

JK CEMENT

Decent performance

India Equity Research | Cement

JK Cement (JKCE) reported a decent performance in Q1FY18 with EBITDA (at INR1.98bn versus INR2.1bn estimate) rising 13% YoY and PAT jumping an impressive 30%. Grey cement volumes grew ~7% YoY and realisations surged 9% QoQ, leading to EBITDA/t of INR686 (INR614 in Q1FY17). Given the low base of H2FY17 and factoring current stable price trend, we see limited risk to our 7% volume growth and INR587 EBITDA/t FY18 estimates for the segment. GST implementation-led destocking impacted white cement with volume staying flat YoY (putty sales growth slowed to 6% versus 17% in FY17). Given the pricing pressure, the segment's EBITDA dipped 9% YoY. In line with management's guidance, we stay optimistic on recovery in ensuing quarters. Retain 'BUY' with TP of INR1,175 (10x FY19E EBITDA).

Q1FY18: Performance highlights

- Grey cement volumes rose ~7% YoY to 1.74mt (broadly in line) on a low base of 1% in Q1FY17. Including clinker sales of 133kt (led by ~100kt exports, which may not continue) total volumes surged ~15% YoY. Realisations jumped 9% QoQ (5% estimate) leading to EBITDA/t of INR686 versus INR614 in Q1FY17.
- Given the current stable cement prices and low base of H2FY17, we perceive limited risk to our 7% volume growth and INR587 EBITDA/t estimates for FY18.
- White segment disappointed with flat volumes YoY (7% growth estimate) and 9% dip in EBITDA with margin contracting ~260bps YoY. Management attributed this to GST implementation-led destocking and is hopeful of recovery in ensuing quarters. We too remain optimistic.
- UAE operations remained subdued with volume growth of ~3% YoY. Sustained weak demand and increased pricing competition is likely to persist in near term.

Outlook and valuations: Bright potential; maintain 'BUY'

We continue to like JKCE as it is likely to be one of the beneficiaries of anticipated price and demand uptick in North. Steady volumes and EBITDA growth in white cement cushion downside risks, if any, from price volatility in grey cement. With RoE of over 20% in FY19E, we continue to value JKCE at 10x FY19E EBITDA and maintain 'BUY/SO' with TP of INR1,175.

Financials

(INR mn)

Year to March	Q1FY18	Q1FY17	% Chg	Q4FY17	% Chg	FY17	FY18E	FY19E
Total operating Income	10,415	8,951	16.4	10,648	(2.2)	40,623	46,698	53,124
EBITDA	1,977	1,749	13.1	2,273	(13.0)	7,670	8,691	10,517
Adjusted Profit	793	704	12.8	985	(19.4)	2,415	3,338	4,835
Diluted EPS (INR)	11.3	10.1	12.8	14.1	(19.4)	32.4	47.7	69.1
Diluted P/E (x)						29.9	21.6	14.9
EV/EBITDA (x)						13.5	11.5	9.1
ROAE (%)						14.4	17.6	21.7

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: JKCE.BO, B: JKCE IN)

CMP	: INR 1,032
Target Price	: INR 1,175
52-week range (INR)	: 1,196 / 628
Share in issue (mn)	: 69.9
M cap (INR bn/USD mn)	: 72 / 1,125
Avg. Daily Vol.BSE/NSE('000)	: 48.2

SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	64.2	64.2	67.0
MF's, FI's & BK's	13.1	16.7	15.3
FII's	11.4	11.3	10.1
Others	11.3	7.9	7.6
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Construction Material Index
1 month	7.2	0.1	4.0
3 months	(8.1)	4.8	7.3
12 months	34.3	14.1	28.8

Navin R. Sahadeo
 +91 22 4088 6242
 navinr.sahadeo@edelweissfin.com

Sharif Hadimani
 +91 22 6620 3111
 sharif.hadimani@edelweissfin.com

August 16, 2017

Q1FY18 conference call highlights

Operational highlights

- Grey cement production grew 9% YoY to 1.75mt, while sales volume grew 6.5% YoY to 1.74mt. JKCE also sold 133kt clinker (including ~100kt exports to Nepal, which may not continue in ensuing quarters), leading to total sales volume growth of ~15% YoY.
- In Q1FY18, regional sales mix remained broadly same at ~75% sales from Northern plants, while balance was from its Karnataka plant.
- North plants operated at ~75% utilisation and at ~60% in South in Q1FY18.
- Management estimates ~7-8% volume growth in Q2FY18.
- Across key markets, JKCE has witnessed marginal price correction due to monsoon (of ~INR8-10/bag compared to previous quarter's exit prices).
- White cement + wall putty volumes remained flat at 256KT, largely due to GST-related destocking. This, coupled with weak realisations and rising costs, led to the segment's EBITDA dipping 9% YoY. However, going forward, management expects recovery in volume growth with EBITDA margin reverting to ~28%.
- Average pet coke cost in Q1 was INR7,600/t, an increase of ~INR2,000 versus Q1FY17. In Q2FY18, management expects it to increase further by ~INR200/t due to impact of high cost of imported pet coke.
- Management stated that it is early to quantify savings due to GST implementation and it will be in a better position to comment on the same by FY18 end.
- Management expects raw mill silo construction work at South plant to start at the beginning of FY19.
- Interest cost during Q1FY18 was higher QoQ (INR680mn versus INR628mn in Q4FY17) largely due to exchange rate fluctuations (part of finance cost).

Debt and Capex

- Management guided for a capex of INR2.0-2.5bn for FY18. Of this:
 - INR250mn will be incurred on putty expansion at Katni.
 - INR300-400mn to acquire mining land.
 - Balance (~INR1.6-1.75bn) as maintenance and other environment related improvements at existing plants.
- On standalone basis, as of June 30, 2017, JKCE had gross debt of INR24.2bn and net debt of INR19.5bn. Additionally, UAE subsidiary had total outstanding debt of USD90mn.
- In Q1FY18, net debt reduced by INR1.3bn compared to Q4FY17.
- Management expects to repay about INR2.0-2.5bn annually over the next few years.

UAE operations

- In the June quarter, UAE operations recorded volume of 75KT, while revenue and EBITDA stood at AED31.9mn and AED5mn, respectively.
- Operations continued to suffer due to low demand and increased pricing competition in the region.

Capacity expansion plans

- Management reiterated that while it has taken enabling resolution to raise funds, no clear plans have been formed for the expansion. It mentioned that more clarity will be given on capacity expansion by FY18 end.
- If at all management decides to undertake greenfield expansion, it will be for a 2.5-3.0mtpa integrated capacity (grey cement) at an estimated cost of INR15-18bn and an expected timeline of 24-30 months from the date of announcement.
- Wall putty's Katni expansion (0.2mtpa) is expected to be commissioned by June 2018.

Q4FY17 conference call highlights**Operational highlights**

- While grey cement volume fell 2% YoY to 1.86mt during Q4FY17, white+wall putty volumes rose 5% YoY.
- For FY17, grey cement volume stood at 6.8mt, up 1% YoY, and white+wall putty jumped 12% YoY to 1.08mt.
- Higher 'other income' reported in Q4FY17 included a one-time write-back of provisions of INR300mn.
- Management mentioned that multiple cost efficiency measures, inventory of low-cost pet coke and other fuel mixes helped JKCE maintain lower power and fuel costs per tonne of cement. As of Q4FY17, pet coke usage at kilns stood at 85%.
- Pet coke prices have been on the rise, trading close to USD94-95/t. Accordingly, they may impact Q1FY18 power and fuel costs.
- Cement industry has been taking necessary steps to reduce air pollution while using pet coke. Hence, management is not too concerned about the NGT order banning use of pet coke.
- On standalone basis, JKCE had gross debt of INR25.1bn and cash of INR4.8bn as of March 2017 versus gross debt of INR24.5bn and cash of INR4.3bn as of March 2016.
- On consolidated basis, gross debt stood at INR26.7bn as of March 2017.
- Management stated that fly ash availability has been an issue due to interruptions in power plant operations owing to lower power tariffs.
- JKCE's lead distance in North operations was ~600km and ~450km in South. Trade and non-trade sales mix stood at 67% and 33%, respectively.
- Operating rates of the company's plants stood at ~65% in North and ~60% in South.

Outlook and guidance

- Management is targeting volume growth of 7-8% in grey cement and ~12-15% growth in white+wall putty in FY18.
- JKCE is planning to repay total debt of INR2bn in FY18. It also stated that declining interest rates will lower interest costs (~10% currently) by 40-50bps in ensuing years.
- The company incurred capex of ~INR2.5bn in FY17. It has guided for ~INR2.5bn capex in FY18 and ~INR2bn in FY19.
- Capex in FY18 will be largely incurred for maintenance purposes, wall putty expansion at Katni plant, land acquisition, pollution control measures, etc.
- Expansion work at Katni plant is expected to be completed by June 2018.
- JKCE may finalise decision to expand its grey cement capacities by end FY18.

UAE operations

- In Q4FY17, total revenue from UAE operations rose 4% YoY. The subsidiary reported EBITDA of AED6.4mn with cement sales volume of 83K tonnes and clinker sales of 30K tonnes.
- Management stated that competitive intensity amidst weak demand is exerting pressure on pricing in the region.
- Overall, management is targeting volume growth of 10% YoY in CY17.

Table 1: Target price of INR1,175

Particulars	FY19E
Assumed EV/EBITDA multiple (x)	10
Total EBITDA (INR mn)	10,517
EV (INR mn)	107,039
Less: Net debt (INR mn)	24,854
Mcap (INR mn)	82,185
Shares o/s (mn)	69.9
Value per share (INR)	1,175
Potential Upside (%)	13.9

Source: Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Total operating Income	10,415	8,951	16.4	10,648	(2.2)	40,623	46,698	53,124
Raw material	1,780	1,699	4.8	1,915	(7.1)	7,599	8,349	9,316
Power and fuel	1,803	1,387	30.0	1,800	0.2	6,645	8,081	9,629
Staff costs	775	658	17.7	728	6.5	3,155	3,313	3,545
SG&A	2,877	2,358	22.0	2,672	7.7	7,615	8,529	9,701
Other expenses	1,203	1,099	9.4	1,260	(4.5)	7,939	9,735	10,416
Total expenditure	8,438	7,202	17.2	8,375	0.7	32,953	38,006	42,607
EBITDA	1,977	1,749	13.1	2,273	(13.0)	7,670	8,691	10,517
Depreciation	450	425	5.9	452	(0.4)	2,169	2,068	2,182
EBIT	1,527	1,324	15.4	1,821	(16.2)	5,500	6,623	8,335
Other income	186	191	(2.7)	68	174.6	503	607	755
Interest	680	675	0.8	628	8.3	2,954	2,780	2,643
Profit before tax	1,033	840	22.9	1,261	(18.1)	2,856	4,450	6,447
Tax	240	121	98.8	258	(7.1)	649	1,113	1,612
Reported net profit	793	609	30.4	914	(13.2)	2,265	3,338	4,835
Adjusted Profit	793	704	12.8	985	(19.4)	2,415	3,338	4,835
Equity capital(FV INR 2)	699	699		699		699	699	699
No. of shares (mn)	70	70		70		70	70	70
Diluted EPS (INR)	11.3	10.1	12.8	14.1	(19.4)	32.4	47.7	69.1
Diluted P/E (x)						29.9	21.6	14.9
EV/EBITDA (x)						13.5	11.5	9.1
ROAE (%)						14.4	17.6	21.7

As % of net revenues

Raw material	17.1	19.0		18.0		18.7	17.9	17.5
Employee cost	7.4	7.4		6.8		7.8	7.1	6.7
Power & fuel	17.3	15.5		16.9		16.4	17.3	18.1
Other expenses	11.5	12.3		11.8		19.5	20.8	19.6
SG&A	27.6	26.3		25.1		18.7	18.3	18.3
EBITDA	19.0	19.5		21.3		18.9	18.6	19.8
Adjusted net profit	7.6	6.8		8.6		5.9	7.1	9.1

Company Description

JKCE is one of the leading cement manufacturers in India and also the second-largest white cement manufacturer in the country. It is an affiliate of the JK Group, which was founded by Mr. Lala Kamlapat Singhania. Currently, the company has grey cement installed capacity of 10.5mtpa with manufacturing plants at Nimbahera, Mangrol and Gotan in Rajasthan and Muddapur in Karnataka. JKCE is second largest producers of white cement in India with a capacity of 0.6mtpa.

Investment Theme

We continue to like JKCE as it is likely to be one of the beneficiaries of anticipated price and demand uptick in North. Steady volumes and EBITDA growth in white cement cushion downside risks, if any, from price volatility in grey cement. With RoE of over 20% in FY19E, we continue to value JKCE at 10x FY19 EV/ERBITDA and maintain 'BUY' with TP of INR1,175, implying an exit EV/T of USD133/t.

Key Risks

Sharp decline in cement prices/demand and/or sharp increase in input cost.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.0	67.5	66.0	66.0
Sector				
All Ind Cem demand (mt)	281	278	298	325
Demand growth (%)	5.2	(1.0)	7.0	9.0
Ind Capac util (%)	73.0	72.5	76.9	84.2
Ind avg price (INR/50kg)	297.0	302.7	314.4	346.2
Company				
Inst capacity (mtpa)	12	12	12	13
Capacity Utilisation (%)	65	65	69	75
Grey Cem Sales Vol (mt)	6.9	6.8	7.3	7.9
White Cem Sales Vol (mt)	1.0	0.8	1.1	1.2
Grey Cem realiztn(INR/t)	3,579	3,661	3,899	4,132
Wht Cem realiztn (INR/t)	11,037	11,223	11,532	11,849
RM cost per tonne	853	920	947	976
P&F cost per tonne	1,014	804	917	1,009
Freight cost per tonne	954	922	968	1,016
Employee cost per tonne	329	382	376	371
Other expenses per tonne	1,528	1,727	1,888	1,911
Total expenses per tonne	4,678	4,754	5,096	5,282
Grey Cmt EBITDA/t (INR)	319	538	587	696
White Cmt EBITDA/t (INR)	3,121	3,399	2,881	2,990
Effective tax rate (%)	41.4	22.7	25.0	25.0
Debtor days	19	19	17	16
Inventory days	82	88	81	77
Payable days	48	45	46	57

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Income from operations	37,860	40,623	46,698	53,124
Materials costs	6,968	7,599	8,349	9,316
Power and fuel	8,286	6,645	8,081	9,629
Freight	7,797	7,615	8,529	9,701
Employee costs	2,687	3,155	3,313	3,545
Other Expenses	22,743	22,198	26,344	29,747
EBITDA	5,462	7,670	8,691	10,517
Depreciation	1,974	2,169	2,068	2,182
EBIT	3,488	5,500	6,623	8,335
Add: Other income	498.08	502.94	607.14	754.76
Less: Interest Expense	3,049	2,954	2,780	2,643
Profit Before Tax	936	2,856	4,450	6,447
Less: Provision for Tax	388	649	1,113	1,612
Less: Minority Interest	(30)	(58)	-	-
Reported Profit	579	2,265	3,338	4,835
Adjusted Profit	579	2,415	3,338	4,835
Shares o/s (mn)	70	70	70	70
Adjusted Basic EPS	8.3	34.5	47.7	69.1
Diluted shares o/s (mn)	70	70	70	70
Adjusted Diluted EPS	8.3	34.5	47.7	69.1
Adjusted Cash EPS	36.5	65.6	77.3	100.3
Dividend per share (DPS)	4.0	8.0	8.0	10.0
Dividend Payout Ratio(%)	58.2	28.9	19.6	16.9

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	85.6	81.1	81.4	80.2
EBITDA margins	14.4	18.9	18.6	19.8
Net Profit margins	1.4	5.8	7.1	9.1

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	11.8	7.3	15.0	13.8
EBITDA	26.8	40.4	13.3	21.0
Adjusted Profit	(54.3)	317.4	38.2	44.9
EPS	(54.3)	317.4	38.2	44.9

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	699	699	699	699	
Reserves & Surplus	15,171	16,896	19,579	23,596	
Shareholders' funds	15,870	17,595	20,278	24,295	
Minority Interest	98	40	40	40	
Short term borrowings	4,517	4,455	4,455	4,455	
Long term borrowings	30,876	31,053	29,803	27,803	
Total Borrowings	35,393	35,508	34,258	32,258	
Def. Tax Liability (net)	2,165	2,638	2,638	2,638	
Sources of funds	53,525	55,779	57,213	59,230	
Gross Block	54,437	59,488	60,988	62,488	
Net Block	42,333	45,184	44,616	43,934	
Intangible Assets	202	233	233	233	
CWIP (incl. intangible)	3,211	1,267	2,267	2,767	
Total Fixed Assets	45,746	46,685	47,117	46,936	
Non current investments	786	803	803	803	
Cash and Equivalents	3,730	4,271	6,759	8,830	
Inventories	4,931	5,609	5,470	6,543	
Trade receivables	2,113	2,019	2,278	2,463	
Loans & Advances	1,861	2,251	2,251	2,251	
Other Current Assets	2,679	2,404	2,404	2,404	
Current Assets (ex cash)	11,585	12,283	12,402	13,661	
Trade payable	3,047	2,337	3,942	5,074	
Other Current Liab	5,276	5,925	5,925	5,925	
Total Current Liab	8,323	8,262	9,867	10,999	
Net Curr Assets-ex cash	3,262	4,021	2,534	2,662	
Uses of funds	53,525	55,779	57,213	59,230	
BVPS (INR)	227.0	251.6	290.0	347.4	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	579	2,265	3,338	4,835	
Add: Depreciation	1,974	2,169	2,068	2,182	
Interest (Net of Tax)	1,786	2,283	2,085	1,982	
Others	1,756	1,635	(2,085)	(1,982)	
Less: Changes in WC	294	758	(1,486)	128	
Operating cash flow	5,800	7,595	6,892	6,889	
Less: Capex	3,813	3,447	2,500	2,000	
Free Cash Flow	1,987	4,147	4,392	4,889	

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow	5,800	7,595	6,892	6,889	
Investing cash flow	(4,076)	(3,329)	(2,500)	(2,000)	
Financing cash flow	(1,932)	(3,724)	(1,905)	(2,818)	
Net cash Flow	(208)	542	2,488	2,071	
Capex	(3,813)	(3,447)	(2,500)	(2,000)	
Dividend paid	(337)	(337)	(655)	(818)	

Profitability and efficiency ratios		FY16	FY17	FY18E	FY19E
Year to March					
ROAE (%)	3.6	14.4	17.6	21.7	
ROACE (%)	7.9	11.5	13.4	16.4	
Inventory Days	82	88	81	77	
Debtors Days	19	19	17	16	
Payable Days	48	45	46	57	
Cash Conversion Cycle	52	62	52	35	
Current Ratio	1.8	2.0	1.9	2.0	
Gross Debt/EBITDA	6.5	4.6	3.9	3.1	
Gross Debt/Equity	2.2	2.0	1.7	1.3	
Adjusted Debt/Equity	2.2	2.0	1.7	1.3	
Interest Coverage Ratio	1.1	1.9	2.4	3.2	

Operating ratios		FY16	FY17	FY18E	FY19E
Year to March					
Total Asset Turnover	0.7	0.7	0.8	0.9	
Fixed Asset Turnover	0.9	0.9	1.0	1.2	
Equity Turnover	2.3	2.4	2.5	2.4	

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)	8.3	34.5	47.7	69.1	
Y-o-Y growth (%)	(54.3)	317.4	38.2	44.9	
Adjusted Cash EPS (INR)	36.5	65.6	77.3	100.3	
Diluted P/E (x)	124.8	29.9	21.6	14.9	
P/B (x)	4.5	4.1	3.6	3.0	
EV/tonne (USD/tonne)	132	123	122	115	
EV / Sales (x)	2.7	2.5	2.1	1.8	
EV / EBITDA (x)	19.0	13.5	11.5	9.1	
EV/EBITDA (x)+1 yr fwd.	13.6	11.9	9.5	-	
Dividend Yield (%)	0.4	0.8	0.8	1.0	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
JK Cement	1,125	21.6	14.9	11.5	9.1	17.6	21.7
ACC	5,301	43.1	30.8	18.2	14.1	9.0	12.3
Ambuja Cement Ltd	8,358	45.1	35.1	26.0	21.0	6.2	7.8
India Cements	889	21.1	13.6	8.6	6.8	5.2	7.6
Shree Cements	9,499	33.9	23.7	21.6	14.1	21.0	24.2
AVERAGE		33.0	23.6	17.2	13.0	11.8	14.7

Source: Edelweiss research

Additional Data

Directors Data

Dr. K.B Agarwal	Independent, Non Executive (Chairman)	Shri Yadupati Singhania	Managing Director & CEO
Mr. Paul Heinz Hugentobler	Additional Director	Shri Achintya Karati	Independent
Smt Sushila Devi Singhania	Non-Independent	Shri J.N.Godbole	Independent
Shri Shyam Lal Bansal	Independent	Shri K.N. Khandelwal	Independent
Shri R.K. Lohia	Independent	Shri Suparas Bhandari	Independent

Auditors - P.L. TANDON & CO.

**as per last annual report*

Holding – Top 10

	Perc. Holding		Perc. Holding
Franklin Resources	9.20	FMR LLC	5.02
HDFC Life Insurance Co Ltd	3.84	Templeton Asset Mgmt	2.84
DSP Blackrock Investment Manager	1.27	Sundaram Asset Management Co Ltd	1.27
Tata Asset Management Ltd	1.00	General Insurance Corp of India	1.00
Dimensional Fund Advisors LP	0.91	Reliance Capital Trustee Co Ltd	0.84

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
25 Jan 2017	Yadupati Gaur Singhania	Sell	2000000	705.35
25 Jan 2017	Reliance Mutual Fund - Reliance Small Cap Fund	Buy	586000	705.45
25 Jan 2017	Dsp Blackrock Mutual Fund - Dsp Blackrock Micro Cap Fund	Buy	533019	705.00

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
30 Jan 2017	Shri Yadupati Singhania	Sell	2000000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
ACC	BUY	SP	M	Ambuja Cement Ltd	HOLD	SU	M
Grasim Industries	BUY	SO	M	India Cements	BUY	SP	H
JK Cement	BUY	SO	M	Shree Cements	BUY	SO	M
UltraTech Cement	BUY	SO	M				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: research@edelweissfin.com

Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

Coverage group(s) of stocks by primary analyst(s): Cement

ACC, Ambuja Cement Ltd, Grasim Industries, India Cements, JK Cement, Shree Cements, UltraTech Cement

Recent Research

Date	Company	Title	Price (INR)	Recos
14-Aug-17	Grasim Industries	Core operations stay strong; <i>Result Update</i>	1,109	Buy
04-Aug-17	India Cements	Committed to prune debt; <i>Result Update</i>	198	Buy
01-Aug-17	Shree Cements	Soaring realisation offsets cost escalation; <i>Result Update</i>	18,632	Buy

Distribution of Ratings / Market Cap

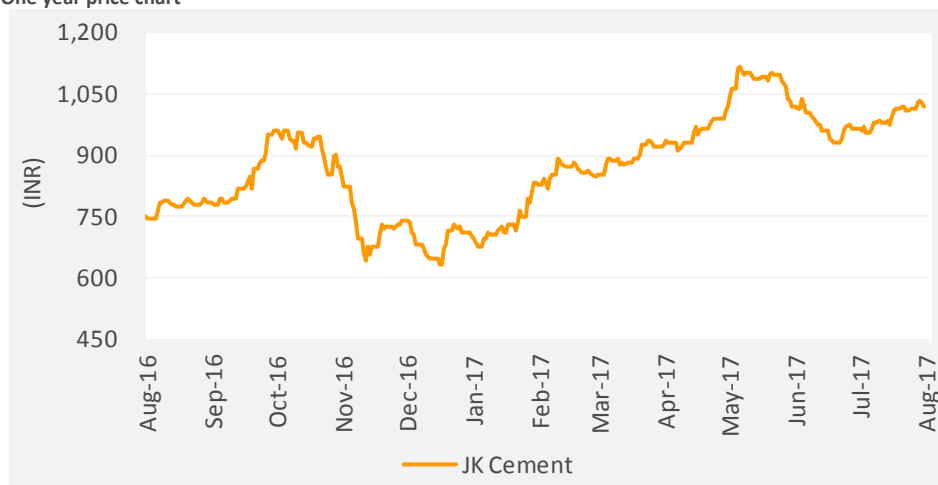
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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