

JK Cement (JKCEME)

₹ 690

Operationally better performance...

- JK Cement's revenues were better than our estimates at ₹ 1,273 crore (vs. I-direct estimate: ₹ 1211 crore) up 13.1% YoY led by 7.5% growth in volumes to 2.5 MT (vs. I-direct estimate: 2.42 MT). Blended realisations were up 5.1% at ₹ 5,097/t (vs. I-direct estimate: ₹ 4,992/t)
- With healthy realisations and better operational efficiency, EBITDA/t grew 15% to ₹ 843/t (vs. I-direct estimate: ₹ 792/t) while EBITDA margins expanded 142 bps YoY to 16.5% (vs. I-direct estimate: 16%)
- Though operating performance was better-than-expected with EBITDA at ₹ 210 crore (vs. I-direct estimate: ₹ 194 crore), PAT missed our estimates and fell ~16% YoY to ₹ 60.9 crore (vs. I-direct estimate: ₹ 79.9 crore) led by higher tax expense during the quarter (up 193% YoY)

Demand to outpace supply leading to improving utilisation...

Sustained infrastructure spends in low cost housing, roads along with a pick-up in private capex are expected to further boost cement consumption. Though elections may cause a short-term blip, expenditure is expected to normalise in the peak quarters of Q4FY20E and Q1FY21E. Further, north (where JK Cement sells ~75% of volumes) is expected to witness limited capacity addition CAGR of 2.0% in FY18-20E while demand is expected to grow ~7-8% resulting in improving utilisation and pricing. Consequently, we expect revenues to increase at a CAGR of 9.9% in FY18-20E.

Capacity expansion to further boost volume growth....

In order to capture the robust growth in the northern region, the company is planning to increase its capacity by 40.0% by FY20. JK Cement will add 1 MT at Nimbahera, 1 MT at Mangrol, 1.5 MT at UP and 0.7 MT at Gujarat for ₹ 2,000 crore. For this purpose, the company intends to raise ₹ 1300 crore in debt while during the quarter it also issued ~ 73 lakh shares at ₹ 695.8 per piece to institutional buyers, thereby raising ~ ₹ 510 crore from this issue. We believe this will help it in not only catering to the rising demand in the northern region (operating at ~90% utilisation) but also help in retaining its market share in the region in coming years.

Freight, power cost rationalisation to boost margins...

We expect freight cost per tonne to reduce in the coming quarters led by the rationalisation exercise undertaken by the company. Further, on the power side, the input cost softening impact would be seen from Q1FY20E as the company has enough high cost inventory from the previous quarters, which would suffice for Q4FY19E. The use of alternate fuel in its kiln operations, coupled with reduced power consumption led by optimum utilisation of new capacities and grid connection at UAE are expected to drive margins.

Greenfield expansion to put pressure on return ratios; maintain HOLD

A revival in the rural economy, higher infra spends and likely price hike post festive season are expected to be key drivers of revenue growth in the near term. However, aggressive capacity expansion by the company (planning to expand its capacity by 40%) will increase its debt by more than ₹ 1,000 crore. In addition, a high cost environment will limit margin expansion. We believe this will keep return ratios under pressure, going forward, till new capacities stabilise. Hence, we maintain **HOLD** rating with a target price of ₹ 759/share (i.e. at 9.0x FY20E EV/EBITDA, \$90/tonne on FY20E adjusted capacity of 16.5 MT).

Rating matrix	
Rating	: Hold
Target	: ₹ 759
Target Period	: 9-12 months
Potential Upside	: 10%

What's changed?	
Target	Unchanged
EPS FY19E	Changed from ₹ 40.2 to ₹ 36.9
EPS FY20E	Changed from ₹ 60.3 to ₹ 58.2
Rating	Unchanged

Quarterly performance					
	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	1,273.2	1,126.1	13.1	1,100.6	15.7
EBITDA	210.5	170.2	23.7	169.8	24.0
EBITDA (%)	16.5	15.1	142 bps	15.4	111 bps
PAT	60.9	72.9	(16.5)	64.7	(5.8)

Key financials				
₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	3,703.6	4,591.2	4,856.5	5,639.4
EBITDA	641.4	760.7	726.2	963.1
Net Profit	210.8	341.9	258.2	407.1
EPS (₹)	30.1	48.9	36.9	58.2

Valuation summary				
	FY17	FY18	FY19E	FY20E
P/E	22.9	14.1	18.7	11.9
Target P/E	25.2	15.5	20.6	13.0
EV/EBITDA	10.8	8.7	10.0	8.4
EV/Tonne(\$)	97	79	79	81
P/BV	2.6	2.2	2.1	1.8
RoNW (%)	12.3	16.7	11.1	15.4
RoCE (%)	12.8	14.6	11.1	13.2

Stock data	
Particular	Amount
Mcap	₹ 4825 Crore
Debt (FY18)	₹ 2390 Crore
Cash & Invest (FY18)	₹ 621 Crore
EV	₹ 6594 Crore
52 week H/L	₹ 1195 / 748
Equity cap	₹ 69.9 crore
Face value	₹ 10

Price performance				
	1M	3M	6M	12M
Heidelberg Cem	-3.5	-1.5	-9.0	-1.6
India Cement	-14.8	-17.9	-32.9	-48.4
JK Cement	-3.3	-0.3	-9.3	-35.4
JK Lakshmi Cem	-2.7	15.0	-7.7	-25.5
Sagar Cement	-10.0	-8.2	-26.3	-34.6

Research Analyst	
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Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	YoY (%)	Q2FY19	QoQ (%)	Comments
Total Operating Income	1273.2	1211.5	1126.1	13.1	1,100.6	15.7	Strong growth in white cement volumes (up 18.9% YoY) led to overall volume growth of 7.5% YoY during Q3FY19. Realisations also improved by 5% YoY
Other Income	11.8	20.0	24.9	-52.6	18.0	-34.4	
Raw Material Expenses	225.1	196.2	185.5	21.3	188.4	19.4	
Employee Expenses	89.1	92.0	79.3	12.3	90.2	-1.2	
Stock Adjustments	2.3	0.0	14.1	NA	-19.6	NA	
Power & Fuel	261.5	261.6	220.3	18.7	240.9	8.5	Higher petcoke and coal costs lead to higher P&F costs per tonne. However this effect is softened by usage of Alternate fuel (10% in kiln feed)
Freight cost	277.4	261.6	262.2	5.8	235.8	17.6	
Others	207.4	205.9	194.4	6.7	195.1	6.3	
EBITDA	210.5	194.3	170.2	23.7	169.8	24.0	
EBITDA Margin (%)	16.5	16.0	15.1	142 bps	15.4	111 bps	
Interest	56.4	54.7	57.8	-2.4	58.3	-3.2	
Depreciation	48.6	48.7	45.1	7.9	48.7	-0.1	
PBT	117.3	111.0	92.2	27.3	80.8	45.1	
Total Tax	56.4	31.1	19.3	192.9	16.1	249.4	It includes excess provision of ₹25 crore towards deferred tax liability
PAT	60.9	79.9	72.9	-16.5	64.7	-5.8	

Key Metrics

							Comments
Volume (MT)	2.50	2.42	2.32	7.5	2.16	15.7	Grey cement & white sales volumes were up by 5.8% YoY & 18.9% YoY respectively during the quarter
Realisation (₹)	5,097	4,992	4,848	5.1	5,096	0.0	
EBITDA per Tonne (₹)	843	792	733	15.0	786	7.2	Margins expansion leads to better EBITDA/t

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	4,808.8	4,856.5	1.0	5,625.3	5,639.4	0.3	Capacity expansion and higher infra spend to drive revenues over the next two years
EBITDA	725.2	726.2	0.1	949.0	963.1	1.5	
EBITDA Margin (%)	15.1	15.0	-13 bps	16.9	17.1	21 bps	
PAT	280.8	258.2	-8.1	421.9	407.1	-3.5	
EPS (₹)	40.2	36.9	-8.1	60.3	58.2	-3.5	

Source: Company, ICICI Direct Research

Assumptions

	Current				Earlier				Comments
	FY15	FY16	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Volume (MT)	7.2	7.8	7.9	9.4	9.7	11.0	9.8	11.0	Volumes to increase at a CAGR of 8.4% over next two years
Realisation (₹)	4,659	4,502	4,747	4,908	5,024	5,130	4,997	5,117	We expect realisations to increase led by price improvement in North and South regions
EBITDA per Tonne (₹)	620	619	877	809	751	876	789	863	

Source: Company, ICICI Direct Research

Key highlights of conference call

- During Q3FY19, JK Cement sold 21.43 lakh tonne of grey cement (up 5.8% YoY) and 3.53 lakh tonne of white cement & putty taken together (higher by 18.9% YoY). Total 68% of volumes sold came from trade segment while the OPC PPC mix was at 40:60
- The clinker capacity utilisation in the north was at ~95% and sub 70% in the south
- JK Cement's fuel mix is 85% petcoke, 10% alternative fuels and 5% domestic coal. Total 80% of the petcoke consumed are imported. Though petcoke prices have softened, benefits of the same would be seen from Q1FY20 as the company currently has inventory of high cost petcoke from earlier period that will suffice for Q4FY19E. Lead distance was 350 km in the south and 450 km in the north
- The management reiterated the completion of all expansion projects by end of FY20. Regarding the split grinding unit in Gujarat, environment clearance is pending
- The management said that ₹ 1300 crore of debt for the expansion would be sanctioned by the end of February 2019 while the effective interest cost would be below 9% for the same
- Currently, the gross debt of the company is at ₹ 2124 crore. It can reach a peak of ~ ₹ 3200 crore in FY20 as the company also has repayment worth ₹ 200 crore scheduled in FY20
- The UAE business is expected to turn profitable from CY21 and is looking to expand presence in African region. Total 50000 tonne of white cement & putty taken together will be shipped from UAE to South Indian markets, going forward

Company Analysis

Improving demand supply scenario to drive utilisation...

We expect capacity addition in the northern region to increase at a CAGR of 2.0% in FY18-20E while demand is expected to increase at a CAGR of ~7-8% mainly led by increased government spending in roads and affordable housing. The company sells majority (~75%) of its cement in the north. Hence, given the limited capacity addition and healthy cement demand, we expect realisation and utilisation to rise.

Total 40% increase in grey cement capacity by FY20 a key positive...

The company is planning to add 4.2 MT capacity in the northern region for a capex of ₹ 2,000 crore. JK Cement expects to fund the same through debt of ₹ 1,300 crore and rest through internal accruals. The company will add 1 MT at Nimbahera, 1 MT at Mangrol, 1.5 at UP and 0.7 at Gujarat. We believe this will help JK Cement to cater to the rising demand in the northern region (operating at ~90.0% utilisation), spread its geographical presence and also retain its market share in the region in coming years.

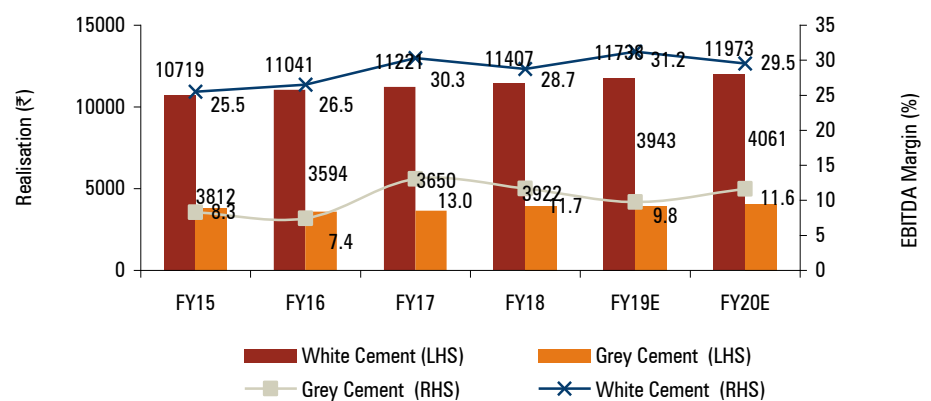
Demand environment in south to improve

Total 30% of the company's current capacity is in Karnataka (i.e. 3.0 MT), in the southern region. The company's major markets in the south are Maharashtra (with more than 50% share) while balance quantities are sold in Karnataka and Kerala. Going forward, we expect a better monsoon, pick up in construction activities and higher infra spend in Maharashtra to drive volumes & realisation in FY18-20E.

White cement a cash cow

JK Cement has 0.6 MTPA of white cement capacity. With only two major players manufacturing white cement, the other being UltraTech Cement, coupled with relatively stable white cement demand, white cement commands around three times the realisation fetched by grey cement.

Exhibit 1: White cement & grey cement comparative analysis of realisation, margin trends



Source: Company, ICICI Direct Research

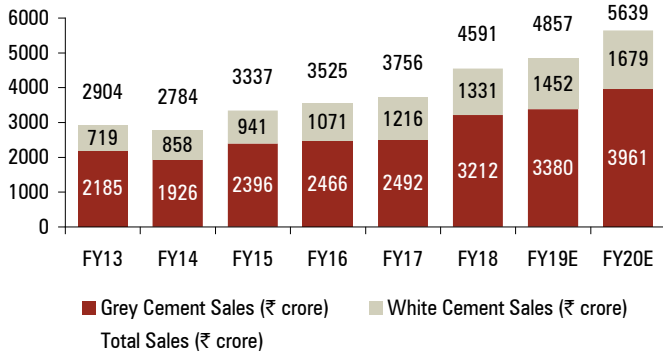
Cost rationalisation to boost margins

The rise in power and freight cost has kept the margins under check. However, we expect improving utilisation and freight rationalisation to help mitigate the rising input cost pressure, going forward. Further, the company has utilised the new capacity at optimum levels. This has helped reduce power consumption. In addition, railways siding at these newer capacities coupled with grid connection at UAE are expected to drive margins.

Expect revenue CAGR of 10.8% during FY18-20E

Revenues have grown at 9.6% CAGR in FY13-18 where volume has grown at a CAGR of 8.0%. Going forward, with capacity expansion and improving macro demand, we expect revenues to grow at a CAGR of 10.8% in FY18-20E. We expect volume CAGR of 8.4% in FY18-20E. We expect the realisation to grow annually at ~2.2%.

Exhibit 2: Expect expansion led revenue CAGR of 10.8% during FY18-20E



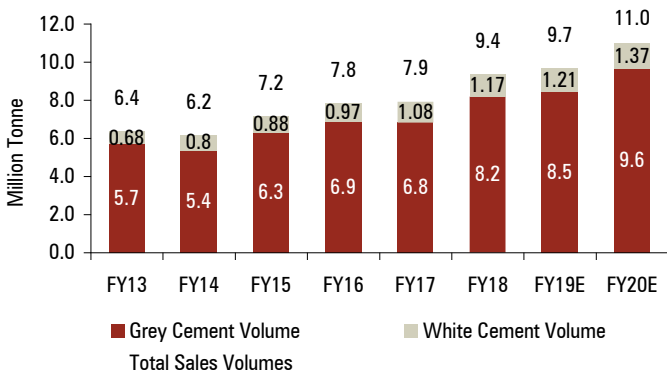
Source: Company, ICICI Direct Research

Exhibit 3: Capacity addition plans

	State	Region	MT
Grey Cement			
Nimbahera	Rajasthan	North	4.6
Mangrol	Rajasthan	North	1.8
Muddapur	Karnataka	South	3.0
Total			9.3
White Cement and Wall Putty			
Gotan	Rajasthan	North	0.6
Wall Putty			0.9
Total			1.5
Grey Cement Expansion plan			
Mangrol	Rajasthan	North	1.5
Jhajjar	Haryana	North	1.5
Aligarh	UP	North	1.5
Silvasa	Gujarat	West	0.7
Total (after expansion)			14.5
International Expansion plan			
Habhab, Tawian Fujariah	UAE		0.6 white or 1 grey

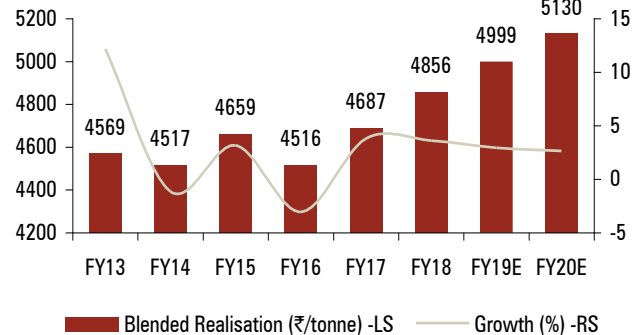
Source: Company, ICICI Direct Research

Exhibit 4: Volume to grow at 8.4% CAGR during FY18-20E



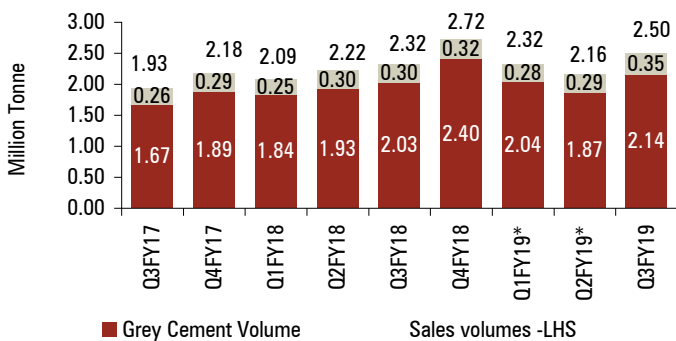
Source: Company, ICICI Direct Research

Exhibit 5: Realisation to grow at 2.8% CAGR during FY18-20E



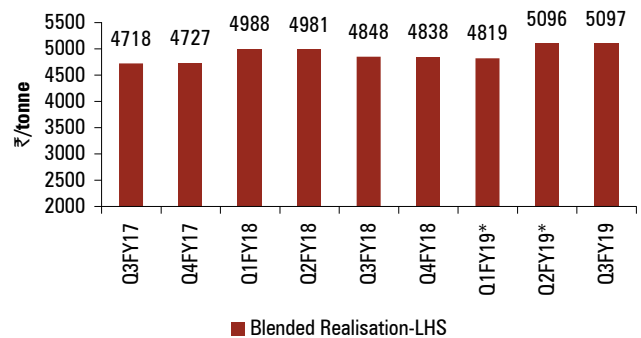
Source: Company, ICICI Direct Research

Exhibit 6: Volumes grew 7.5% YoY in Q3FY19



Source: Company, ICICI Direct Research

Exhibit 7: Realisations improves 5.1% YoY in Q3FY19

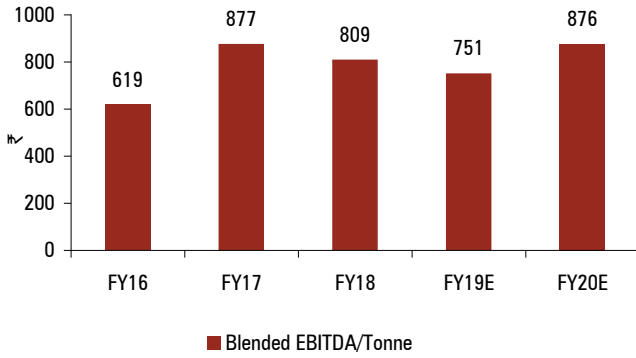


Source: Company, ICICI Direct Research

Margins to improve, going forward

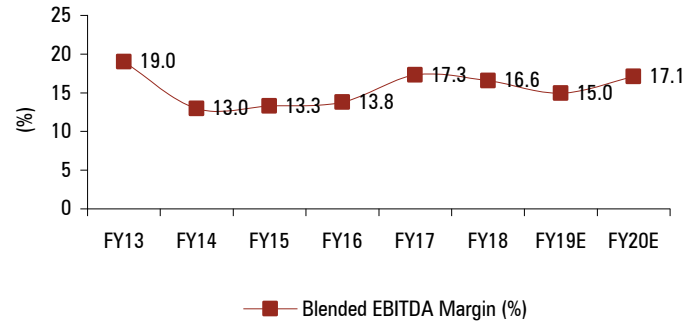
With an anticipated increase in realisation and utilisation, we expect margins to improve, going forward. White cement commands better margins than grey cement. Hence, we expect blended margins to improve, going forward, despite concerns over a high cost environment. Focus on two regions along with enough captive power also bodes well for the company towards improving margins.

Exhibit 8: Expect EBITDA/tonne of ₹876t in FY20E



Source: Company, ICICI Direct Research

Exhibit 9: Higher contribution of white cement to aid in margin expansion

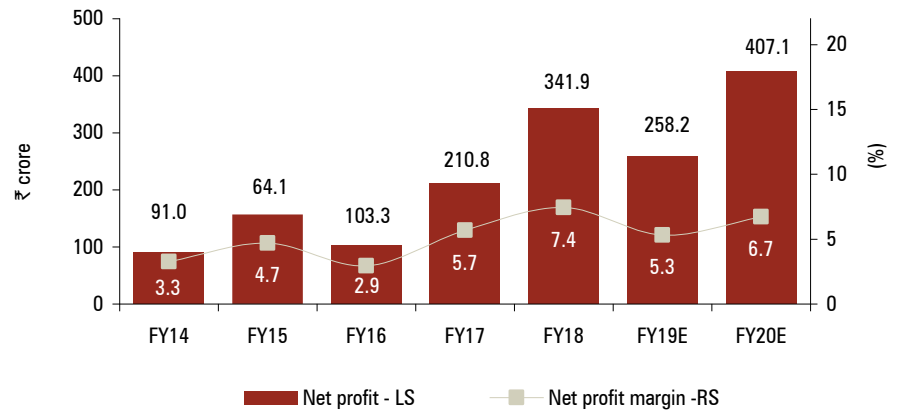


Source: Company, ICICI Direct Research

Expect net profit to increase at CAGR of 11.1% over FY18-20E

After witnessing a sharp decline in profit in FY16, we expect net profit to grow from ₹ 341.9 crore in FY18 to ₹ 421.9 crore in FY20E.

Exhibit 10: Profitability trend



Source: Company, ICICI Direct Research

Outlook and valuation

A revival in the rural economy, higher infra spends and likely price hike post festive season are expected to be key drivers of revenue growth in the near term. However, aggressive capacity expansion by the company (planning to expand its capacity by 40%) will increase its debt by more than ₹ 1,000 crore. In addition, a high cost environment will limit margin expansion. We believe this will keep return ratios under pressure, going forward, till new capacities stabilise. Hence, we maintain **HOLD** rating with a target price of ₹ 759/share (i.e. at 9.0x FY20E EV/EBITDA, \$90/tonne on FY20E adjusted capacity of 16.5 MT).

Exhibit 11: Key assumptions

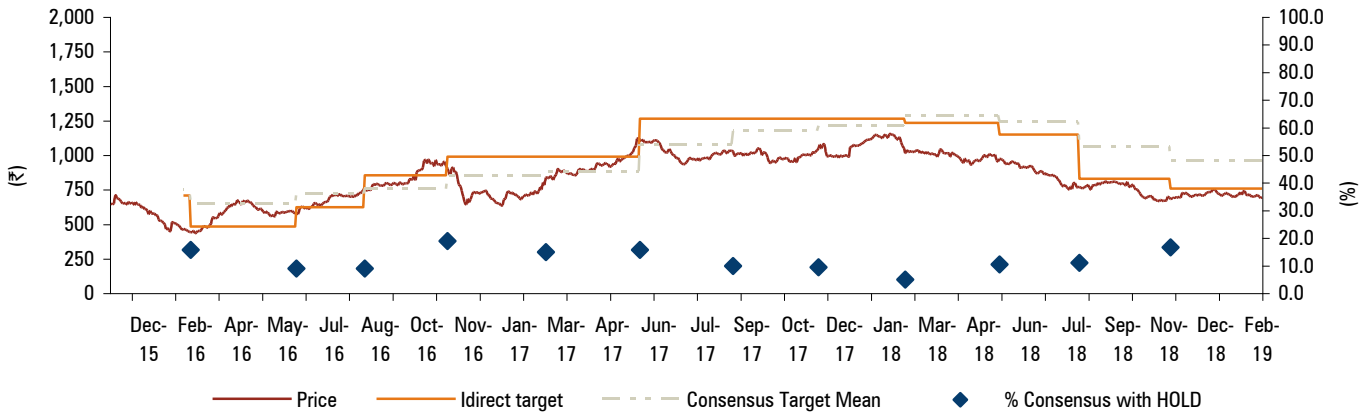
₹ per tonne	FY15	FY16	FY17	FY18	FY19E	FY20E
Sales Volume (mtpa)	7.2	7.8	7.9	9.4	9.7	11.0
Net Realisation	4659	4502	4747	4908	5024	5130
Total Expenditure	4039	3882	3870	4099	4273	4254
EBITDA per Tonne	620	619	878	809	751	876

Source: ICICI Direct Research

Exhibit 12: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	EV/Tonne (\$)	RoNW (%)	RoCE (%)
FY17	3703.6	5.2	32.9	104.0	22.9	10.8	96.7	12.3	12.8
FY18	4591.2	24.0	51.3	55.9	14.1	8.7	78.6	16.7	14.6
FY19E	4856.5	5.8	36.9	-28.1	18.7	10.0	79.4	11.1	11.1
FY20E	5639.4	16.1	58.2	57.7	11.9	8.4	81.4	15.4	13.2

Source: Company, ICICI Direct Research

Recommendation history vs. consensus estimate


Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Mar-12	The government proposes to raise excise duty on the building material from 10% to 12% against expectations of a cut in the same
Jun-12	The CCI imposes a fine of 50% of annual profit for the fiscal year ending 2010 and 2011, a total of ₹ 6000 crore on 11 cement companies including JK Cement (₹ 128.5 crore) for alleged cartelisation
Oct-13	Revenue contribution from white cement reached 33% in Q2FY14. During the quarter, grey cement reported negative EBITDA while white cement reported ~22% EBITDA margin, thus proving to be a face saviour for the company
Mar-14	Expanding its total grey cement capacity from current 7.5 MTPA to 10.5 MTPA and further capacity of 0.6 MTPA of white cement in UAE. The production from expanded capacity is expected to start from Q2FY15
Jun-14	Commences grey cement production at Jharli, Haryana having grey cement grinding capacity of 1.5 MT
Sep-14	Commissions 1.5 MT grey cement plant at Mangrol, Rajasthan
Sep-15	Commissions railway siding at mangrol and Haryana
Apr-16	Stoppage of clinker production at Muddapur due to cracks in silo
May-16	Commences operation of wall putty plant in Madhya Pradesh having total capacity of 0.2 MT
Oct-16	Company rebuilds clinker silo roof in Karnataka that caved in earlier and makes it operational
Feb-18	Approves brownfield expansion at Mangrol and split grinding unit in UP and Gujarat having a total capacity of 4.2 MT at estimated cost of ₹ 2,000 crore
Dec-18	Issuance of 73,41,001 Equity Shares @ ₹ 695.8 per share via QIP. Total capital raised ₹ 510 crore

Source: Company, ICICI Direct Research

Top 10 Shareholders						Shareholding Pattern					
Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)	(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
1	Yadu International, Ltd.	31-Dec-18	0.4	30.2	0.0	Promoter	64.16	64.16	64.16	64.16	58.07
2	Singhania (Yadupati)	31-Dec-18	0.2	12.1	0.0	FII	11.20	10.54	10.27	10.64	9.83
3	SBI Funds Management Pvt. Ltd.	31-Dec-18	0.1	5.7	3.5	DII	16.35	16.77	16.77	16.69	24.69
4	Franklin Templeton Asset Management (India) Pvt. Ltd.	31-Mar-18	0.1	4.3	0.1	Others	8.29	8.53	8.80	8.51	7.41
5	Fidelity Management & Research Company	31-Dec-18	0.0	2.9	0.0						
6	ICICI Prudential Asset Management Co. Ltd.	31-Dec-18	0.0	2.0	1.7						
7	HDFC Life Insurance Company Limited	31-Dec-18	0.0	1.7	-0.3						
8	Singhania (Kavita Y)	31-Dec-18	0.0	1.3	0.0						
9	Sundaram Asset Management Company Limited	31-Dec-18	0.0	1.2	0.1						
10	Reliance Nippon Life Asset Management Limited	31-Dec-18	0.0	1.0	0.4						

Source: Reuters, ICICI Direct Research

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
SBI Funds Management Pvt. Ltd.	36.31	3.54	HDFC Life Insurance Company Limited	-2.75	-0.27
ICICI Prudential Asset Management Co. Ltd.	17.52	1.71	IDBI Asset Management Limited	-0.47	-0.04
HDFC Asset Management Co., Ltd.	5.90	0.57	Invesco Asset Management (India) Private Limited	-0.14	-0.01
Reliance Nippon Life Asset Management Limited	3.69	0.36	Kotak Mahindra (UK) Ltd	-0.04	0.00
IDFC Asset Management Company Private Limited	1.47	0.14	Mellon Investments Corporation	-0.03	0.00

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Total operating Income	3,703.6	4,591.2	4,856.5	5,639.4	
Growth (%)	5.2	24.0	5.8	16.1	
Raw material cost	693.2	773.2	819.1	950.9	
Employee Expenses	275.5	325.5	373.6	412.2	
Power, Oil & Fuel	625.3	889.7	1044.0	1154.2	
Freight cost	728.3	1072.4	1072.1	1224.6	
Other Expenses	739.9	769.7	821.4	934.4	
Total Operating Exp.	3,062.1	3,830.5	4,130.3	4,676.3	
EBITDA	641.4	760.7	726.2	963.1	
Growth (%)	32.1	18.6	-4.5	32.6	
Depreciation	176.1	186.3	195.0	226.7	
Interest	265.6	245.4	224.1	244.3	
Other Income	144.1	127.6	70.6	106.6	
Exceptional items	19.3	17.0	0.0	0.0	
PBT	324.4	439.7	377.8	598.7	
Total Tax	113.6	97.9	119.6	191.6	
PAT	210.8	341.9	258.2	407.1	
Growth (%)	104.0	62.2	-24.5	57.7	
Adjusted EPS (₹)	30.1	48.9	36.9	58.2	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Profit after Tax	210.8	341.9	258.2	407.1	
Add: Depreciation	176.1	186.3	195.0	226.7	
(Inc)/dec in Current Assets	-149.3	-23.8	-12.8	-273.8	
Inc/(dec) in CL and Provisions	117.4	96.6	83.7	203.3	
CF from operating activities	355.0	600.9	524.0	563.3	
(Inc)/dec in Investments	-1.9	-12.3	0.0	0.0	
(Inc)/dec in Fixed Assets	-285.9	-85.9	-1,100.0	-1,300.0	
Others	31.4	-83.7	0.0	0.0	
CF from investing activities	-256.4	-181.9	-1,100.0	-1,300.0	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	-10.6	-236.4	450.0	650.0	
Dividend paid & dividend tax	-66.0	-84.3	-84.3	-84.3	
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0	
Others	36.4	18.2	0.0	0.0	
CF from financing activities	-40.2	-302.5	365.7	565.7	
Net Cash flow	58.5	116.6	-210.3	-171.0	
Opening Cash	368.4	426.9	543.5	333.2	
Closing Cash	426.9	543.5	333.2	162.2	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Liabilities					
Equity Capital	69.9	69.9	69.9	69.9	
Reserve and Surplus	1,801.6	2,077.4	2,251.2	2,574.0	
Total Shareholders funds	1,871.5	2,147.3	2,321.1	2,643.9	
Total Debt	2,626.4	2,390.0	2,840.0	3,490.0	
Deferred Tax Liability	264.3	267.2	267.2	267.2	
Minority Interest / Others	0.0	0.0	0.0	0.0	
Total Liabilities	4,762.2	4,804.5	5,428.3	6,401.1	
Assets					
Gross Block	4,993.2	5,097.3	5,597.3	6,835.1	
Less: Acc Depreciation	1,318.7	1,505.0	1,700.0	1,926.6	
Net Block	3,674.5	3,592.3	3,897.3	4,908.4	
Capital WIP	104.8	87.8	687.8	750.0	
Total Fixed Assets	3,779.3	3,680.1	4,585.1	5,658.4	
Intangible Asset	5.6	4.4	4.4	4.4	
Investments	535.6	634.5	634.5	634.5	
Inventory	498.1	531.6	556.8	707.1	
Debtors	148.1	188.0	198.3	230.2	
Loans and Advances	449.5	399.9	377.2	468.7	
Cash	426.9	543.5	333.2	162.2	
Total Current Assets	1,522.6	1,663.0	1,465.4	1,568.2	
Creditors	809.2	851.1	900.8	1,046.0	
Provisions	271.7	326.4	360.3	418.4	
Total Current Liabilities	1,080.9	1,177.4	1,261.1	1,464.4	
Net Current Assets	441.7	485.5	204.3	103.8	
Application of Funds	4,762.2	4,804.5	5,428.3	6,401.1	

Source: Company, ICICI Direct Research

Key ratios					
(Year-end March)	FY17	FY18	FY19E	FY20E	
Per share data (₹)					
Adjusted EPS	30.1	48.9	36.9	58.2	
Cash EPS	55.3	75.5	64.8	90.6	
BV	267.6	307.1	331.9	378.1	
DPS	8.0	10.0	10.0	0.0	
Cash Per Share	61.0	77.7	47.6	23.2	
Operating Ratios (%)					
EBITDA Margin	17.3	16.6	15.0	17.1	
PAT Margin	5.7	7.4	5.3	7.2	
Inventory days	45.7	40.9	40.9	40.9	
Debtor days	14.6	14.9	14.9	14.9	
Creditor days	79.7	67.7	67.7	67.7	
Return Ratios (%)					
RoE	12.3	16.7	11.1	15.4	
RoCE	12.8	14.6	11.1	13.2	
RoIC	11.2	14.0	12.3	13.6	
Valuation Ratios (x)					
P/E	22.9	14.1	18.7	11.9	
EV / EBITDA	10.8	8.7	10.0	8.4	
EV / Net Sales	1.9	1.4	1.5	1.4	
Market Cap / Sales	1.3	1.1	1.0	0.9	
Price to Book Value	2.6	2.2	2.1	1.8	
Solvency Ratios					
Debt/EBITDA	4.1	3.1	3.9	3.6	
Debt / Equity	1.4	1.1	1.2	1.3	
Current Ratio	1.4	1.4	1.2	1.1	
Quick Ratio	1.0	1.0	0.9	1.0	

Source: Company, ICICI Direct Research

ICICI Direct Research coverage universe (Cement)

Company	CMP		Rating	M Cap	EPS (₹)			EV/EBITDA (x)			EV/Tonne (\$)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)		(₹ Cr)	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
ACC*	1,390	1,750	Buy	26,124	35.0	49.2	80.9	15.1	13.1	11.4	118	107	104	14.0	14.7	16.1	9.9	14.9	11.2
Ambuja Cement*	209	231	Buy	41,500	6.3	6.4	8.1	14.0	13.2	10.8	137	139	137	11.3	12.8	16.4	8.6	9.0	10.8
UltraTech Cem	3,440	4,150	Buy	94,394	89.6	81.8	113.1	18.5	17.3	12.6	202	189	177	10.0	9.7	12.6	9.5	8.1	10.2
Shree Cement	15,610	16,900	Hold	54,323	397.8	396.0	611.1	22.6	20.3	14.9	236	197	171	15.3	13.2	19.3	15.6	14.0	18.2
Heidelberg Cem	146	165	Buy	3,297	5.9	9.3	10.9	11.6	8.4	7.3	119	117	110	14.8	21.5	24.6	12.8	18.0	18.4
India Cement	79	120	Buy	2,418	3.3	1.5	3.7	8.0	8.4	8.1	60	60	59	5.1	4.6	4.9	1.9	0.9	2.1
JK Cement	695	759	Hold	4,860	48.9	36.9	60.2	8.7	10.0	8.4	79	80	82	14.6	11.1	13.5	16.7	11.1	15.8
JK Lakshmi Cem	307	315	Buy	3,608	7.1	7.4	14.9	12.4	11.8	8.8	68	63	61	8.8	9.1	12.7	5.8	5.7	10.4
Mangalam Cem	206	239	Hold	550	4.3	0.0	7.2	10.3	13.1	9.4	37	41	41	7.2	4.8	7.7	2.2	0.0	3.6
Star Cement	92	110	Hold	3,857	7.9	6.4	7.4	7.9	8.7	7.1	188	175	169	21.6	17.7	20.5	22.4	15.9	15.9
Ramco Cement	600	750	Buy	14,285	23.5	23.2	27.8	13.9	14.2	11.5	154	149	125	10.4	8.9	10.1	13.7	12.5	13.6
Sagar Cement	603	700	Buy	1,229	12.9	15.1	21.3	10.9	10.3	8.7	64	54	35	8.1	8.3	9.5	3.4	3.8	5.1

Source: Company, ICICI Direct Research * CY17, CY18E, CY19E

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