

# JK CEMENT

## Impressive volume surge offset by high cost

India Equity Research | Cement

JK Cement's (JKCE) Q4FY18 volumes jumped 27% YoY for grey cement (20% estimate), while those for white segment rose 11% (7% estimate). Despite impressive volumes, EBITDA at INR1.82bn dipped 5% YoY (5% below estimate) owing to weak prices and cost pressure in grey cement business. With grey cement realisation/t rising 6% versus a cost hike of 13% YoY, EBITDA/t stood at a tepid INR271 (INR456 for FY18). However, white segment continued to impress with EBITDA jumping 16% with 31% margin. While the white segment will continue to impress going ahead as well, the most recent trend in grey cement prices and fuel cost leads us to prune FY19E EBITDA 6%. Factoring benefits of imminent rise in North region's clinker utilisations, we largely retain FY20E. While we continue to like JKCE for its superior RoE and steady growth in white segment, we now value the stock at 10x FY20E EV/EBITDA (11x earlier) to factor in uncertainties around grey cement price hikes, fuel cost and forthcoming elections. Maintain 'BUY' with revised TP of INR1,209 (INR1,371 earlier).

### Q4FY18: Performance highlights

- While volumes in North surged 27% YoY, South volumes rose 24%. Including clinker sales of 52kt, volumes jumped 27% YoY. FY18 volumes grew 16% YoY and including clinker they rose 20%. With clinker utilisations of over 80% in FY18, we expect volume growth to moderate to ~5% over the next two years. While grey cement realisations grew 2% QoQ, we remain optimistic on price recovery going ahead. Grey segment EBITDA/t stood at INR271 (down 44% YoY) versus INR456 for FY18 (INR484 in FY17).
- While white segment volumes grew 11% YoY, FY18 volumes grew 8%. With further capacity addition in putty, we estimate volumes to clock 9% CAGR over FY19-20. EBITDA margin stood at 31% for the quarter and ~29% for FY18. We estimate margin to stay healthy at ~28% going ahead as well.

### Outlook and valuations: Superior RoE; maintain 'BUY'

JKCE remains one of our preferred picks as it is likely to be a major beneficiary of expected surge in industry clinker utilisations in North. Robust white cement business has potential to mitigate volatility in grey segment. Factoring in superior RoE, we value JKCE at 10x FY20E EV/EBITDA and maintain 'BUY/SO' with revised TP of INR1,209.

### Financials

(INR mn)

Year to March	Q4FY18	Q4FY17	% Chg	Q3FY18	% Chg	FY18	FY19E	FY20E
Total operating Income	13,160	10,282	28.0	11,261	16.9	48,463	54,221	60,225
EBITDA	1,819	1,908	(4.6)	1,702	6.9	7,875	8,791	11,351
Adjusted Profit	1,037	462	124.3	730	42.0	3,022	3,043	4,571
Diluted EPS (INR)	14.8	6.6	124.3	10.4	42.0	41.4	43.5	65.4
Diluted P/E (x)						22.6	22.4	14.9
EV/EBITDA (x)						11.7	11.1	9.0
ROAE (%)						16.2	14.5	19.0

### EDELWEISS 4D RATINGS

<b>Absolute Rating</b>	<b>BUY</b>
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Underweight

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

CMP	: INR 975
Target Price	: INR 1,209
52-week range (INR)	: 1,195 / 892
Share in issue (mn)	: 69.9
M cap (INR bn/USD mn)	: 68 / 984
Avg. Daily Vol.BSE/NSE('000)	: 43.6

### SHARE HOLDING PATTERN (%)

	Current	Q3FY18	Q2FY18
Promoters *	64.2	64.2	64.2
MF's, FI's & BK's	16.7	16.7	16.4
FII's	10.6	10.6	11.2
Others	8.5	8.5	8.3
* Promoters pledged shares (% of share in issue)	:		NIL

### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Construction Material Index
1 month	1.6	2.0	1.5
3 months	(4.8)	2.8	(1.8)
12 months	(13.2)	12.9	9.4

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### Q4FY18 conference call highlights

#### White segment:

- White cement operated at utilisation of 85-90% and reported production of 0.56mt for FY18. Sales however, stood at ~0.45mt (flat YoY) as ~0.1mt of volumes were used to make putty.
- Putty manufacturing requires 15-16% of white cement and JKCE has enough capacity (including the convertible capacity at Nihon of 0.2mtpa) to support volume growth going ahead as well.
- White cement limestone reserves are 35-40mt which can support operations over >30 years.
- While the white cement industry has been showing flattish trend, putty sales continue to see growth pan-India.
- JKCE expects growth and margins to sustain in the white business going ahead as well.
- The entry barriers for new entrants in white cement are:
  - Requirement of high-grade limestone which is available only in Rajasthan. The rule of mine allocation through auction makes it even more competitive as existing players can bid more aggressively than the new player.
  - Need of a pan India distribution network and strong brand also takes a lot of time and years of efforts.

#### Grey cement:

- While sales in Trade channels stood flat YoY, non-trade channel has contributed the incremental volumes YoY in FY18.
- In FY19, they are targeting 9% volume growth in North while expect South volumes to stay largely flat.
- The company produced 6.1mt clinker in FY18, of which 4.5mt was in North (implying capacity utilisation of 86% in North). Clinker production in FY17 was 5.1mt of which 3.9mt was in North.
- Though unsure, company expects industry clinker utilisations to be also high in North.
- Cement prices in North though are not increasing but have remained stable. The company expects recovery in coming months.
- Despite the continued sand mining ban, there was no drop in sales witnessed in Rajasthan. While sand prices may have gone up, it has not dented demand.
- Blended cement sales stood at 60% of volumes while exposure to trade segment also stood at 60%.
- Usage of all kilns in North in Q4FY18 also led to cost hike as the old plants production cost is ~INR250-150/t higher versus the new plant. The company plans to operate the proposed 2.5mtpa clinker expansion in North at very high rate to offset the impact of high cost of old kilns.
- Company is also focusing on increasing usage of AFR which can help save cost by ~INR150-200mn (FY20) versus savings of INR60-70mn in FY18.

**UAE business update:**

- The facility is operating at 60% utilisation and is gaining good market share.
- They are looking at increasing sales in Africa as well as importing some volumes to South India.
- They are looking at changing the ownership structure which will help them get VAT rebate and get exemption in payment of customs duty. Also, looking at starting own mines which will help reduce limestone costs. These initiatives will yield results over next two years.
- Limestone reserves in UAE are 80mt.

**Capex update :**

- Capex for Katni putty expansion is INR300mn. In FY18, the amount spent towards land acquisition in Central India is parked under Loans and Advances.
- The company plans to raise INR13bn of loans for the proposed 4.2mtpa expansion.
- It plans to spend INR7bn and INR13bn in FY19 and FY20 respectively towards the proposed brownfield expansion.
- The company is in process of acquiring land as well as seeking EC for Greenfield unit in central India. This is expected to be completed in a year's time after which they will seek the board approval for the project.
- Not sure when the Greenfield project will start.

**Other highlights:**

- Increase in staff cost was due to change in the policy related to Gratuity. The impact was INR110mn in Q4FY18.

**Q3FY18 conference call highlights****Operational highlights**

- JKCE reported total grey cement production volumes of 1.95mt, up 16% YoY, while sales volumes surged 18% YoY to 1.95mt (including clinker, up 22% YoY to 2.03mt).
- White segment's sales volumes grew by 12% YoY to 297kt.
- White segment's total cost increase was due to shift in fuel from pet coke to LDO (~2.5x costlier than pet coke) for a temporary period following Supreme Court's ban on pet coke usage in Rajasthan for almost half of the quarter. The ban was subsequently lifted and company has reverted to using pet coke again.
- **Pet coke import ban update:** As per JKCE, there is a possibility of pet coke imports being allowed to only those industries which are permitted to use it. However, more clarity on this will be available in the next hearing (scheduled towards mid Feb'18).
- Trade segment represents ~67% of sales from North plants and ~65% from South. Given the spur in infrastructure demand, management expects non-trade portion to increase in upcoming quarters.
- As per management, the potential increase in non-trade segment in overall sales mix may lead to reduction in blended cement (PPC) from ~65% at present to ~60%.

## Balance sheet

- Gross debt (standalone), as of Dec'17, stood INR23.4bn while net debt was ~INR17.4bn. Additionally, the company's UAE subsidiary has debt of ~INR6bn.
- Lower interest costs during Q3FY18 (INR578mn versus INR662mn in Q3FY17 and INR633mn in Q2FY18) resulted from debt repayments and re-negotiation of interest rates with lenders.

## Outlook and guidance

- According to management, volume trend in Jan'18 was encouraging. Accordingly, if this trend persists in Feb'18 and Mar'18, JKCE may achieve volume growth of ~15% YoY in FY18 (12% YoY YTD-FY18).
- Regular capex for the company will be ~INR1.5 - 2bn p.a. This will include capex required for the on-going putty expansion at Katni as well as construction of silo in the South plant. Management reiterated its commitment to commission the on-going wall putty expansion (0.2mtpa) at Katni, Madhya Pradesh by Jun'18.
- However, capex for FY18 may be marginally lower at around INR1.5bn as the company incurred capex of ~INR1bn in 9mFY18.
- JKCE expects to repay ~INR5bn debt in the next two years (FY19 and FY20). The company repaid ~INR1.8bn during 9mFY18.

## Brownfield (BF) expansion

- The company has approved a brown-field expansion plan in Mangrol, with two split grinding units in Western Uttar Pradesh (UP) and Gujarat. Management estimated total capital outlay of ~INR20bn for the project which is expected to be fully commissioned by Mar'20.

## Key highlights of the project:

- A new kiln with capacity of 7,500TPD (~2.5mtpa) and 1mtpa grinding capacity at Mangrol
- Up-gradation of a cement mill at Nimbahera by 1mtpa (estimated cost of ~INR1bn; included in total capex cost)
- A split grinding unit of 1.5mtpa in Western UP, near Aligarh (estimated cost ~INR2.8bn). The company will be eligible for state tax incentives for seven years or up to 100% of capex, whichever is earlier.
- Another split grinding unit of 0.7mtpa in Gujarat near Silvassa (estimated cost ~INR1.8bn).
- Land acquisition cost (including mining areas) is estimated to be ~INR1.25bn.
- A 13MW WHRS to be installed at Mangrol.
- Capex does not include any captive power plant (CPP) at this stage. However, it is contemplating to shift its surplus CPP of 25MW from the South plant and will take a decision after further feasibility study.
- The project will be funded through debt of ~INR12-13bn. The company is yet to firm up its plans for balance funding i.e. either through a QIP and/or internal accruals.

- Project work is expected to start in Q1FY19. Management expects grinding facilities at Mangrol and Nimbahera to be commissioned by Sep'19, while clinkerisation may get commissioned between Sep'19 to Dec'19.
- Company has identified the required land and is still in the process of acquiring the same for its split grinding units in Western UP and Gujarat. In addition, with environment clearances being awaited, these units may be commissioned later by Mar'20.
- The company has already been selling in Gujarat (~30k tonnes a month) which it aims to increase (to ~60-65k tonnes a month) through its new grinding unit.
- No railway sidings are being planned at the split GU's as of now.

#### **Greenfield (GF) capex**

Pending land acquisition and receipt of Environment Clearance, JKCE has decided to first pursue its brown-field expansion. The GF project in Madhya Pradesh will be evaluated only after both the above mentioned conditions are met. If all conditions are satisfied, it may start the project work in Q1FY20 or post completion of the 4.2mtpa BF expansion.

#### **UAE operations**

- In CY17, while cement production was largely flat at ~285kt (versus ~290kt in CY16), clinker production surged by ~55-60% YoY. Including clinker, total sales volumes were ~365kt, up ~10% YoY from 335kt in CY16.
- Although oil prices have improved, no major turnaround has been seen in regional demand so far. Accordingly, the company expects a flattish growth trend in CY18.
- Audited operational details are awaited.

#### **Others highlights**

- The company continues to record for subsidies from its North plants. However, no states have released the outstanding amount since the GST implementation.
- As of Dec'17, total outstanding subsidy amount from Jhajjar, Haryana plant was ~INR550mn. From other plants, the outstanding amount is estimated to be ~INR270-300mn (accumulated from Apr'17 until which the amount was paid regularly). JKCE is eligible for incentives at the rate of INR30mn per month.
- Average lead distance (trade segment) of North operations was ~650kms, while it was ~450-500kms for the South plant.

## Financial snapshot\*

(INR mn)

Year to March	Q4FY18	Q4FY17	% change	Q3FY18	% change	FY18	FY19E	FY20E
Total operating Income	13,160	10,282	28.0	11,261	16.9	48,463	54,221	60,225
Raw material	2,197	1,765	24.5	1,997	10.0	8,014	8,270	8,983
Power and fuel	2,832	1,800	57.4	2,203	28.5	9,521	11,574	12,572
Staff costs	903	728	24.1	793	13.9	3,683	3,984	4,184
SG&A	4,178	2,822	48.1	3,352	24.6	11,061	12,482	13,559
Other expenses	1,230	1,259	(2.4)	1,213	1.4	8,310	9,120	9,576
Total expenditure	11,340	8,374	35.4	9,559	18.6	40,589	45,431	48,874
EBITDA	1,819	1,908	(4.6)	1,702	6.9	7,875	8,791	11,351
Depreciation	470	452	4.0	451	4.2	2,313	2,377	2,445
EBIT	1,349	1,456	(7.3)	1,252	7.8	5,561	6,413	8,907
Other income	533	506	5.4	249	114.0	1,281	350	164
Interest	562	701	(19.8)	578	(2.7)	2,841	2,706	2,976
Profit before tax	1,321	1,261	4.7	923	43.0	3,832	4,057	6,095
Tax	265	746	(64.4)	193	37.7	976	1,014	1,524
Reported net profit	965	426	126.5	729	32.3	2,896	3,043	4,571
Adjusted Profit	1,037	462	124.3	730	42.0	3,022	3,043	4,571
Equity capital(FV INR 2)	699	699		699		699	699	699
No. of shares (mn)	70	70		70		70	70	70
Diluted EPS (INR)	14.8	6.6	124.3	10.4	42.0	41.4	43.5	65.4
Diluted P/E (x)	-	-		-		22.6	22.4	14.9
EV/EBITDA (x)	-	-		-		11.7	11.1	9.0
ROAE (%)	-	-		-		16.2	14.5	19.0

## As % of net revenues

Raw material	16.7	17.2		17.7		16.5	15.3	14.9
Employee cost	6.9	7.1		7.0		7.6	7.3	6.9
Power & fuel	21.5	17.5		19.6		19.6	21.3	20.9
Other expenses	9.3	12.2		10.8		17.1	16.8	15.9
SG&A	31.8	27.4		29.8		22.8	23.0	22.5
EBITDA	13.8	18.6		15.1		16.2	16.2	18.8
Adjusted net profit	7.3	4.1		6.5		6.2	5.6	7.6

\*Quarterly numbers are on Standalone basis

## Change in Estimates

	New	FY19E Old	% change	New	FY20E Old	% change	Comments
Net Revenue	54,221	52,725	2.8	60,225	58,020	3.8	Factoring recent trends in cement prices and fuel costs, we have pruned our EBITDA forecast.
EBITDA	8,790	9,345	(5.9)	11,351	11,583	(2.0)	
EBITDA Margin	16.2	17.7		18.8	20.0		
Adjusted PAT	3,043	3,436	(11.4)	4,571	4,735	(3.5)	
Net Profit Margin	5.6	6.5		7.6	8.2		
Capex	10,000	10,000	0.0	11,500	11,500	0.0	

### 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 Organisation, 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 and also is a leading manufacturer of putty with installed capacity of 0.7mtpa. The company also has an overseas subsidiary which operates a 0.6mtpa white cement plant in Fujairah, UAE.

### Investment Theme

We continue to like JKCE as it is likely to be one of the beneficiaries of anticipated rise in industry clinker utilisation rates for grey cement (especially in North). Steady volumes and EBITDA growth in white cement cushion downside risks, if any, from price volatility in grey cement. Factoring in superior RoE of 19% in FY20E and capex completion benefits in FY21, we value JKCE at 10x FY20E EV/EBITDA.

### Key Risks

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

## Financial Statements

## Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
<b>Macro</b>				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.6	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.5
USD/INR (Avg)	67.1	64.5	66.0	66.0
<b>Company</b>				
Inst capacity (mtpa)	12	12	13	13
Capacity Utilisation (%)	65	78	82	86
Grey Cem Sales Vol (mt)	6.8	8.2	8.6	9.0
White Cem Sales Vol (mt)	1.1	1.2	1.3	1.4
Grey Cem realiztn(INR/t)	3,645	3,907	4,102	4,348
Wht Cem realiztn (INR/t)	11,214	11,370	11,793	12,147
RM cost per tonne	925	822	801	826
P&F cost per tonne	809	976	1,122	1,155
Freight cost per tonne	927	1,134	1,210	1,246
Employee cost per tonne	384	378	386	384
Other expenses per tonne	967	852	884	880
Total expenses per tonne	4,012	4,162	4,403	4,491
Grey Cmt EBITDA/t (INR)	484	456	473	682
White Cmt EBITDA/t (INR)	3,378	3,266	3,361	3,401
Effective tax rate (%)	22.7	25.5	25.0	25.0
Debtor days	19	16	17	16
Inventory days	88	73	70	68
Payable days	45	43	51	50

## Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Income from operations	40,623	48,463	54,221	60,225
Materials costs	7,599	8,014	8,270	8,983
Power and fuel	6,645	9,521	11,574	12,572
Freight	7,615	11,061	12,482	13,559
Employee costs	3,155	3,683	3,984	4,184
Other Expenses	22,198	28,892	33,176	35,707
EBITDA	7,670	7,875	8,791	11,351
Depreciation	2,169	2,313	2,377	2,445
EBIT	5,500	5,561	6,413	8,907
Add: Other income	502.94	1,281.38	349.62	164.36
Less: Interest Expense	2,954	2,841	2,706	2,976
Profit Before Tax	2,856	3,832	4,057	6,095
Less: Provision for Tax	649	976	1,014	1,524
Less: Minority Interest	(58)	(40)	-	-
Reported Profit	2,265	2,896	3,043	4,571
Adjusted Profit	2,415	3,022	3,043	4,571
Shares o /s (mn)	70	70	70	70
Adjusted Basic EPS	34.5	43.2	43.5	65.4
Diluted shares o/s (mn)	70	70	70	70
Adjusted Diluted EPS	34.5	43.2	43.5	65.4
Adjusted Cash EPS	65.6	76.3	77.5	100.3
Dividend per share (DPS)	8.0	10.0	8.0	8.0
Dividend Payout Ratio(%)	28.9	29.0	22.1	14.7

## Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
Operating expenses	81.1	83.8	83.8	81.2
EBITDA margins	18.9	16.2	16.2	18.8
Net Profit margins	5.8	6.2	5.6	7.6

## Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	7.3	19.3	11.9	11.1
EBITDA	40.4	2.7	11.6	29.1
Adjusted Profit	317.4	25.2	0.7	50.2
EPS	317.4	25.2	0.7	50.2



Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	699	699	699	699	
Reserves & Surplus	16,896	19,049	21,421	25,321	
Shareholders' funds	17,595	19,749	22,120	26,020	
Minority Interest	40	-	-	-	
Short term borrowings	4,455	3,775	3,775	3,775	
Long term borrowings	29,062	25,741	26,741	31,741	
Total Borrowings	33,517	29,516	30,516	35,516	
Def. Tax Liability (net)	4,629	5,934	5,934	5,934	
<b>Sources of funds</b>	<b>55,779</b>	<b>55,198</b>	<b>58,570</b>	<b>67,470</b>	
Gross Block	59,488	60,817	62,817	64,317	
Net Block	45,184	44,212	43,835	42,890	
Intangible Assets	233	221	221	221	
CWIP (incl. intangible)	1,267	1,043	9,043	19,043	
Total Fixed Assets	46,685	45,477	53,100	62,155	
Non current investments	803	1,189	414	414	
Cash and Equivalents	4,271	5,594	1,542	1,738	
Inventories	5,609	5,898	6,452	6,596	
Trade receivables	2,019	2,358	2,703	2,550	
Loans & Advances	2,251	2,412	2,412	2,412	
Other Current Assets	2,404	1,614	1,614	1,614	
Current Assets (ex cash)	12,283	12,282	13,181	13,173	
Trade payable	2,337	4,357	4,680	5,023	
Other Current Liab	5,925	4,985	4,985	4,985	
Total Current Liab	8,262	9,343	9,665	10,009	
Net Curr Assets-ex cash	4,021	2,939	3,516	3,164	
<b>Uses of funds</b>	<b>55,779</b>	<b>55,198</b>	<b>58,570</b>	<b>67,470</b>	
BVPS (INR)	251.6	282.4	316.3	372.1	

Free cash flow		(INR mn)			
Year to March	FY17	FY18	FY19E	FY20E	
Reported Profit	2,265	2,896	3,043	4,571	
Add: Depreciation	2,169	2,313	2,377	2,445	
Interest (Net of Tax)	2,283	2,117	2,029	2,232	
Others	1,635	(2,060)	(2,029)	(2,232)	
Less: Changes in WC	758	(1,082)	577	(352)	
Operating cash flow	7,595	6,348	4,844	7,368	
Less: Capex	3,447	1,105	10,000	11,500	
<b>Free Cash Flow</b>	<b>4,147</b>	<b>5,243</b>	<b>(5,156)</b>	<b>(4,132)</b>	

Cash flow metrics		FY17	FY18	FY19E	FY20E
Year to March					
Operating cash flow		7,595	6,348	4,844	7,368
Investing cash flow		(3,329)	(1,491)	(9,224)	(11,500)
Financing cash flow		(3,724)	(3,534)	329	4,329
Net cash Flow		542	1,322	(4,052)	196
Capex		(3,447)	(1,105)	(10,000)	(11,500)
Dividend paid		(337)	(839)	(671)	(671)

Profitability and efficiency ratios		FY17	FY18	FY19E	FY20E
Year to March					
ROAE (%)		14.4	16.2	14.5	19.0
ROACE (%)		12.0	13.6	13.3	15.9
Debtors Days		19	16	17	16
Payable Days		45	43	51	50
Cash Conversion Cycle		62	47	36	33
Current Ratio		2.0	1.9	1.5	1.5
Gross Debt/EBITDA		4.4	3.7	3.5	3.1
Gross Debt/Equity		1.9	1.5	1.4	1.4
Adjusted Debt/Equity		1.9	1.5	1.4	1.4
Interest Coverage Ratio		1.9	2.0	2.4	3.0

Operating ratios		FY17	FY18	FY19E	FY20E
Year to March					
Total Asset Turnover		0.7	0.9	1.0	1.0
Fixed Asset Turnover		0.9	1.1	1.2	1.4
Equity Turnover		2.4	2.6	2.6	2.5

Valuation parameters		FY17	FY18	FY19E	FY20E
Year to March					
Adj. Diluted EPS (INR)		34.5	43.2	43.5	65.4
Y-o-Y growth (%)		317.4	25.2	0.7	50.2
Adjusted Cash EPS (INR)		65.6	76.3	77.5	100.3
Diluted P/E (x)		28.2	22.6	22.4	14.9
P/B (x)		3.9	3.5	3.1	2.6
EV/tonne (USD/tonne)		117	115	117	122
EV / Sales (x)		2.4	1.9	1.8	1.7
EV / EBITDA (x)		12.7	11.7	11.1	9.0
EV/EBITDA (x)+1 yr fwd.		12.4	10.5	8.6	-
Dividend Yield (%)		0.8	1.0	0.8	0.8

## Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
JK Cement	984	22.4	14.9	11.1	9.0	14.5	19.0
ACC	3,898	25.6	18.5	11.7	8.7	10.8	14.2
Ambuja Cement Ltd	6,252	31.5	23.8	18.6	14.3	6.6	8.5
India Cements	607	16.3	11.3	7.3	6.2	4.8	6.6
Shree Cements	8,425	35.4	22.9	18.5	13.1	16.9	21.8
UltraTech Cement	16,595	34.2	21.5	16.4	11.6	11.8	16.4
Median	-	28.5	20.0	14.0	10.3	11.3	15.3
AVERAGE	-	27.5	18.8	13.9	10.5	10.9	14.4

Source: Edelweiss research

## Additional Data

### Directors Data

Dr. K.B Agarwal	Independent, Non Executive	Shri Yadupati Singhania	Chairman & Managing Director
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	8.92	FMR LLC	4.35
HDFC Life Insurance Co Ltd	3.04	Franklin Templeton India Pte Ltd	2.83
Mirae Asset Global Investment	1.62	Tata Asset Management Ltd	1.50
Sundaram Asset Management Co Ltd	1.35	Kotak Mahindra	1.13
IDFC Mutual Fund	1.11	General Insurance Corp of India	1.00

*\*as per last available data*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

*\*in last one year*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
13 Sep 2017	Shri Yadupati Singhania	Sell	220000.00
13 Sep 2017	Yadu International Limited	Buy	250000.00
13 Sep 2017	J.K. Traders Limited	Sell	30000.00

*\*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

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## 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
16-May-18	<b>Cement</b>	Clinker: Catch the upcycle; <i>Sector Update</i>		
04-May-18	<b>Ambuja Cements</b>	Variable costs surprise; <i>Result Update</i>	237	Hold
30-Apr-18	<b>Shree Cements</b>	Good show amid challenges; <i>Result Update</i>	16,944	Buy

### 1Distribution of Ratings / Market Cap

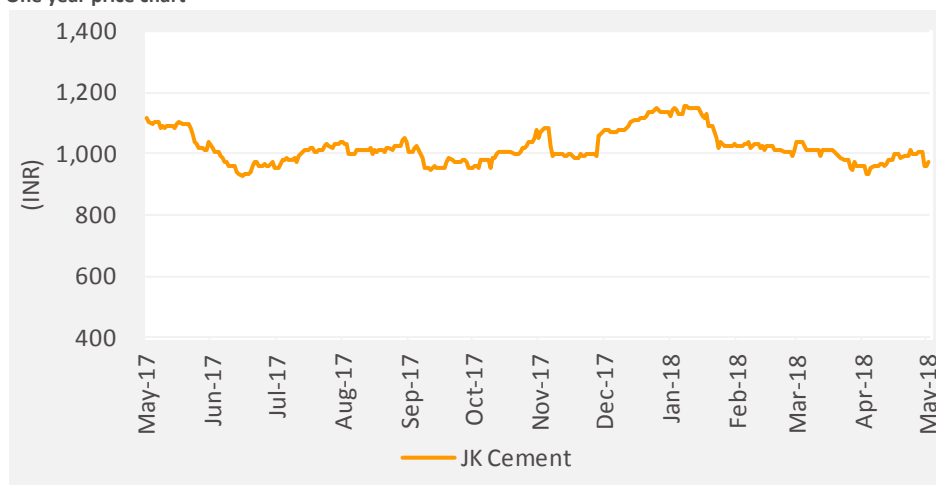
#### Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	229
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

### Rating Interpretation

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

One year price chart



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