

Techno Funda – India Cement

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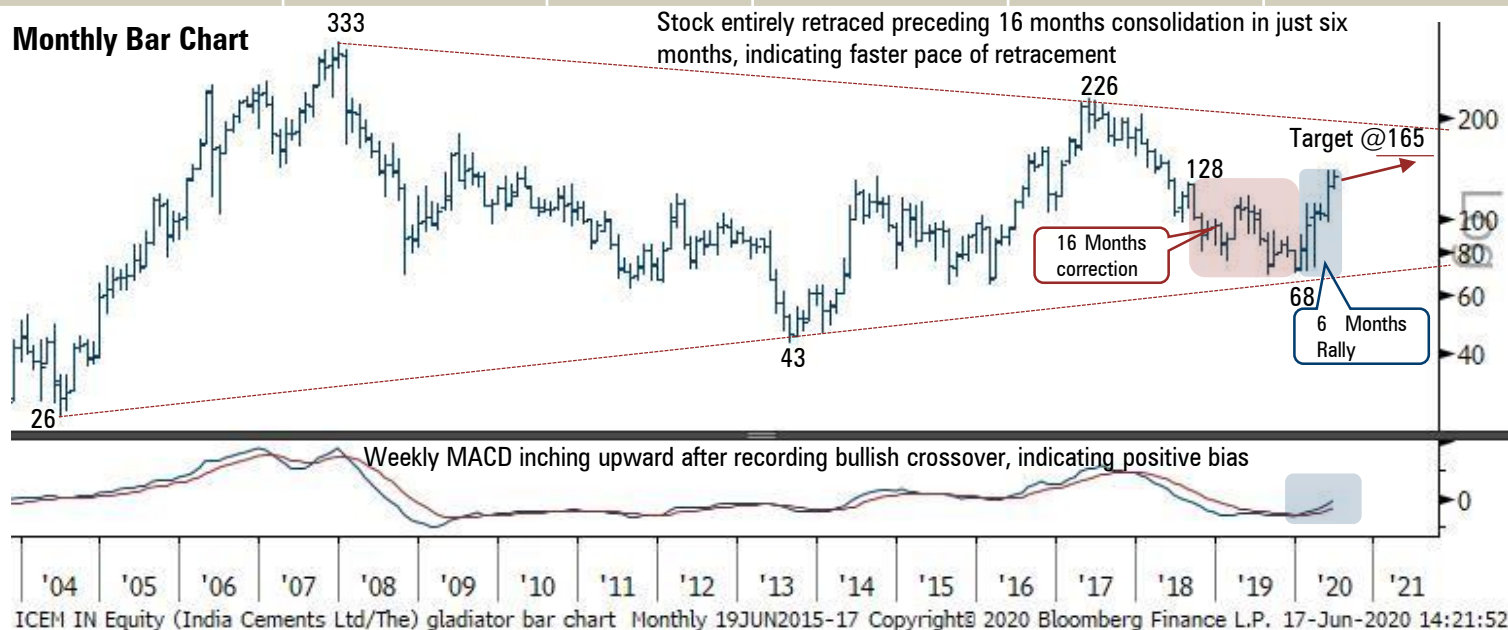
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Duration: 6 Months

Rec. Price	125.00-135.00	Target	165.00	Upside	27%
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Technical Outlook

Monthly Bar Chart



- The stock witnessed a strong buying demand in the vicinity of lower band of long term symmetrical triangle pattern. In the process it witnessed faster retracement as it entirely retraced preceding sixteen months decline (₹128-68) in just six months, indicating structural turnaround that offers fresh entry opportunity with a favourable risk reward set up
- Among the oscillators the monthly MACD is inching northward after generating bullish crossover, thus validating our positive stance
- We expect the stock to form a higher base and eventually accelerate upward momentum towards ₹ 165 levels in coming months as it is 61.8% retracement of last major correction (₹ 226- 68), placed at ₹ 165

Fundamental Outlook

- India Cements possesses a capacity of 15.5 MT with presence majorly in South India followed by West. Its network of 8 integrated plants is spread across Tamil Nadu, Telangana, AP and Rajasthan along with one grinding unit each in Tamil Nadu and Maharashtra. Its brands 'Coromandel' is well accepted in the market with 60% of sales coming from retail channel
- While the company's realisations per tonne are healthy, cost inefficiencies (especially on the power costs front) have led to lower EBITDA margins. However we believe, operational efficiency can move only higher. keeping the downside limited. Its weak return ratios would also see an improvement with higher profitability
- However, valuations on the asset front provide opportunities in India Cements. On an EV/t basis, the company is available below \$70 per tonne against replacement cost of \$100-\$120 per tonne, implying sufficient room for upside. On an earnings basis, the company is available at an EV/EBITDA multiple of 8x FY22E, which is cannot be called expensive.



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