

Mangalam Cement (MANCER)

₹ 349

Improving realisation in key markets...

- Mangalam Cement's Q4FY17 results were above our expectations. Revenues increased 21.0% YoY to ₹ 254.3 crore (above I-direct estimate: ₹ 220.5 crore) led by 14.7% YoY increase in volumes to 0.69 MT (vs. I-direct estimate of 0.62 MT) mainly led by 0.75 MT capacity expansion at Aligarh, UP. Realisation improved 5.5% YoY to ₹ 3,677 (vs. I-direct estimate of ₹ 3,557)
- EBITDA margin declined from 14.1% to 9.7% in Q4FY17 (above I-direct estimate of 8.2%) mainly led by a rise in power & fuel cost (up 32.4% YoY due to higher pet coke prices) and higher employee expenses (up 23.8% YoY due to capacity expansion). EBITDA/tonne declined 27.2% YoY to ₹ 358/t (vs. I-direct estimate of ₹ 292/t). The board has recommended a dividend of ₹ 0.75 per share

New capacity to drive volume growth

The company sells ~95% of its cement production in the north while the remaining volume is sold in the central region. The northern region witnessed robust volume growth led by an increase in infrastructure spend by the government (especially road sector) helping the company to maintain healthy utilisation. Going forward, we expect utilisation to remain healthy backed by higher budgetary allocation to infra project and affordable housing (as witnessed in the current Budget). Considering this coupled with capacity expansion, we expect sales volume to grow at a CAGR of 11.5% in FY17-19E.

Improving realisation, freight cost rationalisation to boost margins...

In the past few quarters, margin expansion was led by lower pet coke prices and higher pet coke usage (100% in kiln and CPP). Going forward, we expect high pet coke prices to negatively impact margins. However, with an improvement in demand, we expect realisations to improve in coming quarters leading to higher margins. Apart from this, the recent commissioning of new grinding unit in Aligarh (0.75 MT) will help in rationalising freight cost, thereby, positively impacting margins.

...profitability to further improve led by VAT benefits and power savings

Against the present requirement of 23 MW power, the company has captive power plants of 35 MW capacity. On an increase in production of clinker capacity by 0.5 MT and new grinding unit of 1.25 MT, we expect its captive capacity to get fully utilised in future leading to fuel cost savings. Further, the new expanded capacity of 1.25 MT is eligible for VAT incentives in FY16-21E, which will help the company save ~₹ 2-3 crore per quarter.

Improving macro, capacity expansion, attractive valuation key positives

We believe the recent capacity expansion at Aligarh (0.75 MT in Q3FY17) will help drive volume growth as utilisation improves at the plant. Further, increased government spending in roads and affordable housing is expected to boost cement demand in coming years. In addition, an improvement in pricing power in the north region due to limited capacity addition is expected to drive realisation. As a result, we expect revenues to increase at 14.9% CAGR in FY17-19E. Further, freight cost rationalisation, increase in blended cement, and fuel cost savings is expected to boost margins. At the CMP of ₹ 349, the stock is trading at an attractive valuation of 6.0x FY19E EV/EBITDA and an EV/tonne of US\$46. Hence, we maintain **BUY** recommendation with a revised target price of ₹ 425/share (i.e. at 7.0x FY19E EV/EBITDA and EV/tonne of US\$55).

Rating matrix

Rating	:	Buy
Target	:	₹ 425
Target Period	:	12-15 months
Potential Upside	:	22%

What's Changed?

Target	Changed from ₹340 to ₹425
EPS FY18E	Changed from ₹ 27.6 to ₹ 28.2
EPS FY19E	Introduced at ₹ 35.2
Rating	Unchanged

Quarterly Performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	254.3	210.2	21.0	233.0	9.1
EBITDA	24.8	29.6	-16.4	20.5	20.8
EBITDA (%)	9.7	14.1	-436 bps	8.8	94 bps
PAT	2.7	13.9	-80.6	5.2	-48.3

Key Financials

₹ crore	FY16	FY17	FY18E	FY19E
Net Sales	833.0	900.9	1069.7	1188.3
EBITDA	36.0	113.7	164.2	188.7
Net Profit	-21.0	34.4	75.2	93.9
EPS (₹)	-7.9	12.9	28.2	35.2

Valuation summary

	FY16	FY17	FY18E	FY19E
PE (x)	0.0	27.1	12.4	9.9
Target PE (x)	0.0	33.0	15.1	12.1
EV to EBITDA (x)	35.1	10.9	6.9	5.9
EV/Tonne(US\$)	65	52	47	46
Price to book (x)	1.9	1.8	1.6	1.4
RoNW (%)	-4.4	6.8	13.1	14.2
RoCE (%)	1.7	10.9	17.3	18.9

Stock data

	Amount
Cash & Invest(FY17)	
Mcap	₹ 932 crore
Debt (FY17)	₹ 338 crore
Cash & Invest(FY17)	₹ 31 crore
EV	₹ 1240 crore
52 week H/L	₹ 390 / 216
Equity cap	₹ 26.7 crore
Face value	₹ 10

Price performance (%)

	1M	3M	6M	12M
Mangalam Cement	2.04	25.07	30.97	34.52
Heidelberg Cement	9.14	13.72	13.68	38.89
Orient Cement	12.89	20.80	11.94	7.29

Research Analyst

Rashesh Shah
 rashes.shah@icicisecurities.com

Devang Bhatt
 devang.bhatt@icicisecurities.com

Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Net Sales	254.3	220.5	210.2	21.0	233.0	9.1	Increase in revenues was driven by higher volumes (up 14.7% YoY mainly led by capacity expansion)
Other Incomes	12.6	7.0	7.1	77.2	3.1	313.5	Sales tax incentives, interest waiver on entry tax contributed to the increase in other income
Raw Material Expenses	36.4	37.2	42.2	-13.6	47.8	-23.8	
Change in stock	16.6	0.0	-7.7	NA	-15.8	NA	
Employee Expenses	20.3	18.6	16.4	23.8	21.6	-6.2	Increase in employee expenses was due to capacity expansion
Power and fuel	52.7	64.2	39.8	32.4	64.7	-18.5	Higher pet coke prices led to rise in power & fuel cost
Freight	75.2	62.9	68.0	10.6	69.8	7.8	
Others	28.2	19.5	21.9	29.0	24.3	15.9	
EBITDA	24.8	18.1	29.6	-16.4	20.5	20.8	
EBITDA Margin (%)	9.7	8.2	14.1	-436 bps	8.8	94 bps	EBITDA margin decline was led by higher energy and employee cost
Depreciation	10.3	10.2	10.0	3.7	10.6	-2.4	
Interest	15.0	10.3	10.0	50.8	11.9	26.1	Increase in working capital requirement and Ind-AS adjustment led to higher interest expenses
PBT	12.1	4.6	16.8	LP	1.0	1,048.0	
Total Tax	9.4	1.5	3.0	NA	-4.2	-325.5	
PAT	2.7	3.1	13.9	-80.6	5.2	-48.3	The fall in PAT was mainly led by rise in interest expenses

Key Metrics							
Volume (MT)	0.69	0.62	0.60	14.7	0.65	7.0	Capacity expansion drove volumes
Realisation (₹)	3,677	3,557	3,487	5.5	3,607	1.9	Realisation was higher led by better pricing scenario in north
EBITDA per Tonne (₹)	358	292	492	-27.2	317	12.8	Higher power cost/tonne led to fall in EBITDA/tonne

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	Old	FY18E New	% Change	FY19E Introduced	Comments
Revenue	1,104.5	1,069.7	-3.2	1,188.3	We expect revenues to increase at a CAGR of 14.9% over FY17-19E on the back of ramp up in capacity and healthy demand
EBITDA	166.6	164.2	-1.5	188.7	
EBITDA Margin (%)	15.1	15.3	26 bps	15.9	We expect margins to improve 326 bps over FY17-19E led by cost rationalisation
PAT	73.6	75.2	2.1	93.9	
EPS (₹)	27.6	28.2	2.2	35.2	

Source: Company, ICICIdirect.com Research

Assumptions

	FY14	FY15	Current FY16	FY17	FY18E	FY19E	Earlier FY18E	Comments
Volume (MT)	1.9	2.3	2.3	2.4	2.8	3.0	2.9	Volumes to grow at a CAGR of 11.5% over FY17-19E led by increased government spending and capacity expansion
Realisation (₹)	3,606	3,868	3,547	3,711	3,820	3,935	3,809	
EBITDA per Tonne (₹)	241	328	145	547	586	625	575	We expect EBITDA/t of ₹ 625 in FY19E

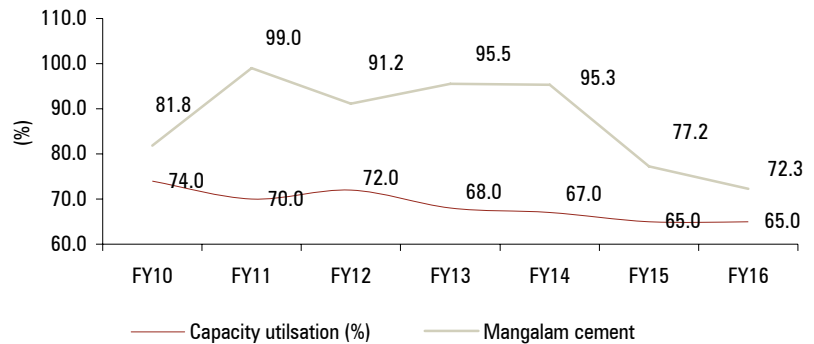
Source: Company, ICICIdirect.com Research

Company Analysis

Presence in strong demand regions

Mangalam Cement has a total productive cement capacity of 4.00 MTPA as of today. The entire capacity is located in the northern region. The company sells ~95% of cement in the northern region while the remaining volume is sold in the central region. A presence in favourable regions has helped the company to maintain higher utilisation levels.

Exhibit 1: Trends in all-India capacity utilisation levels vs. Mangalam cement capacity utilisation



Source: ICICIdirect.com Research

New capacity to drive volume growth

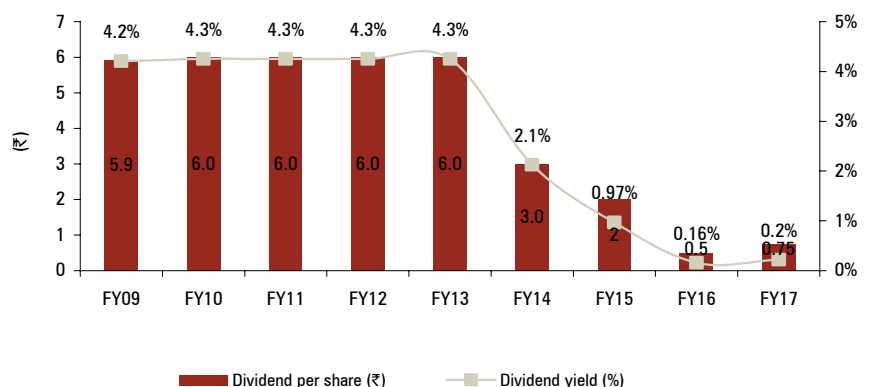
The company has completed the expansion plan of cement capacity by 1.25 MTPA and that of clinker capacity by 0.5 MTPA. The new capacity has been commissioned from Q1FY15. After this expansion, total cement capacity has reached 3.25 MTPA while clinker capacity is expected to be 2.37 MTPA. The company has also added 0.75 MT grinding capacity in Aligarh with a capex of ~₹ 120 crore. This extended capacity will help the company to further strengthen its presence in the northern region, driving growth for the company in the coming years.

Availability of captive power plant to lead to fuel cost savings

Against the present requirement of 23 MW power, the company has captive power plants of 35 MW capacity. On an increase in production of clinker capacity by 0.5 MTPA and new grinding unit of 1.25 MTPA, we expect its captive capacity to get fully utilised in future.

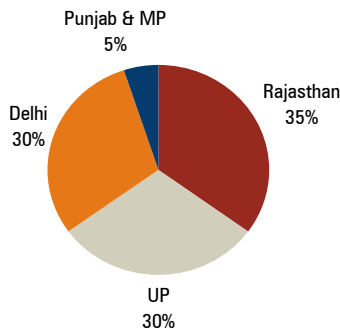
Delivering value to shareholders consistently via healthy dividend payout

Exhibit 2: Historical dividend yield



Source: Company, ICICIdirect.com Research

Regional presence



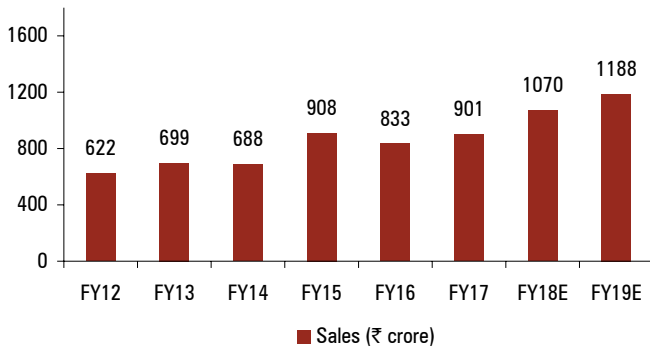
Source: Company

The company has consistently paid a higher dividend to shareholders over the years, with yield of ~4%. However, due to capacity expansion, dividend payout has been lower over the past few years. Going forward, we expect dividend yield to improve led by improvement in financial performance

Expect revenue CAGR of 14.9% during FY17-19E

Revenues have grown at 7.7% CAGR in FY12-17 with volumes growing at 5.9% CAGR and realisation also growing at 1.7% CAGR. Going forward, with increased focus of government on infrastructure development, we expect robust demand for cement in FY17-19E. The company has completed its capacity expansion of 1.25 MT, which started production from the end of May in Q1FY15. It has further commissioned 0.75 MT grinding capacity at Aligarh in Q3FY17. Considering this, we expect volume CAGR of 11.5% during our forecast period of FY17-19E.

Exhibit 3: Expect expansion led revenue CAGR of 14.9% during FY17-19E



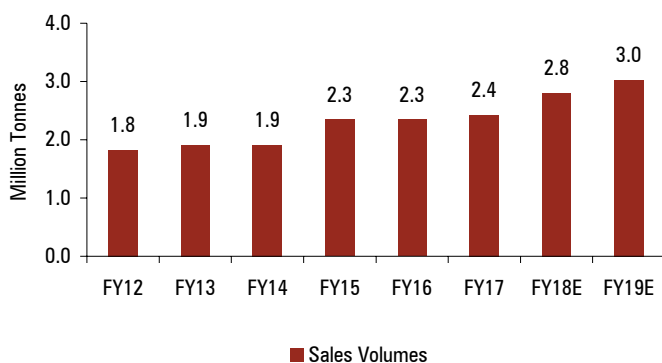
Source: Company, ICICIdirect.com Research

Exhibit 4: Capacity addition plans

in MTPA	Existing Capacity	Post-expansion capacity
Clinker	1.71	2.21
Cement	2.00	4.00

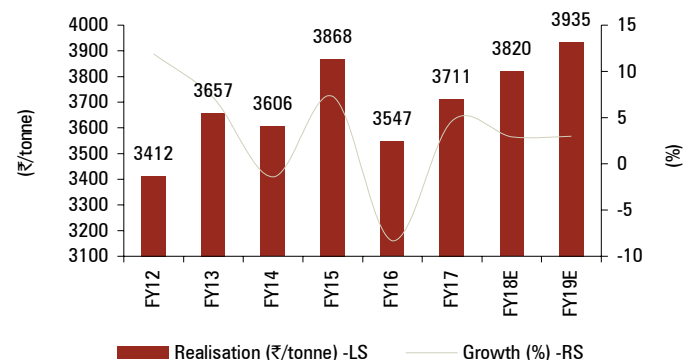
Source: Company, ICICIdirect.com Research, * added 0.75 mt grinding unit in Q3FY17

Exhibit 5: Volume to grow at 11.5% CAGR in FY16-18E



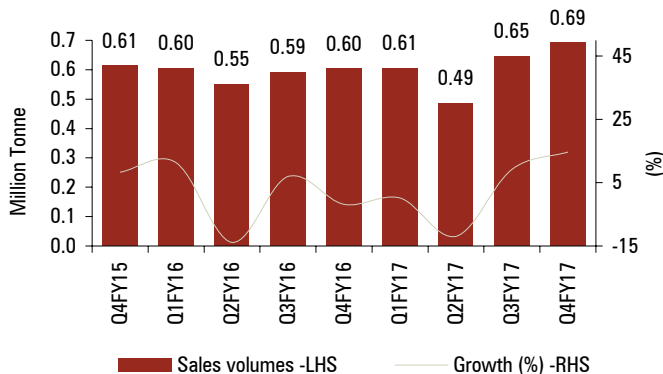
Source: Company, ICICIdirect.com Research

Exhibit 6: Expect realisations to improve from FY17 onwards...



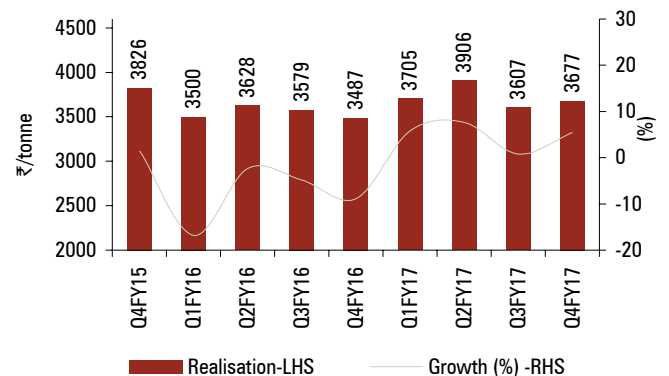
Source: Company, ICICIdirect.com Research

Exhibit 7: Volumes increase 14.7% YoY during the quarter



Source: Company, ICICIdirect.com Research

Exhibit 8: Quarterly realisation trend

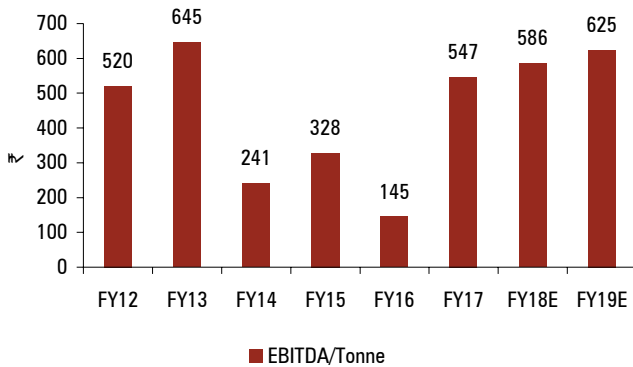


Source: Company, ICICIdirect.com Research

Margins to improve, going forward

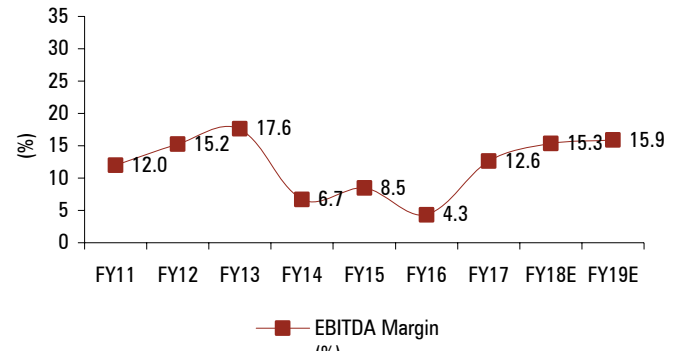
We expect margins to improve from 12.6% in FY17 to 15.9% in FY19E mainly led by higher utilisation, improvement in realisation and lower cost.

Exhibit 9: Expect EBITDA/tonne of ₹ 625 in FY18E



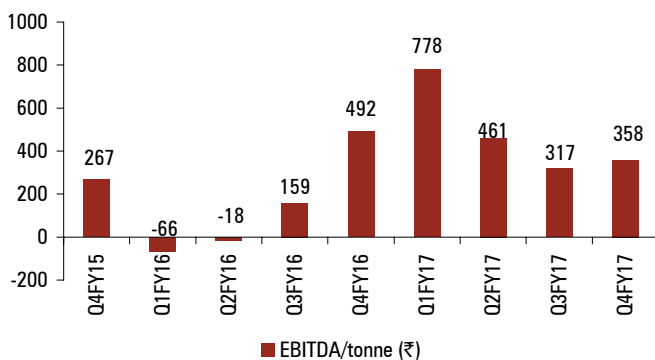
Source: Company, ICICIdirect.com Research

Exhibit 10: Margins to improve gradually post FY17



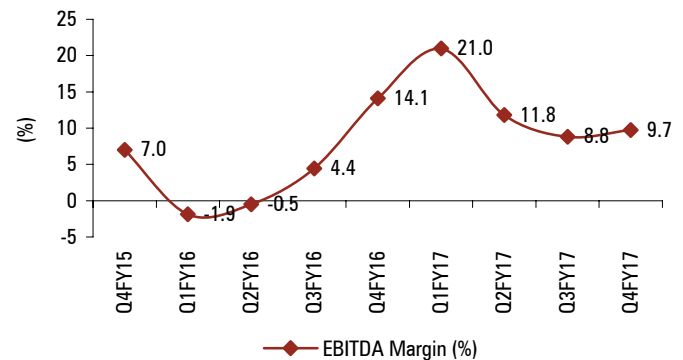
Source: Company, ICICIdirect.com Research

Exhibit 11: Q4FY17 EBITDA/tonne at ₹ 358



Source: Company, ICICIdirect.com Research

Exhibit 12: Quarterly margin trend

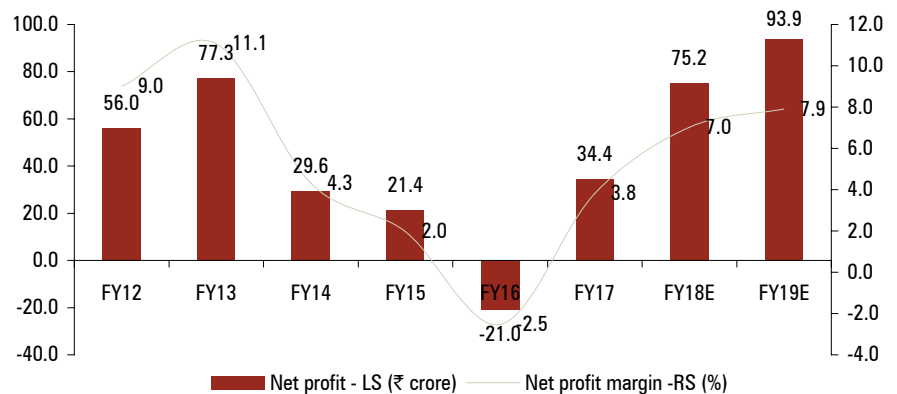


Source: Company, ICICIdirect.com Research

Expect net profit to improve from FY17 onwards

We expect net margins to improve from ₹ 34.4 crore in FY17 to net profit of ₹ 93.9 crore in FY19E led by a better performance at operating level.

Exhibit 13: Profitability trend



Source: Company, ICICIdirect.com Research

Outlook and valuation

We believe the recent capacity expansion at Aligarh (0.75 MT in Q3FY17) will help drive volume growth as the utilisation improves at the plant. Further, increased government spending in roads and affordable housing is expected to boost cement demand over the coming years. In addition, an improvement in pricing power in the north region due to limited capacity addition is expected to drive realisation. As a result, we expect revenues to increase at a CAGR of 14.9% in FY17-19E. Further, freight cost rationalisation, increase in blended cement, and fuel cost savings is expected to boost margins. At the CMP of ₹ 349, the stock is trading at an attractive valuation of 6.0x FY19E EV/EBITDA and an EV/tonne of US\$46. Hence, we maintain **BUY** recommendation with a revised target price of ₹ 425/share (i.e. at 7.0x FY19E EV/EBITDA and EV/tonne of US\$55).

Exhibit 14: Key assumptions

₹ per tonne	FY14	FY15	FY16	FY17	FY18E	FY19E
Sales Volume (mn tonne)	1.9	2.3	2.3	2.4	2.8	3.0
Net Realisation	3606	3868	3547	3711	3820	3935
Total Expenditure	3365	3540	3402	3165	3234	3310
Raw material	833	807	893	592	680	700
Power & Fuel	900	1100	756	822	900	910
Employees	223	246	308	321	284	290
Freight	1097	1092	1065	1085	1120	1150
Others	312	295	379	345	250	260
EBITDA per Tonne	241	328	145	547	586	625

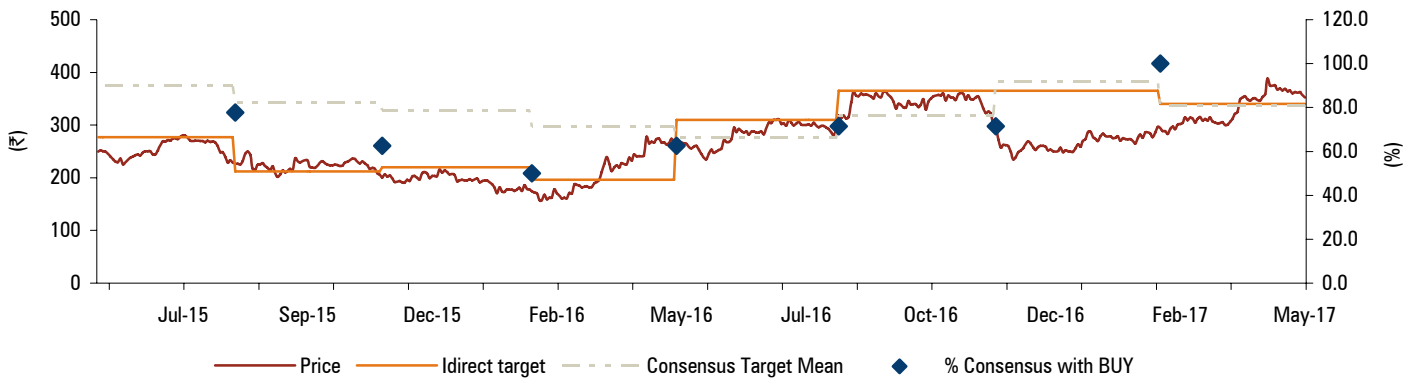
Source: ICICIdirect.com Research;

Exhibit 15: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	EV/Tonne (\$)	RoNW (%)	RoCE (%)
FY16	833.0	-8.3	8.0	NA	0.0	35.1	64.8	-4.4	1.7
FY17	900.9	8.1	12.9	NA	27.1	10.9	51.6	6.8	10.9
FY18E	1069.7	18.7	28.2	118.8	12.4	6.9	47.1	13.1	17.3
FY19E	1188.3	11.1	35.2	24.9	9.9	5.9	46.1	14.2	18.9

Source: Company, ICICIdirect.com Research

Recommendation history vs. Consensus estimate



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Jun-07	Announces that Board for Industrial and Financial Reconstruction (BIFR), has discharged the company from the provisions of sick industrial companies
Jan-09	Announces buyback of equity shares of the company. The maximum amount of buyback will be for an amount not exceeding ₹ 21.5 crore, constituting 9.94% of the paid-up capital and free reserves of the company as on March 31, 2008
Jul-09	Announces setting up of a new cement manufacturing plant with a capacity of 1.5 MTPA at the existing site in Rajasthan
Feb-10	Board of the company approves investment of ₹ 44 crore approximately for setting up five wind mills with a total capacity of 7.5 MW
May-10	Mangalam Timber Products announces the board of the company has recommended amalgamation of the company with Mangalam Cement
Sep-10	Announces that the board has decided to offer one equity share of Mangalam Cement in exchange for 10 shares of Mangalam Timber Products on merger of MTPL with Mangalam Cement
Oct-10	Board approves investment of ~ ₹ 44 crore for setting up five wind mills with total capacity of 7.5 MW
Aug-12	Announces that RC Gupta, Company Secretary, Compliance Officer and Chief Financial Officer of the company, has resigned from the company with effect from August 8, 2012
Sep-12	Announces that Anil Kumar Mandot, Joint President (Commercial) of the company has been appointed Chief Financial Officer (CFO) of the company in the meeting of board of directors on September 3, 2012
Mar-14	Announces completion of expansion of 1.25 MTPA cement plant, which will be commissioned from Q1FY15
May-14	Commissions 1.25 MT cement capacity in Rajasthan
Sep-16	Commissions 0.75 MT grinding unit at Aligarh

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Camden Industries Ltd.	31-Mar-17	14.3	3.8	0.0
2	B K Birla Group	31-Mar-17	8.3	2.2	0.0
3	India Capital Management Ltd	31-Mar-17	7.4	2.0	0.0
4	Pilani Investment & Industries Corporation, Ltd.	31-Mar-17	4.2	1.1	0.0
5	Bansal (Sachin)	31-Mar-17	3.7	1.0	1.0
6	Aditya Marketing Manufacturing Co., Ltd.	31-Mar-17	3.6	1.0	0.0
7	Kesoram Welfare Society	31-Mar-17	3.3	0.9	0.0
8	FIL Investment Management (Singapore) Ltd.	31-Mar-17	3.1	0.8	0.5
9	SBI Funds Management Pvt. Ltd.	31-Mar-17	2.9	0.8	0.0
10	Umang Commercial Co., Ltd.	31-Mar-17	2.7	0.7	0.0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-16
Promoter	13.28	13.28	13.28	13.28	13.28
FII	10.67	10.78	10.95	10.44	11.41
DII	11.64	14.14	6.54	7.97	4.43
Others	64.41	61.80	69.23	68.31	70.88

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Bansal (Sachin)	4.93	0.99	L&T Investment Management Limited	-2.73	-0.55
FIL Investment Management (Singapore) Ltd.	2.34	0.47	Umang Commercial Co., Ltd.	-0.01	0.00
India Capital Management Ltd	0.01	0.00			

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement	₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E
Total operating Income	833.0	900.9	1,069.7	1,188.3
Growth (%)	-8.3	8.1	18.7	11.1
Raw material	209.8	161.7	190.4	211.4
Power & Fuel	177.6	199.4	252.0	274.8
Employees	72.5	77.9	79.5	87.6
Freight	250.2	263.4	313.6	347.3
Others	87.0	84.6	70.0	78.5
Total Operating Exp.	797.1	787.2	905.5	999.6
EBITDA	36.0	113.7	164.2	188.7
Growth (%)	-53.3	216.1	44.3	15.0
Depreciation	36.7	40.3	42.8	45.2
Interest	45.9	47.5	32.0	26.4
Other Income	15.7	22.3	23.6	24.0
Exceptional items	0.0	0.0	0.0	0.0
PBT	-30.9	48.2	113.1	141.2
Total Tax	-9.9	13.8	37.9	47.3
PAT	-21.0	34.4	75.2	93.9
Growth (%)	N.A	N.A	118.8	24.9
Adjusted EPS (₹)	-7.9	12.9	28.2	35.2

Source: ICICIdirect.com Research

Balance sheet	₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E
Liabilities				
Equity Capital	26.7	26.7	26.7	26.7
Reserve and Surplus	453.4	479.3	548.2	635.9
Total Shareholders funds	480.1	506.0	574.9	662.6
Total Debt	345.2	338.3	228.3	188.3
Deferred Tax Liability	52.3	36.8	36.8	36.8
Other Liabilities	76.8	73.5	73.5	73.5
Total Liabilities	954.4	954.6	913.6	961.2
Assets				
Gross Block	1,224.9	1,283.3	1,377.1	1,432.1
Less: Acc Depreciation	429.5	469.8	512.6	557.7
Net Block	795.5	813.5	864.5	874.4
Capital WIP	20.0	48.8	10.0	10.0
Total Fixed Assets	815.5	862.3	874.5	884.4
Investments	35.6	36.8	36.8	36.8
Inventory	115.9	101.6	156.9	130.2
Debtors	34.7	34.3	47.7	43.4
Loans and Advances	181.4	121.3	114.0	147.4
Other Current Assets	15.5	31.6	32.5	38.8
Cash	14.3	25.1	23.4	8.5
Total Current Assets	361.8	314.0	374.5	368.4
Creditors	247.5	234.4	337.7	297.8
Provisions	11.0	24.0	34.6	30.6
Total Current Liabilities	258.5	258.4	372.3	328.4
Net Current Assets	103.3	55.5	2.2	40.0
Application of Funds	954.4	954.6	913.5	961.2

Source: Company, ICICIdirect.com Research

Cash flow statement	₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E
Profit after Tax	-21.0	34.4	75.2	93.9
Add: Depreciation	36.7	40.3	42.8	45.2
(Inc)/dec in Current Assets	33.3	58.7	-62.3	-8.7
Inc/(dec) in CL and Provisions	29.8	-0.1	113.9	-43.9
CF from operating activities	78.7	133.3	169.5	86.4
(Inc)/dec in Investments	0.2	-5.5	0.0	0.0
(Inc)/dec in Fixed Assets	-64.7	-87.2	-55.0	-55.0
Others	-12.7	-14.4	0.0	0.0
CF from investing activities	-77.1	-107.1	-55.0	-55.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.5	-6.9	-110.0	-40.0
Dividend paid & dividend tax	-1.6	-2.4	-6.2	-6.2
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	-9.0	-6.1	0.0	0.0
CF from financing activities	-10.0	-15.4	-116.2	-46.2
Net Cash flow	-8.5	10.8	-1.7	-14.8
Opening Cash	22.8	14.3	25.1	23.4
Closing Cash	14.3	25.1	23.4	8.5

Source: Company, ICICIdirect.com Research

Key ratios	FY16	FY17	FY18E	FY19E
(Year-end March)				
Per share data (₹)				
Adjusted EPS	-7.9	12.9	28.2	35.2
Cash EPS	5.8	28.0	44.2	52.1
BV	179.8	189.5	215.3	248.2
DPS	0.5	0.7	2.0	2.0
Cash Per Share	5.4	9.4	8.7	3.2
Operating Ratios (%)				
EBITDA Margin	4.3	12.6	15.3	15.9
PAT Margin	-2.5	3.8	7.0	7.9
Inventory days	60.1	44.1	44.1	44.1
Debtor days	13.9	14.0	14.0	14.0
Creditor days	100.9	97.6	97.6	97.6
Return Ratios (%)				
RoE	-4.4	6.8	13.1	14.2
RoCE	1.7	10.9	17.3	18.9
RoIC	-0.1	9.2	15.2	16.6
Valuation Ratios (x)				
P/E	0.0	27.1	12.4	9.9
EV / EBITDA	35.1	10.9	6.9	5.9
EV / Net Sales	1.5	1.4	1.1	0.9
Market Cap / Sales	1.1	1.0	0.9	0.8
Price to Book Value	1.9	1.8	1.6	1.4
Solvency Ratios				
Debt/EBITDA	9.6	3.0	1.4	1.0
Debt / Equity	0.7	0.7	0.4	0.3
Current Ratio	1.4	1.2	1.0	1.1
Quick Ratio	1.3	1.1	0.9	1.1

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*	1708	1850	Buy	32,100	31.3	35.6	63.7	26.3	24.4	16.4	168	168	144	6.0	6.9	11.4	7.0	7.7	12.7
Ambuja Cement*	260	280	Buy	51,627	4.1	4.9	6.4	32.5	31.2	24.5	179	184	180	7.9	3.8	7.1	7.8	5.1	6.5
UltraTech Cem	4,455	4750	Buy	122,245	86.4	95.8	118.9	27.1	24.3	21.0	309	298	295	11.6	12.3	14.1	11.3	11.0	12.4
Shree Cement	20,211	17000	Hold	70,334	202	366	565	51.7	30.4	20.3	440	410	409	6.5	12.3	18.5	10.9	16.8	20.8
Heidelberg Cem	133	135	Hold	3,059	1.7	1.8	3.6	19.3	18.3	14.3	125	121	117	8.4	6.0	6.2	6.8	4.3	4.4
India Cement	225	175	Buy	6,912	4.3	5.9	8.5	12.6	12.1	10.2	106	105	102	8.5	8.8	10.4	4.0	4.8	6.5
JK Cement	1,126	990	Buy	7,874	37.1	47.6	54.2	15.7	13.1	11.6	145	140	125	9.0	12.6	14.3	6.1	14.5	15.2
JK Lakshmi Cem	515	500	Buy	6,062	2.0	6.9	12.3	28.2	19.7	13.5	154	131	94	7.8	5.4	9.0	7.2	1.8	5.8
Mangalam Cem	349	425	Buy	932	-7.9	12.9	28.2	35.1	10.9	6.9	65	52	47	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, *CY15E, CY16E, CY17E

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: > 15%/20% for large caps/midcaps, respectively, with high conviction;

Buy: > 10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICIdirect.com Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No. 7, MIDC,
Andheri (East)
Mumbai – 400 093**

research@icicidirect.com

ANALYST CERTIFICATION

We /I, Rashesh Shah, CA, and Devang Bhatt, PGDBM Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with Sebi Registration Number – INH000000990. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

It is confirmed that Rashesh Shah, CA, and Devang Bhatt, PGDBM Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that Rashesh Shah, CA, and Devang Bhatt, PGDBM Research Analysts do not serve as an officer, director or employee of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.