

Orient Cement

Refer to important disclosures at the end of this report

Demand hit in core markets; sustaining high cement prices is vital

CMP: Rs 67
as of (July 29, 2020)TP: Rs 69 (▲)
12 months

Rating: HOLD (■)

Upside: 3.4 %

We appreciate your support in the [Asiamoney Brokers Poll 2020](#)

- Q1 results were marginally weaker than our estimates, dragged by a 45.7% yoy fall in volume (vs. estimated 42.1%) and higher opex. EBITDA stood at Rs982mn (vs. estimated Rs1,080mn) and EBITDA/ton came in at Rs1,198 (vs. estimated Rs1,234).
- Key positives: 1) 20.4% qoq growth in realization 2) reduction in working capital as receivables down by Rs1bn qoq 3) EBITDA/ton growth of 21% yoy/51.3% qoq. Key negative was a 45.7% yoy decline in volume.
- Management mentioned that current capacity utilization is approx. 50% vs. mid-50% in May/Jun'20. Volume generally drops 15-20% mom in July in the normal scenario, but this year, the volume drop is lower. Realization could drop when non-trade volumes pick up.
- Considering the current pricing trend in its key markets, we raise EBITDA for FY21/22/23E by 38.5%/15.4%/8.6%. The sustainability of cement prices is a key thing to watch out for as AP/Telangana markets operate at low utilization. We maintain Hold on the stock.

Higher realization offsets weak volumes, high opex leads to EBITDA/ton growth: Orient Cement benefitted from higher cement prices in the South region and a higher share of trade sales in Q1, and reported realization growth of 9.9% yoy/20.4% qoq. Blended cement sales was at 65% vs. 53% in Q4FY20. Sales volume was impacted by lockdowns and the recovery has been slower in the South/West regions compared with North/Central/East regions. Sales volume in Q1 fell 45.7% yoy. Variable cost/ton rose Rs112 yoy/Rs209 qoq on higher RM costs. Freight cost/ton was down 5.4% yoy on higher share of rail despatches and lower lead distance. Employee cost increased 3.5% qoq. Other expense/ton was up 3% yoy/10% qoq (higher packaging cost and CSR expense-high Rs40mn in Q1 vs. Rs50mn in FY20). EBITDA declined 34.3% yoy, while OPM improved 2.2pp yoy. EBITDA/ton came in at Rs1,198 (highest after Q4FY12) vs. Rs990/Rs792 in Q1FY20/Q4FY20.

Higher cement prices lead to earnings upgrade; maintain Hold: We raise EBITDA estimates by 38.5%/15.4%/8.6% for FY21/22/23 as we increase realization assumptions, considering the current pricing scenario in the South region. As per our channel checks, current cement prices in the South markets are up 8.5% yoy and 15.1% compared with H2FY20. Though cement prices have historically remained volatile in the South region, we have raised realization assumptions by 6.2%/3.1%/2.6% for FY21/22/23E on current higher prices. Management said that the volume should decline 10-15% in FY21E vs. earlier expectations of a 25% fall. All capex plans for FY21 have been put on hold as the focus will be on conserving cash. In order to become constructive on the stock, we would wait for demand recovery in its core markets and sustainability of cement prices. We maintain Hold with a revised TP of Rs69 (6x mid-FY3E EV/EBITDA) vs. Rs47 earlier. The key risk is sustaining higher cement prices in its key markets.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Cement & Building Materials \(Page 8\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	25,222	24,218	21,563	25,077	27,239
EBITDA	3,120	3,829	3,544	3,637	4,092
EBITDA Margin (%)	12.4	15.8	16.4	14.5	15.0
APAT	476	866	769	877	1,214
EPS (Rs)	2.3	4.2	3.8	4.3	5.9
EPS (% chg)	7.6	82.1	(11.1)	14.0	38.4
ROE (%)	4.6	8.0	6.7	7.3	9.4
P/E (x)	28.8	15.8	17.8	15.6	11.3
EV/EBITDA (x)	8.6	6.8	6.9	6.4	5.4
P/BV (x)	1.3	1.2	1.2	1.1	1.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	nm/84
Target Price change (%)	47.1
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	3.8	4.3
Consensus	2.1	4.8
Mean Consensus TP (12M)	Rs 66	

Stock Details

Bloomberg Code	ORCMNT IN
Face Value (Rs)	1
Shares outstanding (mn)	205
52 Week H/L	106 / 35
M Cap (Rs bn/USD bn)	14 / 0.18
Daily Avg Volume (nos.)	12,53,027
Daily Avg Turnover (US\$ mn)	0.9

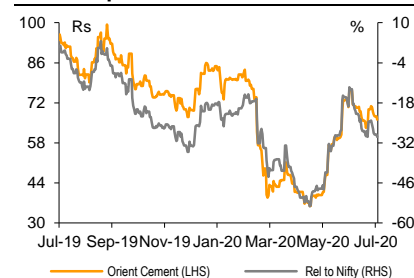
Shareholding Pattern Jun '20

Promoters	37.4%
FIIIs	3.1%
DIIIs	26.9%
Public and Others	32.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(12)	64	(20)	(34)
Rel. to Nifty	(19)	36	(15)	(34)

Relative price chart



Source: Bloomberg

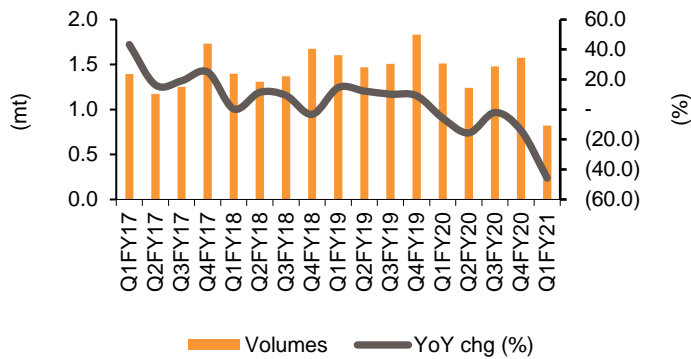
This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Sanjeev Kumar Singh

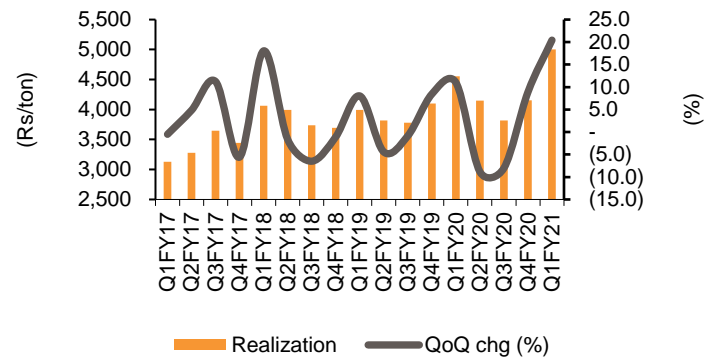
sanjeev.singh@emkayglobal.com

+91 22 6612 1255

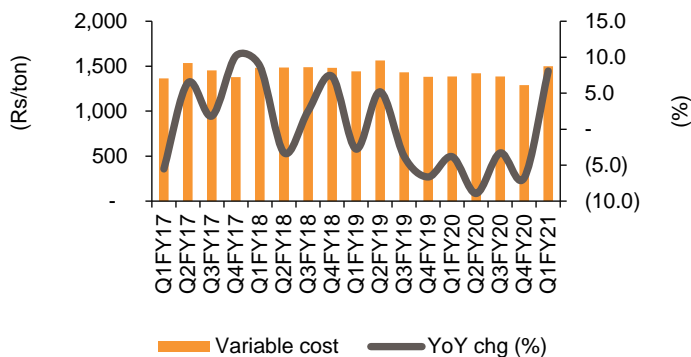
Story in Charts

Exhibit 1: Sales volume declines 45.7% yoy


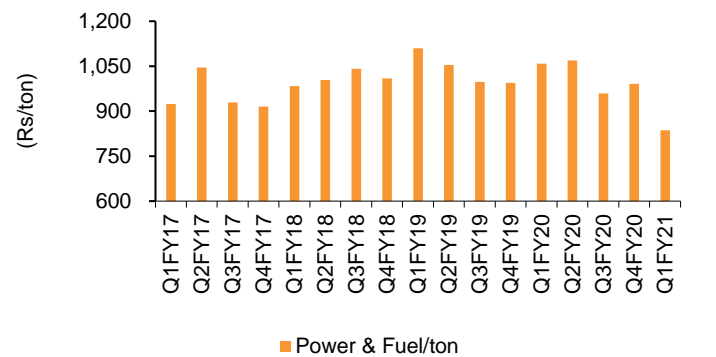
Source: Emkay Research, Company

Exhibit 2: Realization up 9.9% yoy/20.4% qoq


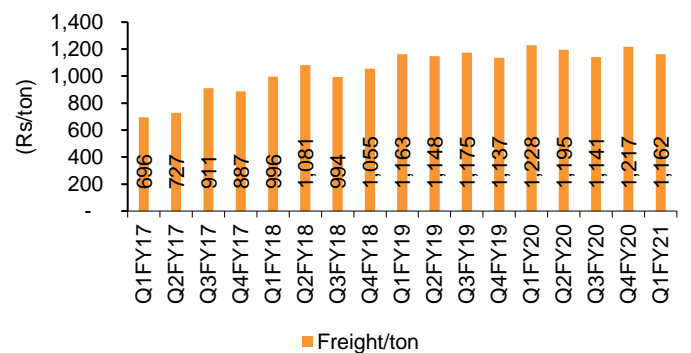
Source: Emkay Research, Company

Exhibit 3: Variable cost/ton up Rs112 yoy/Rs209 qoq


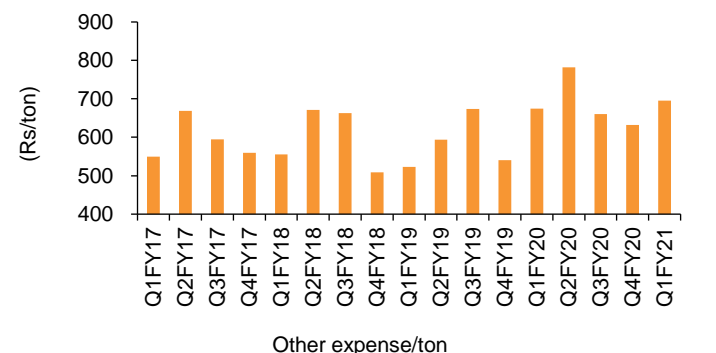
Source: Emkay Research, Company

Exhibit 4: Energy cost/ton down 21% yoy/15.7% qoq


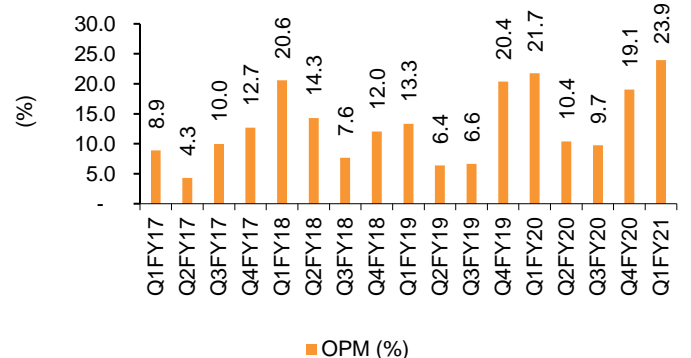
Source: Emkay Research, Company

Exhibit 5: Freight cost/ton down 5.4% yoy/4.5% qoq


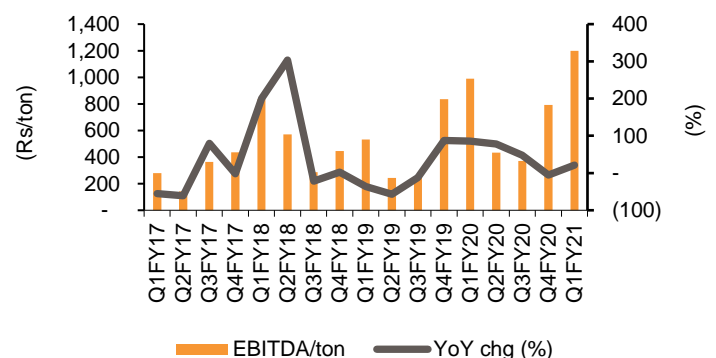
Source: Emkay Research, Company

Exhibit 6: Other expense/ton up 3.1% yoy/10% qoq


Source: Emkay Research, Company

Exhibit 7: OPM expands 2.2pp yoy/4.9pp qoq


Source: Company, Emkay Research

Exhibit 8: EBITDA/ton at Rs1,198; up 21% yoy/51.3% qoq


Source: Company, Emkay Research

Exhibit 9: Actual vs Estimates (Q1FY21)

(in Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Sales	4,104	4,363	4,395	(6.0)	(6.6)	Led by lower sales volumes
EBITDA	982	1,080	933	(9.0)	5.3	Impact of lower revenues
EBITDA margin (%)	23.9	24.7	21.2	(81bps)	272bps	
Adj. PAT	256	317	229	(19.3)	11.9	Led by lower operating profit and higher ETR

Source: Company, Emkay Research, Bloomberg

Exhibit 10: Quarterly Results

Particulars/ Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)	FY20	FY19	YoY (%)
Revenue	6,878	5,150	5,645	6,545	4,104	(40.3)	(37.3)	24,218	25,222	(4.0)
Total expenditure	5,382	4,614	5,095	5,298	3,121	(42.0)	(41.1)	20,389	22,101	(7.7)
as % of sales	78.3	89.6	90.3	80.9	76.1			84.2	87.6	
Inc/(dec) in raw material costs	(109)	(58)	15	(204)	170	n/m	n/m	(356)	(37)	n/m
Raw material consumed	604	497	615	672	373	(38.3)	(44.5)	2,389	2,681	(10.9)
as % of sales	8.8	9.6	10.9	10.3	9.1			9.9	10.6	
Employee cost	413	395	382	358	370	(10.5)	3.5	1,549	1,549	(0.0)
as % of sales	6.0	7.7	6.8	5.5	9.0			6.4	6.1	
Freight cost	1,856	1,483	1,688	1,916	953	(48.6)	(50.3)	6,943	7,407	(6.3)
as % of sales	27.0	28.8	29.9	29.3	23.2			28.7	29.4	
Power & Fuel cost	1,599	1,327	1,418	1,562	686	(57.1)	(56.1)	5,905	6,655	(11.3)
Other expense	1,019	970	976	995	570	(44.1)	(42.7)	3,960	3,847	2.9
EBITDA	1,496	536	550	1,247	982	(34.3)	(21.2)	3,829	3,120	22.7
Depreciation	353	365	346	345	346	(1.7)	0.5	1,409	1,327	6.1
EBIT	1,143	171	203	902	636	(44.4)	(29.5)	2,420	1,793	35.0
Other income	36	41	27	74	56	57.7	(23.4)	177	140	26.8
Interest	313	320	311	279	270	(13.6)	(3.3)	1,223	1,185	3.2
PBT	866	(108)	(81)	696	422	(51.3)	(39.4)	1,374	748	83.7
Total Tax	307	(31)	(24)	256	166	(46.0)	(35.1)	508	272	86.5
Reported Profit	559	(77)	(57)	441	256	(54.2)	(41.9)	866	476	82.1
Adjusted PAT	559	(77)	(57)	441	256	(54.2)	(41.9)	866	476	82.1
Adjusted EPS (Rs)	2.7	(0.4)	(0.3)	2.2	1.2	(54.2)	(41.9)	4.2	2.3	82.1

						bps	bps			bps
EBITDA	21.7	10.4	9.7	19.1	23.9	219	488	15.8	12.4	344
EBIT	16.6	3.3	3.6	13.8	15.5	(113)	171	10.0	7.1	288
PBT	12.6	(2.1)	(1.4)	10.6	10.3	(231)	(36)	5.7	3.0	271
PAT	8.1	(1.5)	(1.0)	6.7	6.2	(189)	(49)	3.6	1.9	169
Effective tax rate	35.5	28.5	29.9	36.7	39.3	385	259	37.0	36.4	56

Source: Company, Emkay Research

Exhibit 11: Operating cost analysis on per ton basis

Particulars (Rs/ton)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)	FY20	FY19	YoY (%)
Volume (mt)	1.5	1.2	1.5	1.6	0.8	(45.7)	(47.9)	5.8	6.4	(9.5)
Realization	4,552	4,150	3,817	4,156	5,004	9.9	20.4	4,171	3,933	6.1
Raw material consumed	328	353	427	297	662	101.9	122.9	411	418	(1.6)
Employee cost	274	319	259	227	451	65.0	98.8	267	242	10.4
Freight cost	1,228	1,195	1,141	1,217	1,162	(5.4)	(4.5)	1,196	1,155	3.5
Power & fuel cost	1,058	1,069	959	992	836	(21.0)	(15.7)	1,017	1,038	(2.0)
Other expense	674	782	660	632	695	3.1	10.0	682	600	13.7
Total cost	3,562	3,718	3,445	3,364	3,807	6.9	13.2	3,512	3,446	1.9
EBITDA	990	432	372	792	1,198	21.0	51.3	659	487	35.5

Source: Company, Emkay Research

Changes in estimates

The cement price increase in the South region in Q1FY21 was above our expectations. Our channel checks had earlier indicated a price hike of 12.6% qoq in South markets. We believe that the increased prices are sustaining in the South markets as of now and current prices in the region are estimated to be up 8.5% yoy and 15.1% compared with H2FY20. Historically, prices in the region have been highly volatile and we have factored in a 4-5% qoq decline each in Q2/Q3FY21 in our assumptions. However, considering the current scenario, we raise realization assumptions by 6.2%/3.1%/2.6% for FY21/22/23E. As a result, we raise EBITDA estimates by 38.5%/15.4%/8.6% for FY21/22/23. We now expect the company to report a profit of Rs769mn in FY21E vs. earlier expectations of Rs70mn profit. Profit estimates for FY22/23E are increased by 84.4%/34.1% on higher operating profits.

Exhibit 12: Changes in estimates

Particulars/ Rs mn	FY21E			FY22E			FY23E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Volume (mt)	4.8	4.8	(0.4)	5.6	5.6	-	6.0	6.0	-
Realization (Rs/ton)	4,498	4,236	6.2	4,446	4,312	3.1	4,557	4,441	2.6
Revenue	21,563	20,384	5.8	25,077	24,321	3.1	27,239	26,544	2.6
EBITDA	3,544	2,558	38.5	3,637	3,151	15.4	4,092	3,768	8.6
EBITDA margin (%)	16.4	12.5	389bps	14.5	13.0	155bps	15.0	14.2	83bps
PAT	769	70	1,006.4	877	476	84.4	1,214	905	34.1
EPS (Rs)	3.8	0.3	1,006.4	4.3	2.3	84.4	5.9	4.4	34.1

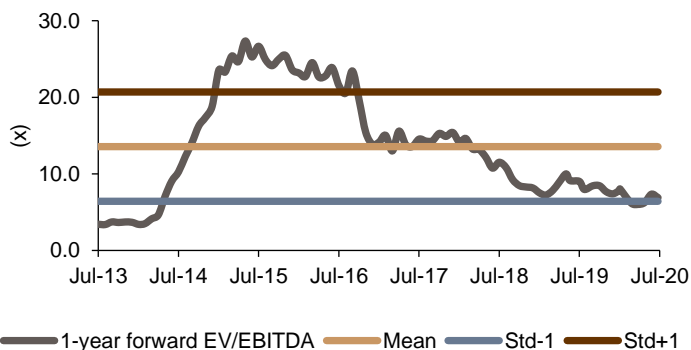
Source: Company, Emkay Research

Exhibit 13: Peer Valuation

Company	Rs bn	EV/EBITDA (x)			EV/Ton (USD)			EPS (Rs)			P/E (x)		
	Mcaps	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Orient Cement	14	6.9	6.4	5.4	40	38	36	3.8	4.3	5.9	17.8	15.6	11.3
ACC*	265	9.9	8.3	7.5	86	85	84	60.7	73.0	80.9	23.2	19.3	17.4
Ambuja Cements*	428	13.1	10.9	9.3	131	120	114	7.6	8.5	9.6	28.6	25.3	22.4
India Cements	36	11.2	9.5	7.9	59	57	54	2.3	4.1	6.7	50.7	28.0	17.1
Ramco Cements	169	22.0	17.6	14.9	138	130	129	12.5	17.3	23.1	57.5	41.4	31.1
Shree Cements	758	30.7	22.8	18.8	222	209	205	118.7	278.9	394.9	183.1	78.0	55.1
UltraTech Cement	1,207	15.6	13.0	11.0	136	131	125	119.7	161.2	194.6	34.9	25.9	21.5
JK Lakshmi Cement	35	10.4	7.4	5.8	49	47	44	6.4	15.6	22.6	47.0	19.2	13.2
JK Cement	114	14.9	12.7	11.2	128	129	130	28.3	41.0	52.7	52.3	36.1	28.1
Prism Cement	23	12.8	8.5	7.6	78	78	77	-1.0	1.1	1.8	-44.1	42.1	25.6
Star Cement	35	9.3	6.9	6.0	79	74	70	5.5	7.2	7.7	15.2	11.8	11.0
Birla Corp	47	10.1	7.6	6.3	71	61	56	11.1	36.8	44.8	54.6	16.5	13.5

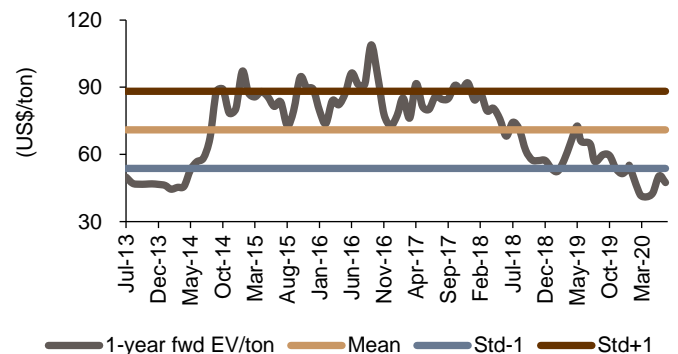
Source: Company, Emkay Research

Exhibit 14: 1-yr forward EV/EBITDA chart



Source: Company, Emkay Research

Exhibit 15: 1-yr forward EV/ton chart



Source: Company, Emkay Research

Concall highlights

- **Current demand scenario and capacity utilization:** Demand remains impacted in Maharashtra and South markets due to sporadic lockdowns and migration of workers. There has been some softening in rural demands recently due to rising Covid-19 cases and seasonal weakness of the monsoon season, however, there has not been any major drop in capacity utilization compared to Jun'20. Volume generally drops 15-20% mom in July in the normal scenario, but this year, the volume drop is lower. Capacity utilization was at mid-50% in May/Jun'20, while current utilization is at the lower end of 50%. Low-cost housing projects have started picking up in AP (0.2mt every month for affordable housing) and Telangana too is trying to focus on low-cost housing. The Polavaram dam project in AP is going at a slow pace as of now.
- **Cement prices:** Cement prices were strong in AP/Telangana/Karnataka markets in Q1, which led to improved realization. Higher trade sales also led to improvement in realization. Cement prices are down by Rs5-7/bag from Jun'20. Realization will see some impact when the non-trade sales improve due to lower prices in this segment. Trade sales normally has Rs200/ton higher profits compared with non-trade.
- **Product and sales mix:** Trade sales was 75% in Q1. Blended cement sales was 65% vs. 53% in Q4FY20. Premium products contributed 7-8% to total volumes vs. 3% in FY20 (exit mix of FY20 was 7%).
- **Market mix:** Volumes in MP increased to 13% of total volumes vs. earlier levels of 10%. AP/Telangana contributed 25% of volumes, whereas Karnataka/Maharashtra contributed 15%/42%. 5% of volume was sold in other markets.
- **Freight mix:** Direct dispatches came in at 25% in Q1. The share of rail transport was at 30% vs. the normal level of 20%. Lead distance was at 290km in Q1.
- **Operating costs and fuel mix:** Fly ash unavailability in nearby areas led to higher cost of Rs55mn in Q1. Packaging cost rose by Rs10/ton due to the higher share of retail sales. C&F costs were high due to lower volumes. Pet coke consumption at the Karnataka plant remained at 95% (5% alternative fuels). Pet coke consumption in the Telangana plant was increased as the cost was lower compared to domestic coal.
- **Liquidity position:** Working capital fell in the quarter due to the reduction in receivables (Rs1bn in Q1). Long-term debt stands at Rs11.7bn and the company has a surplus cash of Rs1.5bn. The effort is to prepay the installments due in the later part of FY21 with the surplus cash and management is in discussions with the banks.
- **CSR spends:** CSR spend stood at Rs40mn toward the PM Care fund in Q1 compared with Rs50mn in FY20. In the rest of FY21, CSR spend will be Rs40-45mn.

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	25,222	24,218	21,563	25,077	27,239
Expenditure	22,101	20,389	18,019	21,440	23,147
EBITDA	3,120	3,829	3,544	3,637	4,092
Depreciation	1,327	1,409	1,402	1,444	1,485
EBIT	1,793	2,420	2,142	2,193	2,607
Other Income	140	177	201	213	225
Interest expenses	1,185	1,223	1,122	1,014	906
PBT	748	1,374	1,221	1,392	1,926
Tax	272	508	451	515	712
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	476	866	769	877	1,214
Adjusted PAT	476	866	769	877	1,214

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	205	205	205	205	205
Reserves & surplus	10,330	10,979	11,569	12,206	13,132
Net worth	10,535	11,184	11,773	12,411	13,337
Minority Interest	0	0	0	0	0
Loan Funds	13,488	12,621	11,321	10,321	9,021
Net deferred tax liability	961	1,219	1,219	1,219	1,219
Total Liabilities	24,984	25,024	24,313	23,951	23,577
Net block	23,545	22,715	22,381	21,637	21,152
Investment	0	0	0	0	0
Current Assets	5,245	5,615	5,602	5,863	6,181
Cash & bank balance	288	360	554	598	701
Other Current Assets	328	295	295	295	295
Current liabilities & Provision	4,285	3,974	3,870	4,050	4,256
Net current assets	960	1,641	1,732	1,814	1,925
Misc. exp	0	0	0	0	0
Total Assets	24,984	25,024	24,313	23,951	23,577

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	748	1,374	1,221	1,392	1,926
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(160)	(650)	102	(98)	(55)
Operating Cashflow	2,813	2,918	3,395	3,237	3,550
Capital expenditure	(1,229)	(786)	(600)	(1,000)	(1,000)
Free Cash Flow	1,584	2,131	2,795	2,237	2,550
Investments	5	4	0	0	0
Other Investing Cash Flow	24	50	0	0	0
Investing Cashflow	(1,199)	(732)	(600)	(1,000)	(1,000)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(250)	(667)	(1,300)	(1,000)	(1,300)
Dividend paid (incl tax)	(185)	(185)	(180)	(180)	(240)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(1,714)	(2,059)	(2,601)	(2,194)	(2,446)
Net chg in cash	(100)	127	194	44	104
Opening cash position	331	288	360	554	598
Closing cash position	231	414	554	598	701

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	12.4	15.8	16.4	14.5	15.0
EBIT Margin	7.1	10.0	9.9	8.7	9.6
Effective Tax Rate	36.4	37.0	37.0	37.0	37.0
Net Margin	1.9	3.6	3.6	3.5	4.5
ROCE	7.9	10.4	9.5	10.0	11.9
ROE	4.6	8.0	6.7	7.3	9.4
RoIC	7.7	10.0	9.0	9.4	11.5

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	2.3	4.2	3.8	4.3	5.9
CEPS	8.8	11.1	10.6	11.3	13.2
BVPS	51.4	54.6	57.5	60.6	65.1
DPS	0.8	0.8	0.8	1.0	1.2

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	28.8	15.8	17.8	15.6	11.3
P/CEPS	7.6	6.0	6.3	5.9	5.1
P/BV	1.3	1.2	1.2	1.1	1.0
EV / Sales	1.1	1.1	1.1	0.9	0.8
EV / EBITDA	8.6	6.8	6.9	6.4	5.4
Dividend Yield (%)	1.1	1.1	1.1	1.5	1.8

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	1.3	1.1	0.9	0.8	0.6
Net Debt/EBIDTA	4.2	3.2	3.0	2.7	2.0
Working Cap Cycle (days)	9.7	19.3	19.9	17.7	16.4

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	13.5	(4.0)	(11.0)	16.3	8.6
EBITDA	2.3	22.7	(7.4)	2.6	12.5
EBIT	0.2	35.0	(11.5)	2.4	18.9
PAT	7.6	82.1	(11.1)	14.0	38.4

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	6,878	5,150	5,645	6,545	4,104
EBITDA	1,496	536	550	1,247	982
EBITDA Margin (%)	21.7	10.4	9.7	19.1	23.9
PAT	559	(77)	(57)	441	256
EPS (Rs)	2.7	(0.4)	(0.3)	2.2	1.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	37.4	37.4	37.4	37.4	37.4
FII	8.0	7.9	7.7	7.5	3.1
DII	27.0	28.9	28.8	28.2	26.9
Public and Others	27.6	25.9	26.1	27.0	32.7

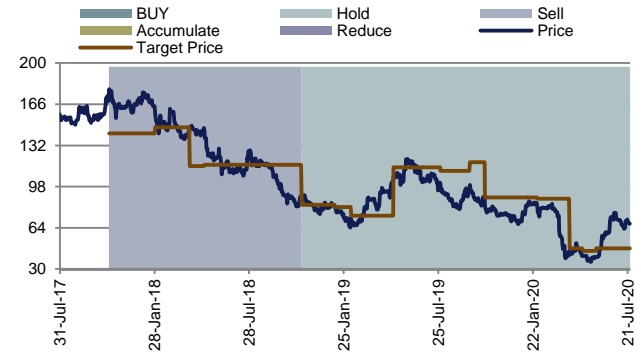
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
22-May-20	40	47	12m	Hold	Sanjeev Kumar Singh
18-May-20	39	45	12m	Hold	Sanjeev Kumar Singh
26-Apr-20	41	45	12m	Hold	Sanjeev Kumar Singh
01-Apr-20	43	47	12m	Hold	Sanjeev Kumar Singh
30-Jan-20	81	88	12m	Hold	Sanjeev Kumar Singh
20-Nov-19	75	89	12m	Hold	Sanjeev Kumar Singh
22-Oct-19	82	89	12m	Hold	Sanjeev Kumar Singh
23-Sep-19	99	118	12m	Hold	Sanjeev Kumar Singh
29-Jul-19	100	111	12m	Hold	Sanjeev Kumar Singh
24-Jun-19	101	114	12m	Hold	Sanjeev Kumar Singh
13-Jun-19	113	114	12m	Hold	Sanjeev Kumar Singh
30-Apr-19	107	114	12m	Hold	Sanjeev Kumar Singh
08-Feb-19	69	74	12m	Hold	Sanjeev Kumar Singh
07-Jan-19	83	81	12m	Hold	Sanjeev Kumar Singh
05-Nov-18	86	83	12m	Hold	Sanjeev Kumar Singh
03-May-18	144	116	12m	Sell	Sanjeev Kumar Singh
05-Apr-18	147	115	12m	Sell	Sanjeev Kumar Singh
29-Jan-18	158	147	12m	Sell	Sanjeev Kumar Singh
15-Dec-17	159	142	12m	Sell	Sanjeev Kumar Singh
02-Nov-17	179	142	12m	Sell	Sanjeev Kumar Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Cement & Building Materials



Analyst: Sanjeev Kumar Singh

Contact Details

sanjeev.singh@emkayglobal.com
+91 22 6612 1255

Sector

Cement & Building materials

Analyst bio

Sanjeev Kumar Singh holds an MBA and has over 10 years of experience in the Cement sector. His team currently covers 17 stocks in the Cement and Building Materials space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Cement & Building Materials	2.10	2.10	0%	0	100.00
ACC	0.20	0.22	10%	2	10.24
Ambuja Cements	0.26	0.30	14%	4	14.36
Grasim Industries	0.39	0.16	-59%	-23	7.60
Birla Corporation	0.00	0.08	NA	8	3.85
India Cements	0.00	0.00	NA	0	0.00
JK Cement	0.00	0.00	NA	0	0.00
Jk Lakshmi Cement	0.00	0.12	NA	12	5.88
Orient Cement	0.00	0.00	NA	0	0.00
Prism Johnson	0.00	0.00	NA	0	0.00
Ramco Cements	0.15	0.11	-29%	-4	5.12
Sanghi Industries*	0.00	0.00	NA	0	0.00
Shree Cements	0.33	0.22	-32%	-11	10.58
Star Cement	0.00	0.00	NA	0	0.00
Ultratech Cement	0.77	0.89	15%	12	42.37
Century Plyboards	0.00	0.00	NA	0	0.00
Kajaria Ceramics	0.00	0.00	NA	0	0.00
Somany Ceramics	0.00	0.00	NA	0	0.00
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

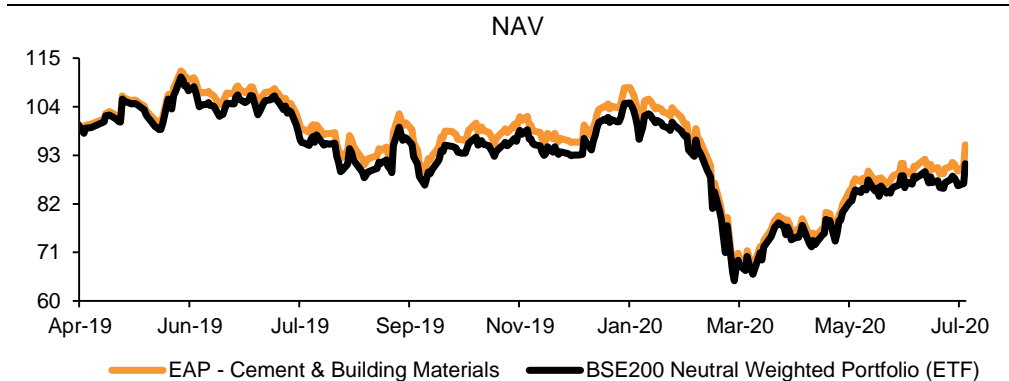
Sector portfolio NAV

	Base					Latest
	1-Apr-19	25-Oct-19	28-Jan-20	28-Apr-20	26-Jun-20	28-Jul-20
EAP - Cement & Building Materials	100.0	96.6	107.6	76.1	89.5	95.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	93.7	104.1	74.4	87.0	91.1

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 30 Jul 2020 02:47:19 (SGT)

Dissemination Date: 30 Jul 2020 02:48:19 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, 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 or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.

- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of July 29, 2020
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
- Disclosure of previous investment recommendation produced:**
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of July 29, 2020.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the July 29, 2020
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the July 29, 2020

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, 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 or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com