Considering this, we upgrade the stock from HOLD to **BUY** and revise our target price upwards to ₹ 145 (i.e. valuing at 11x FY18E EV/EBITDA, \$121/tonne on capacity of 5.4 MT).

Exhibit 13: Assumptions

₹ per tonne	CY13	FY15*	FY16	FY17E	FY18E	FY19E
Sales Volume (mtpa)	3.6	5.3	4.4	4.5	4.8	5.2
Net Realisation	3800	3809	3667	3767	3924	4042
Total Expenditure	3540	3262	3193	3211	3260	3350
Stock Adjustment	-77	-52	-21	77	0	0
Raw material	1043	841	772	728	805	825
Power & Fuel	1077	1065	1018	958	980	990
Employees	288	253	238	256	255	255
Freight	580	519	523	534	555	580
Others	630	636	663	658	665	700
EBITDA per Tonne	260	547	474	556	664	692

Source: Company, ICICIdirect.com Research * 15 months

Exhibit 14: One year forward EV/Tonne



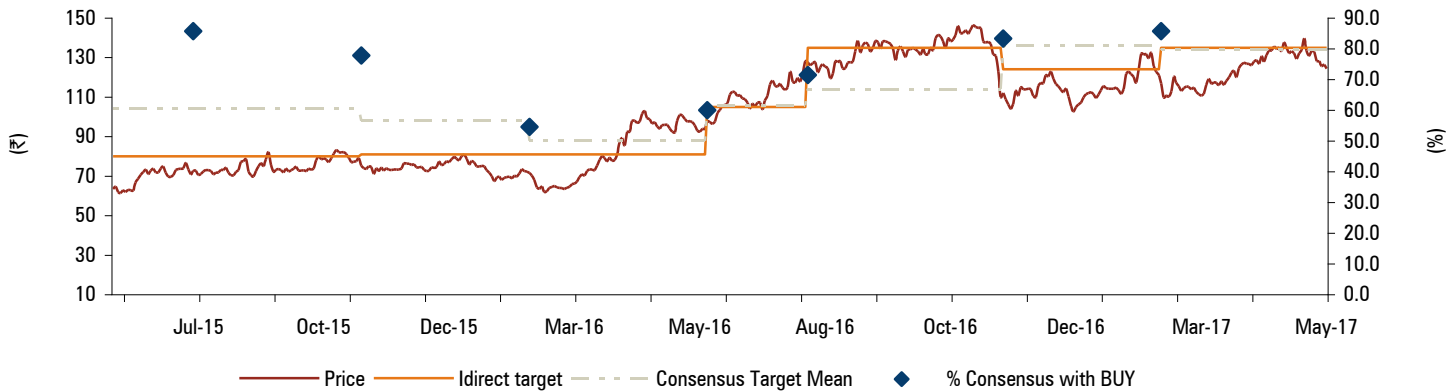
Source: Company, ICICIdirect.com Research

Exhibit 15: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/Tonne (\$)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	1628.1	-19.0	1.6	-40.6	82.6	127	19.5	4.0	5.3
FY17	1687.6	3.7	3.4	115.3	38.4	116	15.1	7.9	8.2
FY18E	1899.4	12.5	5.8	72.7	22.2	112	11.3	12.6	12.4
FY19E	2114.0	11.3	7.2	23.2	18.0	110	9.8	14.6	14.5

Source: Company, ICICIdirect.com Research

Recommendation history vs. consensus estimate



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
May-08	Board approves amalgamation of Indorama Cement and Heidelberg Cement India with Mysore Cements. Total capacity of the merged entity stands at 3.07 MTPA
Jul-08	The Securities and Appellate Tribunal (SAT) dismisses the Securities and Exchange Board of India's (Sebi) directive on the structure of Heidelberg's open offer for Mysore Cement shares, which involved a non-compete fee for promoters. Thus, it clears the way for an open offer
Oct-09	The board of HeidelbergCement India approves setting up of an expansion project at its plants at Damoh (Madhya Pradesh) and Jhansi (Uttar Pradesh) to increase cement production capacity from the existing 1.8 MTPA to 4.7 MTPA
Jun-10	The board of HeidelbergCement India approves increasing the cement production at Raigad unit of the company in Maharashtra by 0.625 MTPA
Feb-13	HeidelbergCement India successfully completes and commissions the expansion project at Damoh (MP). This comprises increase of clinker manufacturing capacity at its unit Narsingarh, district Damoh from 1.2 to 3.1 MTPA and increase of cement capacity at Imlai, district Damoh from 1.0 to 2.0 MTPA
Feb-13	Board approves setting up of a waste heat recover based power generation plant at its clinkerisation unit at Narsingarh, district Damoh (MP). The proposed plant will produce approximately 12.15 MW of power
Jan-14	HeidelbergCement India Ltd completes the sale and transfer of its cement grinding facility at Raigad, Maharashtra to JSW Steel on a slump sale basis in accordance with business transfer agreement executed between the company and JSW Steel on October 5, 2013
Feb-16	Commissions 12 MW WHRMS

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Heidelbergcement AG	31-Mar-17	69.4	157.2	0.0
2	Stewart Investors	31-Mar-17	4.1	9.4	0.0
3	First State Investments (HK) Ltd.	31-Dec-16	2.4	5.5	1.4
4	Sundaram Asset Management Company Limited	31-Mar-17	1.9	4.4	-0.2
5	Life Insurance Corporation of India	31-Mar-17	1.6	3.6	0.0
6	Birla Sun Life Asset Management Company Ltd.	30-Apr-17	1.4	3.2	0.0
7	HDFC Standard Life Insurance Company Limited	31-Mar-17	1.3	3.0	0.0
8	J.P. Morgan Asset Management (Hong Kong) Ltd.	31-Mar-17	1.3	3.0	0.0
9	Caisse de Depot et Placement du Quebec	31-Mar-17	1.2	2.8	0.3
10	Dimensional Fund Advisors, L.P.	28-Feb-17	1.0	2.4	0.0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	69.39	69.39	69.39	69.39	69.39
FII	7.61	8.09	8.12	10.06	11.36
DII	9.16	9.31	9.71	8.55	7.04
Others	13.84	13.21	12.78	12.00	12.21

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
First State Investments (HK) Ltd.	2.3	1.4	DSP BlackRock Investment Managers Pvt. Ltd.	-1.0	-0.6
Alquity Investment Management Ltd.	0.7	0.4	HMG Finance S.A.	-0.9	-0.5
Caisse de Depot et Placement du Quebec	0.5	0.3	L&T Investment Management Limited	-0.6	-0.4
Tata Asset Management Limited	0.4	0.2	Sundaram Asset Management Company Limited	-0.5	-0.2
HDFC Standard Life Insurance Company Limited	0.1	0.0	HSBC Global Asset Management (India) Private Limited	-0.4	-0.2

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement	₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E
Total operating Income	1,628.1	1,687.6	1,899.4	2,114.0
Growth (%)	-19.0	3.7	12.5	11.3
Raw material	333.4	360.7	389.6	431.5
Power & Fuel	452.0	429.3	474.3	517.8
Employees	105.0	114.8	123.4	133.4
Freight	232.4	239.2	268.6	303.3
Others	294.3	294.7	321.9	366.1
Total Operating Exp.	1,417.2	1,438.6	1,577.8	1,752.1
EBITDA	211.0	249.0	321.5	362.0
Growth (%)	-27.0	18.0	29.1	12.6
Depreciation	99.8	99.2	102.9	107.8
Interest	108.5	89.8	74.7	66.4
Other Income	42.7	53.5	54.0	56.0
Exceptional items	0.0	0.0	0.0	0.0
PBT	45.4	113.6	197.9	243.7
Total Tax	10.0	37.4	66.3	81.7
PAT	35.4	76.2	131.6	162.1
Growth (%)	-40.6	115.3	72.7	23.2
EPS (₹)	1.6	3.4	5.8	7.2

Source: ICICIdirect.com Research * FY15 was 15months and FY16 is 12 months hence there is higher decline in sales

Balance sheet	₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E
Liabilities				
Equity Capital	226.6	226.6	226.6	226.6
Reserve and Surplus	668.3	740.3	818.9	881.7
Total Shareholders funds	894.9	967.0	1,045.5	1,108.3
Total Debt	1,236.4	917.9	772.9	692.9
Deferred Tax Liability	41.9	53.0	53.0	53.0
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	2,173.3	1,937.9	1,871.4	1,854.2
Assets				
Gross Block	2,874.5	2,949.6	3,095.9	3,235.9
Less: Acc Depreciation	973.4	1,072.5	1,175.5	1,283.3
Net Block	1,901.2	1,877.1	1,920.4	1,952.6
Capital WIP	56.1	6.3	0.0	0.0
Total Fixed Assets	1,957.2	1,883.4	1,920.4	1,952.6
Investments	0.0	0.0	0.0	0.0
Inventory	178.2	139.6	218.4	180.1
Debtors	25.8	12.6	30.1	17.4
Loans and Advances	350.0	299.5	270.3	237.0
Other Current Assets	95.7	58.4	55.6	54.4
Cash	7.8	14.2	7.0	3.3
Total Current Assets	657.4	524.3	581.4	492.2
Creditors	234.1	253.7	370.8	347.4
Provisions	207.2	216.1	259.5	243.2
Total Current Liabilities	441.3	469.8	630.3	590.6
Net Current Assets	216.1	54.5	-49.0	-98.4
Application of Funds	2,173.3	1,937.9	1,871.4	1,854.2

Source: Company, ICICIdirect.com Research * FY15 was 15months and FY16 is 12 months hence there is higher decline in sales

Cash flow statement	₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E
Profit after Tax	35.4	76.2	131.6	162.1
Add: Depreciation	99.8	99.2	102.9	107.8
(Inc)/dec in Current Assets	102.7	139.5	-64.3	85.5
Inc/(dec) in CL and Provisions	-513.8	28.5	160.6	-39.8
CF from operating activities	-276.0	343.4	330.8	315.7
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-135.8	-25.3	-140.0	-140.0
Others	5.4	33.9	0.0	0.0
CF from investing activities	-130.4	8.7	-140.0	-140.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	279.9	-341.4	-145.0	-80.0
Dividend paid & dividend tax	0.0	-53.0	-53.0	-53.0
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	-12.0	48.8	0.0	-46.3
CF from financing activities	267.9	-345.6	-198.0	-179.3
Net Cash flow	-138.4	6.4	-7.2	-3.7
Opening Cash	146.2	7.8	14.2	7.0
Closing Cash	7.9	14.2	7.0	3.3

Source: Company, ICICIdirect.com Research, * FY15 was 15months and FY16 is 12 months hence there is higher decline in sales

Key ratios	FY16			
(Year-end March)	FY16	FY17	FY18E	FY19E
Per share data (₹)				
EPS	1.6	3.4	5.8	7.2
Cash EPS	6.0	7.7	10.3	11.9
BV	39	43	46	49
DPS	0.0	2.0	2.0	2.0
Cash Per Share	0.3	0.6	0.3	0.1
Operating Ratios (%)				
EBITDA Margin	13.0	14.8	16.9	17.1
PAT Margin	2.2	4.5	6.9	7.7
Inventory days	41.4	34.4	34.4	34.4
Debtor days	5.0	4.1	4.1	4.1
Creditor days	109.6	52.7	60.0	62.0
Return Ratios (%)				
RoE	4.0	7.9	12.6	14.6
RoCE	5.3	8.2	12.4	14.5
RoIC	5.3	7.8	11.7	13.7
Valuation Ratios (x)				
P/E	82.6	38.4	22.2	18.0
EV / EBITDA	19.5	15.1	11.3	9.8
EV / Net Sales	2.5	2.2	1.9	1.7
Market Cap / Sales	1.8	1.7	1.5	1.4
Price to Book Value	3.3	3.0	2.8	2.6
Solvency Ratios				
Debt/EBITDA	5.7	3.5	2.2	1.8
Debt / Equity	1.3	0.9	0.7	0.6
Current Ratio	1.5	1.1	0.9	0.8
Quick Ratio	1.5	1.1	0.9	0.8

Source: Company, ICICIdirect.com Research * FY15 was 15months and FY16 is 12 months hence there is higher decline in sales

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*	1628	1850	Buy	30,597	31.3	35.6	63.7	25.0	23.3	15.5	159	160	137	6.0	6.9	11.4	7.0	7.7	12.7
Ambuja Cement*	240	280	Buy	47,656	4.1	4.9	6.4	29.7	28.7	22.6	164	170	165	7.9	3.8	7.1	7.8	5.1	6.5
UltraTech Cem	4,164	4750	Buy	114,260	86.4	95.8	118.9	25.4	22.7	19.6	289	278	275	11.6	12.3	14.1	11.3	11.0	12.4
Shree Cement	17,630	17800	Hold	61,352	328	385	510	44.7	26.3	19.3	409	377	360	6.8	12.3	15.9	16.7	17.4	19.0
Heidelberg Cem	129	145	Buy	2,923	1.6	3.4	5.8	19.5	15.1	11.3	127	116	112	5.3	8.2	12.4	4.0	7.9	12.6
India Cement	198	175	Buy	6,083	4.3	5.9	8.5	11.5	11.1	9.3	97	96	93	8.5	8.8	10.4	4.0	4.8	6.5
JK Cement	1,086	1265	Buy	7,594	14.8	37.1	47.9	20.2	15.2	12.8	140	141	136	9.0	12.6	14.5	6.1	14.5	15.3
JK Lakshmi Cem	480	525	Hold	5,650	0.4	7.0	13.1	26.5	19.8	13.7	145	104	94	5.0	7.5	10.9	0.3	5.9	10.1
Mangalam Cem	340	425	Buy	908	-7.9	12.9	28.2	34.4	10.7	6.7	64	51	46	1.7	10.9	17.3	NA	6.8	13.1
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

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