

# India Cements

Refer to important disclosures at the end of this report

## Disappointing results; increasing debt remains a concern

CMP: Rs 127  
as of (June 24, 2020)

TP: Rs 69 (▲)  
12 months

Rating: SELL (■)

Upside: (45.3) %



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- ICEM's Q4 results were significantly below estimates, dragged by lower-than-estimated realization, higher opex and losses in the infrastructure segment. EBITDA stood at Rs675mn vs. estimated Rs1.42bn and EBITDA/ton was at Rs289 vs. estimate of Rs539.
- Key negatives: 1) 5.2% yoy decline in realization/ton (flat qoq), 2) 4.6% qoq increase in Opex/ton despite reduction in variable costs (11% yoy/3.7% qoq), 3) Loss of Rs112.9mn in the infrastructure segment, d) Rs2.8bn increase in gross debt in FY20.
- Cement prices have improved significantly in the South region from Apr'20 and the management expects higher prices to sustain. ICEM did not give any volume guidance in the current scenario. Capex plans will be kept on hold as of now.
- We raise FY21E EBITDA by 19% and FY22/23E EBITDA by 7%/6% on higher sales volumes/realization. The inability to deleverage balance sheet even in the absence of capacity remains an overhang. We maintain Sell with a revised TP of Rs69.

**Lower sales volume/realization impact performance:** Q4 performance was impacted by lower sales volume and decline in realization. Cement realization fell 5.2% yoy (flat qoq), which came as a negative surprise as cement prices had improved in the South/North regions during Q4. Management said that this was due to higher incentives to channel partners. Sales volumes declined 20.5% yoy with a capacity utilization of 69% (vs. 86% in Q4FY19). Capacity utilization was at 78-79% in Jan-Feb'20 but the lockdown impacted the performance in Mar'20 (less than 50% utilization). In FY20, demand dropped 23% yoy in Andhra Pradesh/Telangana, whereas volume fell 11% yoy in the South region. Employee costs declined due to reduction in contractual employees. Variable cost was down 11% yoy/3.7% qoq. Other expenses rose due to losses in the infrastructure segment. EBITDA was down 64.9% yoy with 6.4pp drop in OPM. Interest expense was up 11.7% yoy/14.6% qoq as there was some reclassification of employee expense (provision created for retirement benefits). EO items of Rs1bn included provisions of Rs450mn related to the travel business and Rs400mn for the infrastructure business. Adjusted loss was Rs110mn.

**Raise estimates on higher realization/sales volumes; maintain Sell:** We raise volume estimates by 6%/1% for FY21/22E and realization estimates by 1% each for FY21-23E. Current cement prices are significantly higher compared to the Q4 average (up 14% qoq in the South region as per our channel checks); however, historically cement prices have remained volatile in the South region (Q4 realization was 8% lower than Q1). Capex plans in Damoh, MP, will be decided later. Higher working capital requirements have led to a rise in gross debt without any significant capex (gross debt at Rs36.4bn in FY20 vs. Rs29.2bn in FY17). We maintain Sell on the stock with a revised TP of Rs69 (vs. Rs52 earlier), 8x mid-FY23E EV/EBITDA. Key risk is a steep increase in cement prices in the South region.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Cement & Building Materials \(page 9\)](#)

### Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	56,280	50,575	44,562	50,149	53,555
EBITDA	6,379	5,852	5,218	6,797	7,608
EBITDA Margin (%)	11.3	11.6	11.7	13.6	14.2
APAT	694	645	(50)	1,093	1,727
EPS (Rs)	2.2	2.1	(0.2)	3.5	5.6
EPS (% chg)	(34.6)	(7.1)	(107.8)	0.0	57.9
ROE (%)	1.3	1.2	(0.1)	2.0	3.1
P/E (x)	56.6	60.9	(785.6)	36.0	22.8
EV/EBITDA (x)	11.2	12.7	13.9	10.3	8.9
P/BV (x)	0.8	0.7	0.7	0.7	0.7

Source: Company, Emkay Research



### Change in Estimates

EPS Chg FY21E/FY22E (%)	nm/42
Target Price change (%)	33.6
Target Period (Months)	12
Previous Reco	SELL

### Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	(0.2)	3.5
Consensus	2.4	5.8
Mean Consensus TP (12M)	Rs 74	

### Stock Details

Bloomberg Code	ICEM IN
Face Value (Rs)	10
Shares outstanding (mn)	310
52 Week H/L	140 / 68
M Cap (Rs bn/USD bn)	39 / 0.52
Daily Avg Volume (nos.)	46,02,759
Daily Avg Turnover (US\$ mn)	7.3

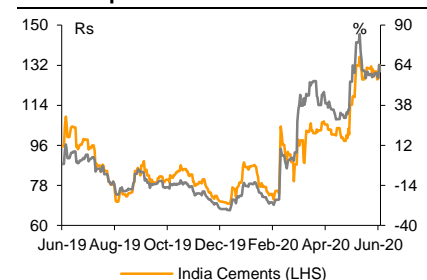
### Shareholding Pattern Mar '20

Promoters	28.3%
FIIIs	12.9%
DIIIs	8.3%
Public and Others	50.6%

### Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	44	80	33
Rel. to Nifty (16)	9	114	51	

### 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:

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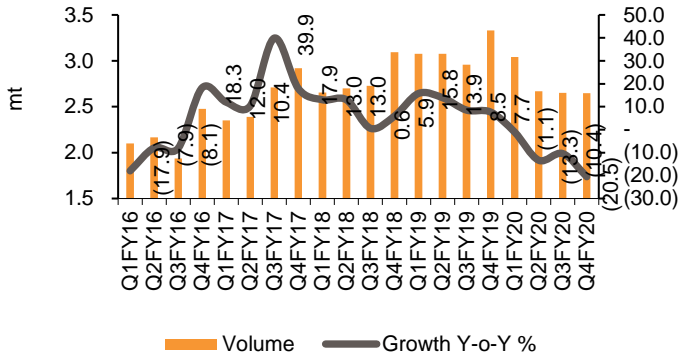
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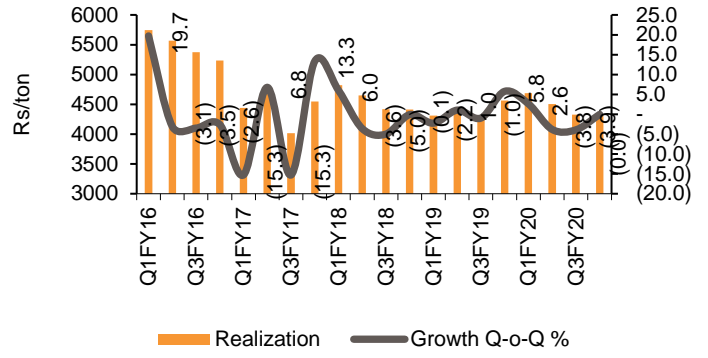
# Story in Charts

**Exhibit 1: Sales volume declined 20.5% yoy**



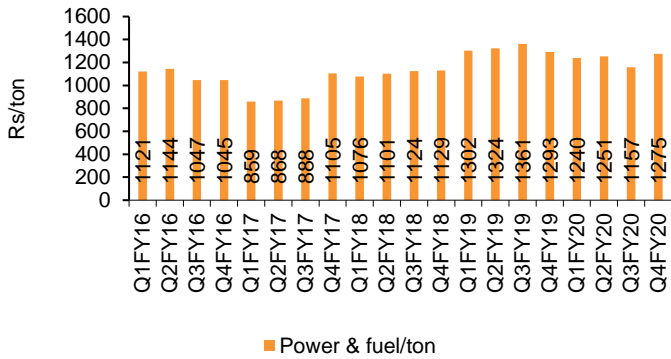
Source: Emkay Research, Company

**Exhibit 2: Realization flat sequentially/ down 5.2% yoy**



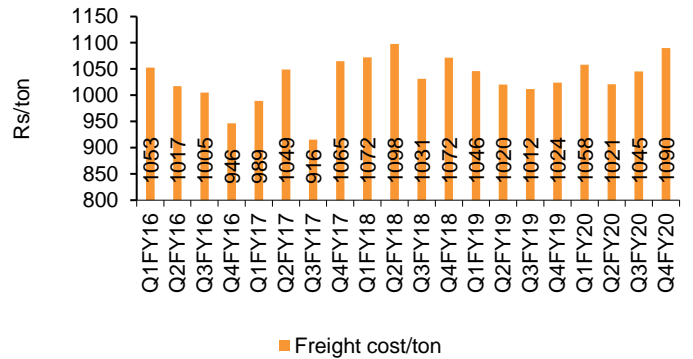
Source: Emkay Research, Company

**Exhibit 3: Power and fuel cost/ton down 1.4% yoy/up 10.2% qoq**



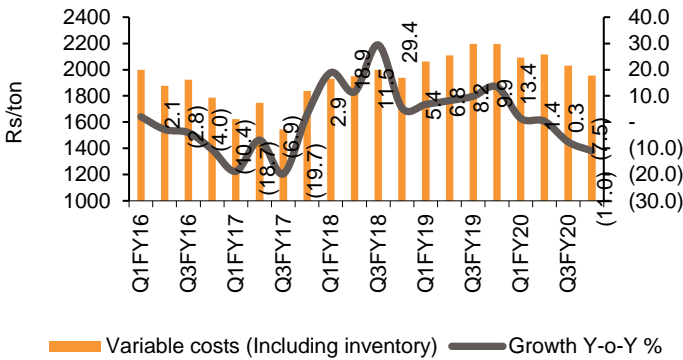
Source: Emkay Research, Company

**Exhibit 4: Freight cost/ton increased 6.4% yoy/4.3% qoq**



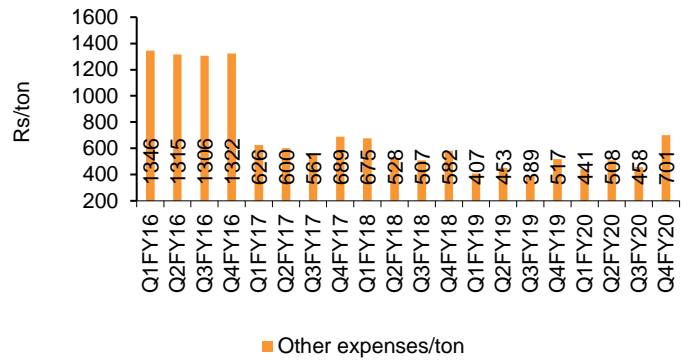
Source: Emkay Research, Company

**Exhibit 5: Variable costs/ton fell 11%yoy/ 3.7% qoq**



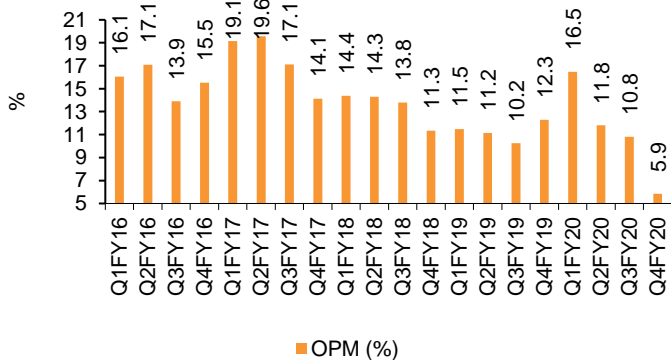
Source: Emkay Research, Company

**Exhibit 6: Other expenses/ton up 35.6% yoy / 53% qoq**



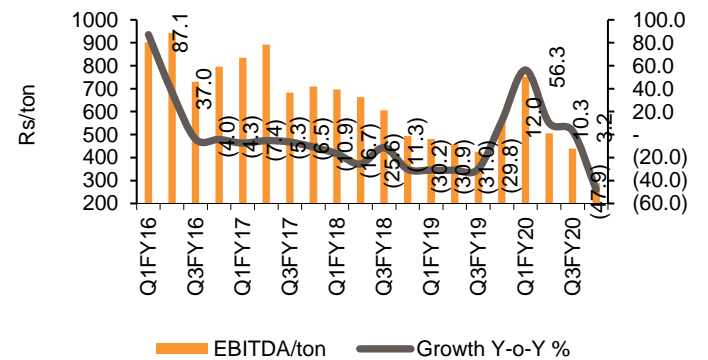
Source: Emkay Research, Company

**Exhibit 7: OPM contracted 643bps yoy/ 495bps qoq**



Source: Emkay Research, Company

**Exhibit 8: EBITDA/ton down 47.9% yoy/ 34.2% qoq**



Source: Emkay Research, Company

**Exhibit 9: Actual vs Estimates (Q4FY20)**

(in Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Sales	11,519	12,168	13,096	-5.3	-12.0	Led by lower-than-estimated realization
EBITDA	675	1,420	1,625	-52.5	-58.5	Impacted by lower realization and higher opex
EBITDA margin (%)	5.9	11.7	12.4	-581bps	-655bps	
Adj. PAT	(110)	5	190	-2306.0	-158.1	Impacted by lower operating profit and higher interest expense

Source: Company, Emkay Research, Bloomberg

**Exhibit 10: Quarterly Results**

Rs mn	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY19	FY20	YoY (%)
<b>Net Sales</b>	<b>15,640</b>	<b>14,688</b>	<b>12,457</b>	<b>11,911</b>	<b>11,519</b>	<b>(26.3)</b>	<b>(3.3)</b>	<b>56,280</b>	<b>50,575</b>	<b>(10.1)</b>
<b>Total Expenditure</b>	<b>13,718</b>	<b>12,269</b>	<b>10,986</b>	<b>10,625</b>	<b>10,845</b>	<b>(20.9)</b>	<b>2.1</b>	<b>49,901</b>	<b>44,723</b>	<b>(10.4)</b>
as % of sales	87.7%	83.5%	88.2%	89.2%	94.1%			88.7%	88.4%	
Raw Material Consumed	3,009	2,588	2,307	2,315	1,802	(40.1)	(22.2)	10,231	9,012	(11.9)
as % of sales	19.2%	17.6%	18.5%	19.4%	15.6%			18.2%	17.8%	
Employee Expenses	907	987	871	867	774	(14.7)	(10.7)	3,571	3,499	(2.0)
as % of sales	5.8%	6.7%	7.0%	7.3%	6.7%			6.3%	6.9%	
Power, Oil & Fuel	4,306	3,773	3,338	3,066	3,375	(21.6)	10.1	16,410	13,551	(17.4)
as % of sales	27.5%	25.7%	26.8%	25.7%	29.3%			29.2%	26.8%	
Transportation & Handling	3,411	3,219	2,722	2,770	2,885	(15.4)	4.2	12,761	11,596	(9.1)
as % of sales	21.8%	21.9%	21.9%	23.3%	25.0%			22.7%	22.9%	
Other Expenses	2,085	1,702	1,747	1,607	2,009	(3.6)	25.0	6,928	7,065	2.0
as % of sales	13.3%	11.6%	14.0%	13.5%	17.4%			12.3%	14.0%	
<b>EBITDA</b>	<b>1,922</b>	<b>2,420</b>	<b>1,472</b>	<b>1,287</b>	<b>675</b>	<b>(64.9)</b>	<b>(47.6)</b>	<b>6,379</b>	<b>5,852</b>	<b>(8.3)</b>
Depreciation	648	599	613	615	642	(0.9)	4.4	2,513	2,469	(1.8)
<b>EBIT</b>	<b>1,274</b>	<b>1,821</b>	<b>859</b>	<b>672</b>	<b>33</b>	<b>(97.4)</b>	<b>(95.1)</b>	<b>3,866</b>	<b>3,384</b>	<b>(12.5)</b>
Other Income	174	32	32	33	180	3.6	446.1	310	277	(10.4)
Interest	827	799	816	806	924	11.7	14.6	3,127	3,345	7.0
Forex loss/gain	-	-	-	-	-			-	-	
<b>PBT</b>	<b>622</b>	<b>1,054</b>	<b>75</b>	<b>(101)</b>	<b>(711)</b>	<b>n/m</b>	<b>n/m</b>	<b>1,048</b>	<b>316</b>	<b>(69.8)</b>
Total Tax	183	331	(13)	(48)	(600)			240	(329)	(237.2)
<b>Adjusted PAT</b>	<b>439</b>	<b>722</b>	<b>87</b>	<b>(54)</b>	<b>(110)</b>	<b>n/m</b>	<b>n/m</b>	<b>808.5</b>	<b>645.3</b>	<b>(20.2)</b>
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-			-	-	
<b>APAT after MI</b>	<b>439</b>	<b>722</b>	<b>87</b>	<b>(54)</b>	<b>(110)</b>	<b>n/m</b>	<b>n/m</b>	<b>809</b>	<b>645</b>	<b>(20.2)</b>
Extra ordinary items	-	-	-	-	1,000			114	1,000	
<b>Reported PAT</b>	<b>439</b>	<b>722</b>	<b>87</b>	<b>(54)</b>	<b>(1,111)</b>	<b>n/m</b>	<b>n/m</b>	<b>694</b>	<b>(355)</b>	<b>n/m</b>
<b>Adjusted EPS</b>	<b>1.4</b>	<b>2.4</b>	<b>0.3</b>	<b>(0.2)</b>	<b>(0.4)</b>	<b>(125.2)</b>	<b>105.4</b>	<b>2.6</b>	<b>2.1</b>	<b>(20.2)</b>

Margins (%)						bps	bps			
EBIDTA	12.3	16.5	11.8	10.8	5.9	(643)	(495)	11.3	11.6	24
EBIT	8.1	12.4	6.9	5.6	0.3	(786)	(535)	6.9	6.7	(18)
EBT	4.0	7.2	0.6	-0.8	-6.2	(1,014)	(532)	1.9	0.6	(124)
PAT	2.8	4.9	0.7	-0.5	-1.0	(376)	(51)	1.4	1.3	(16)
Effective Tax rate	29.5	31.5	-16.7	46.9	84.5	5,501	3,754	22.9	-104.0	(12,689)

Source: Company, Emkay Research

**Exhibit 11: Operating cost analysis on per-ton basis**

Per ton analysis (Rs)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY19	FY20	YoY (%)
Volumes	3.33	3.04	2.67	2.65	2.65	(20.5)	(0.1)	12.4	11.0	(11.5)
Realization/ton	4,565	4,685	4,506	4,328	4,327	(5.2)	(0.0)	4,524	4,595	1.6
Raw material consumed	904	851	865	874	681	(24.7)	(22.1)	822	819	(0.4)
Employee cost	272	324	327	327	292	7.4	(10.6)	287	318	10.7
Power, Oil & Fuel	1,293	1,240	1,251	1,157	1,275	(1.4)	10.2	1,319	1,231	(6.7)
Transportation & Handling	1,024	1,058	1,021	1,045	1,090	6.4	4.3	1,026	1,054	2.7
Other Expenses	517	441	508	458	701	35.6	53.0	557	642	15.3
<b>Total Cost per ton</b>	<b>4,010</b>	<b>3,915</b>	<b>3,972</b>	<b>3,861</b>	<b>4,039</b>	<b>0.7</b>	<b>4.6</b>	<b>4,011</b>	<b>4,064</b>	<b>1.3</b>
EBIDTA/ton	555	752	505	439	289	(47.9)	(34.2)	513	532	3.7

Source: Company, Emkay Research

## Change in estimates

We have increased sales volume assumptions by 6%/1% for FY21/22E as current volume trends are better than expectations in some regions. Though challenges related to labor migration has impacted volumes in the South/West regions, we believe that the demand would improve when construction activities start and laborers availability improve in the next few months. We have also increased realization assumptions by 1% each for FY21-23E, considering better cement prices in the South region. As per our channel checks, cement prices are 14% up qoq in the South region and the sustainability of current prices for a long period can lead to a positive surprise. However, cement prices have remained volatile in the South region historically. Last year too, Q1 had seen significant price improvements, but prices started falling from Q2 onwards. Higher sales volumes/realization assumptions lead to 19.1%/7.4%/5.9% upgrade in EBITDA estimates for FY21/22/23E.

### Exhibit 12: Change in estimates

Rs mn	FY21E			FY22E			FY23E		
	Earlier	Revised	change	Earlier	Revised	change	Earlier	Revised	change
cement Volume	8.9	9.5	6.1%	10.3	10.4	1.1%	10.9	10.9	0.0%
Realization	4,555	4,596	0.9%	4,632	4,674	0.9%	4,737	4,780	0.9%
Sales	42,077	44,562	5.9%	49,786	50,149	0.7%	53,696	53,555	-0.3%
EBIDTA	4,383	5,218	19.1%	6,330	6,797	7.4%	7,181	7,608	5.9%
EBIDTA (%)	10.4	11.7	129.5	12.7	13.6	83.9	13.4	14.2	83.1
Net Profit	(635)	(50)	n/m	767	1,093	42.5%	1,408	1,727	22.6%
EPS (Rs)	-2.0	-0.2	n/m	2.5	3.5	42.5%	4.5	5.6	22.6%

Source: Company, Emkay Research

### Exhibit 13: Key Assumptions

Particulars	FY18	FY19	FY20	FY21E	FY22E	FY23E
Grey Cement Sales (mt)	11.2	12.4	11.0	9.5	10.4	10.9
Realisation (Rs/ton)	4,494	4,390	4,469	4,596	4,674	4,780
<b>Per ton costs (Rs)</b>						
Raw material	807	840	839	832	851	871
Employee cost	355	287	317	376	353	348
Power & Fuel	1,109	1,319	1,227	1,204	1,217	1,255
Freight	1,068	1,026	1,050	1,025	1,055	1,086
Other expense	643	557	640	711	684	661
<b>Total Cost</b>	<b>4,007</b>	<b>4,011</b>	<b>4,051</b>	<b>4,148</b>	<b>4,161</b>	<b>4,221</b>
EBITDA	624	513	530	550	652	699

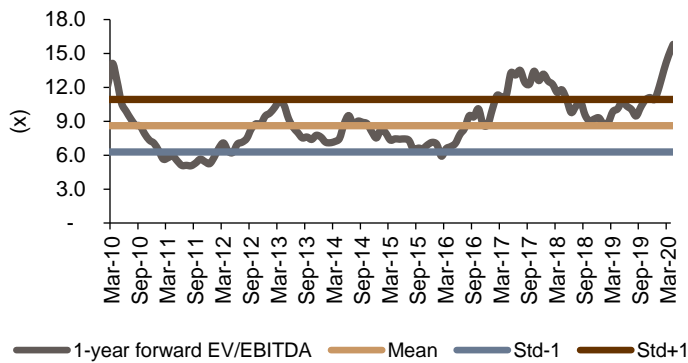
Source: Company, Emkay Research

### Exhibit 14: Peer Valuation

Company	Rs bn Mcap	EV/EBITDA (x)			EV/Ton (USD)			EPS (Rs)			P/E (x)		
		FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
India Cements	39.4	13.9	10.3	8.9	62	60	58	-0.2	3.5	5.6	-786.2	36.0	22.8
ACC*	238.4	13.3	9.7	8.4	77	76	75	35.3	53.6	63.8	35.9	23.7	19.9
Ambuja Cements*	377.3	18.7	12.8	10.8	120	111	107	4.1	5.9	6.9	46.6	32.2	27.5
Ramco Cements	146.6	19.6	15.6	13.3	123	116	114	12.5	17.3	23.1	49.8	35.9	27.0
Shree Cements	783.1	33.0	24.5	20.2	232	219	214	118.7	278.9	394.9	189.3	80.6	56.9
UltraTech Cement	1051.3	19.1	14.1	12.0	143	138	133	57.2	111.0	142.1	66.9	34.5	26.9
JK Lakshmi Cement	29.8	9.2	6.5	5.0	43	41	38	6.4	15.6	22.6	39.9	16.3	11.2
JK Cement	104.8	13.9	11.8	10.4	125	120	121	28.3	41.0	52.7	48.0	33.1	25.8
Orient Cement	14.4	10.0	7.8	6.2	43	41	39	0.3	2.3	4.4	206.9	30.3	15.9
Prism Cement	23.1	12.8	8.5	7.6	78	78	77	-1.0	1.1	1.8	-44.2	42.2	25.6
Star Cement	36.4	11.8	8.7	7.7	82	82	80	3.9	5.5	6.0	22.3	15.9	14.3
Birla Corp	46.6	10.1	7.6	6.3	77	72	57	11.1	36.8	44.8	54.5	16.5	13.5

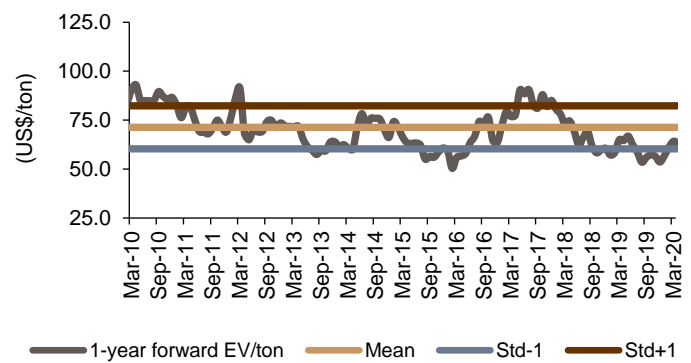
Source: Company, Emkay Research, \*Dec-ending companies

Exhibit 15: 1-yr forward EV/EBITDA chart



Source: Company, Emkay Research

Exhibit 16: 1-yr forward EV/Ton chart



Source: Company, Emkay Research

## Concall highlights

- **Demand and volume trend:** Demand in Andhra Pradesh/Telangana markets declined by 23% yoy, whereas the South region witnessed a decline of 11% yoy in FY20. It is difficult to predict FY21E in the current scenario as the state government has imposed lockdowns in few parts of Tamil Nadu again; however, demand kept on improving in markets from where the lockdown was lifted. In Q4FY20/FY20, volumes were at 2.65mt/11mt, translating into capacity utilization of 69%/71%. In Q4, volume growth was impacted by the lockdown due to Covid-19 (volume decline of 36% in AP/Telangana, which is a key market). The company saw higher proportion of retail demand.
- **Pricing trend:** Prices were resilient in Q4FY20 that led to Rs38/ton improvement in net plant realization. Current cement prices are significantly better compared to Q4 average as prices have improved from Apr'20. There has been some policy changes, which should benefit ICEM e.g. 1) now sales are being done on cash and carry basis vis-à-vis credit, which will help improve liquidity and 2) the policy to compensate dealers for selling below invoice price has been stopped. Management believes that realization in FY21 will be better than FY20.
- **Cost trends:** Reduction in employee costs was due to lower number of contractual employees. There were no salary cuts for permanent employees. Due to lower production this quarter, higher-cost fuel inventory has not been exhausted and hence, the benefits of recent reduction in pet coke prices would be seen only in Q3FY21. Increase in lead distance led to higher freight costs in Q4.
- **Other segments:** Q4 revenues from windmill /RMC/shipping were Rs6.8mn/Nil/Rs64.6mn, with EBITDA of Rs6.8mn/loss of Rs112.9mn/Rs23mn.
- **Debt levels:** The company repaid a term loan of Rs1.4bn and interest-free sales tax loan of Rs160mn in FY20. However, lower sales in Mar'20 impacted liquidity. Also, the company was able to recover only Rs4bn of dues in Mar'20, which in general period is Rs8bn. This resulted in higher credit utilization of Rs6.46bn, leading to an increase in debt levels (this credit utilization currently stands at Rs4bn). Gross debt at FY20 end stood at Rs36.4bn vs. Rs33.7bn in FY19. Scheduled repayment in FY21 is Rs5bn.
- **Comprehensive income/exceptional items:** ICEM reported Rs2.4bn of comprehensive income on account of calculation of fair valuation of Plant and Equipments. In Q4FY20, the company reported exceptional item of Rs1bn, which included a) Rs450mn for the Travel business (Chartered Airlines) and b) Rs400mn as provision on account of investment in the infrastructure business.
- **Capex:** Maintenance capex should be at Rs700mn in FY21. Capex plans in Damoh, Madhya Pradesh, will be decided later. It is planning to set up 8MW Waste Heat Recovery System at its Chilamkur, Andhra Pradesh, plant, which will help energy cost reduction there.
- **Increase in stake by Damani group:** Management said that there has not been any discussion with Mr. Damani on his stake in the company. There is nothing more to share at this stage, as per the management.

**Key Financials (Standalone)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>56,280</b>	<b>50,575</b>	<b>44,562</b>	<b>50,149</b>	<b>53,555</b>
<b>Expenditure</b>	<b>49,901</b>	<b>44,723</b>	<b>39,343</b>	<b>43,352</b>	<b>45,948</b>
<b>EBITDA</b>	<b>6,379</b>	<b>5,852</b>	<b>5,218</b>	<b>6,797</b>	<b>7,608</b>
Depreciation	2,513	2,469	2,548	2,587	2,618
<b>EBIT</b>	<b>3,866</b>	<b>3,384</b>	<b>2,671</b>	<b>4,210</b>	<b>4,990</b>
Other Income	310	277	341	359	376
Interest expenses	3,242	3,345	3,079	3,108	3,059
<b>PBT</b>	<b>934</b>	<b>316</b>	<b>(67)</b>	<b>1,461</b>	<b>2,308</b>
Tax	240	(329)	(17)	368	581
Extraordinary Items	0	1,000	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>694</b>	<b>1,646</b>	<b>(50)</b>	<b>1,093</b>	<b>1,727</b>
<b>Adjusted PAT</b>	<b>694</b>	<b>645</b>	<b>(50)</b>	<b>1,093</b>	<b>1,727</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	3,099	3,099	3,099	3,099	3,099
Reserves & surplus	49,298	51,050	51,000	51,909	53,341
<b>Net worth</b>	<b>52,397</b>	<b>54,149</b>	<b>54,099</b>	<b>55,008</b>	<b>56,440</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>33,675</b>	<b>36,438</b>	<b>34,588</b>	<b>32,438</b>	<b>29,688</b>
Net deferred tax liability	6,308	5,910	5,910	5,910	5,910
<b>Total Liabilities</b>	<b>92,380</b>	<b>96,497</b>	<b>94,597</b>	<b>93,356</b>	<b>92,038</b>
<b>Net block</b>	<b>67,130</b>	<b>68,258</b>	<b>67,210</b>	<b>65,623</b>	<b>64,005</b>
<b>Investment</b>	<b>6,946</b>	<b>7,369</b>	<b>7,369</b>	<b>7,369</b>	<b>7,369</b>
<b>Current Assets</b>	<b>35,203</b>	<b>36,939</b>	<b>36,833</b>	<b>37,261</b>	<b>37,994</b>
Cash & bank balance	67	66	69	100	93
Other Current Assets	0	0	0	0	0
<b>Current liabilities &amp; Provision</b>	<b>18,670</b>	<b>18,027</b>	<b>18,316</b>	<b>18,398</b>	<b>18,831</b>
<b>Net current assets</b>	<b>16,533</b>	<b>18,912</b>	<b>18,518</b>	<b>18,863</b>	<b>19,163</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>92,380</b>	<b>96,497</b>	<b>94,597</b>	<b>93,356</b>	<b>92,038</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>853</b>	<b>282</b>	<b>(408)</b>	<b>1,102</b>	<b>1,931</b>
Other Non-Cash items	(202)	(168)	0	0	0
Chg in working cap	(2,098)	(1,269)	397	(315)	(307)
<b>Operating Cashflow</b>	<b>4,134</b>	<b>4,139</b>	<b>5,632</b>	<b>6,115</b>	<b>6,720</b>
Capital expenditure	(1,712)	(1,365)	(1,042)	(1,000)	(1,000)
<b>Free Cash Flow</b>	<b>2,423</b>	<b>2,774</b>	<b>4,590</b>	<b>5,115</b>	<b>5,720</b>
Investments	(923)	(278)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>(2,404)</b>	<b>(3,403)</b>	<b>(701)</b>	<b>(641)</b>	<b>(624)</b>
Equity Capital Raised	17	0	0	0	0
Loans Taken / (Repaid)	1,707	2,562	(1,850)	(2,150)	(2,750)
Dividend paid (incl tax)	(336)	(300)	0	(184)	(295)
Other Financing Cash Flow	0	0	0	0	0
<b>Financing Cashflow</b>	<b>(1,747)</b>	<b>(738)</b>	<b>(4,929)</b>	<b>(5,442)</b>	<b>(6,104)</b>
<b>Net chg in cash</b>	<b>(16)</b>	<b>(1)</b>	<b>3</b>	<b>31</b>	<b>(7)</b>
Opening cash position	84	67	66	69	100
<b>Closing cash position</b>	<b>67</b>	<b>66</b>	<b>69</b>	<b>100</b>	<b>93</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	11.3	11.6	11.7	13.6	14.2
EBIT Margin	6.9	6.7	6.0	8.4	9.3
Effective Tax Rate	25.7	(104.0)	25.2	25.2	25.2
Net Margin	1.2	1.3	(0.1)	2.2	3.2
ROCE	4.6	3.9	3.2	4.9	5.8
ROE	1.3	1.2	(0.1)	2.0	3.1
RoIC	4.7	4.0	3.1	5.0	6.0

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	2.2	2.1	(0.2)	3.5	5.6
CEPS	10.3	10.0	8.1	11.9	14.0
BVPS	169.1	174.7	174.6	177.5	182.1
DPS	0.8	0.6	0.0	0.5	0.8

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	56.6	60.9	(785.6)	36.0	22.8
P/CEPS	12.3	12.6	15.8	10.7	9.1
P/BV	0.8	0.7	0.7	0.7	0.7
EV / Sales	1.3	1.5	1.6	1.4	1.3
EV / EBITDA	11.2	12.7	13.9	10.3	8.9
Dividend Yield (%)	0.6	0.5	0.0	0.4	0.6

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	0.6	0.6	0.6	0.6	0.5
Net Debt/EBIDTA	5.0	6.0	6.3	4.5	3.7
Working Cap Cycle (days)	106.8	136.0	151.1	136.6	130.0

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	8.7	(10.1)	(11.9)	12.5	6.8
EBITDA	(8.6)	(8.3)	(10.8)	30.2	11.9
EBIT	(12.5)	(12.5)	(21.1)	57.7	18.5
PAT	(34.2)	137.0	(103.0)	0.0	57.9

<b>Quarterly (Rs mn)</b>	<b>Q4FY19</b>	<b>Q1FY20</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>
Revenue	15,640	14,688	12,457	11,911	11,519
EBITDA	1,922	2,420	1,472	1,287	675
<b>EBITDA Margin (%)</b>	<b>12.3</b>	<b>16.5</b>	<b>11.8</b>	<b>10.8</b>	<b>5.9</b>
PAT	438	722	87	(54)	(1,111)
<b>EPS (Rs)</b>	<b>1.4</b>	<b>2.4</b>	<b>0.3</b>	<b>(0.2)</b>	<b>(3.6)</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Mar-19</b>	<b>Jun-19</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>
Promoters	28.2	28.2	28.2	28.2	28.3
FIIIs	13.3	14.8	15.1	14.6	12.9
DIIIs	28.4	23.5	20.7	16.6	8.3
Public and Others	30.1	33.5	36.0	40.7	50.6

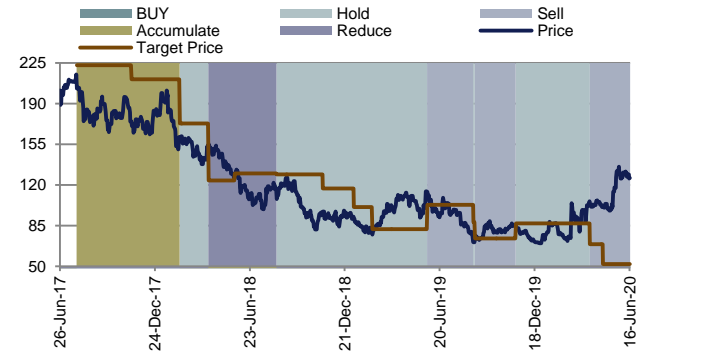
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
18-May-20	118	52	12m	Sell	Sanjeev Kumar Singh
26-Apr-20	101	52	12m	Sell	Sanjeev Kumar Singh
01-Apr-20	103	69	12m	Sell	Sanjeev Kumar Singh
07-Feb-20	77	87	12m	Hold	Sanjeev Kumar Singh
20-Nov-19	78	87	12m	Hold	Sanjeev Kumar Singh
12-Nov-19	84	87	12m	Hold	Sanjeev Kumar Singh
26-Aug-19	73	74	12m	Sell	Sanjeev Kumar Singh
23-Aug-19	71	88	12m	Hold	Sanjeev Kumar Singh
27-May-19	114	103	12m	Sell	Sanjeev Kumar Singh
11-Feb-19	77	82	12m	Hold	Sanjeev Kumar Singh
07-Jan-19	92	101	12m	Hold	Sanjeev Kumar Singh
09-Nov-18	97	117	12m	Hold	Sanjeev Kumar Singh
13-Aug-18	108	129	12m	Hold	Sanjeev Kumar Singh
25-May-18	130	130	12m	Reduce	Sanjeev Kumar Singh
05-Apr-18	155	124	12m	Reduce	Sanjeev Kumar Singh
09-Feb-18	161	173	12m	Hold	Sanjeev Kumar Singh
15-Dec-17	166	211	12m	Accumulate	Sanjeev Kumar Singh
09-Nov-17	174	211	12m	Accumulate	Sanjeev Kumar Singh
06-Sep-17	185	223	12m	Accumulate	Sanjeev Kumar Singh
28-Jul-17	203	223	12m	Accumulate	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

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+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)
<b>Cement &amp; Building Materials</b>	<b>2.17</b>	<b>2.17</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
ACC	0.19	0.20	4%	1	9.29
Ambuja Cements	0.25	0.26	4%	1	12.01
Grasim Industries	0.43	0.23	-48%	-21	10.46
Birla Corporation	0.00	0.09	NA	9	4.19
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	5.50
Orient Cement	0.00	0.00	NA	0	0.00
Prism Johnson	0.00	0.00	NA	0	0.00
Ramco Cements	0.15	0.10	-28%	-4	4.83
Sanghi Industries*	0.00	0.00	NA	0	0.00
Shree Cements	0.36	0.25	-31%	-11	11.49
Star Cement	0.00	0.00	NA	0	0.00
Ultratech Cement	0.78	0.92	17%	13	42.23
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
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.00</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

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

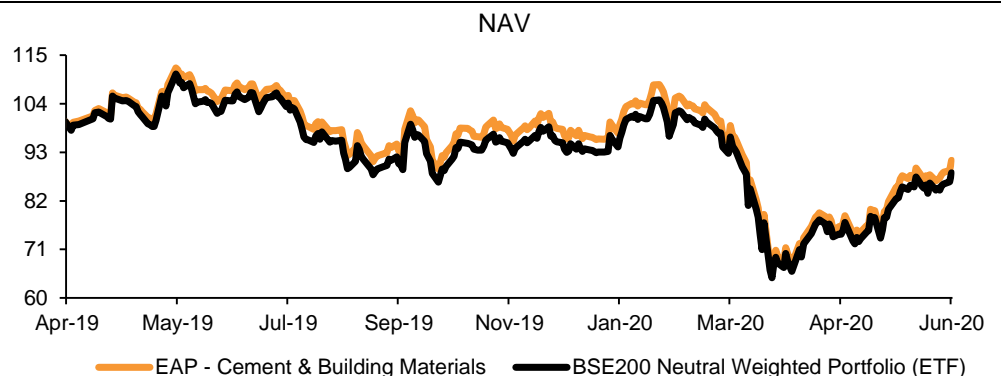
### Sector portfolio NAV

	Base					Latest
	1-Apr-19	20-Sep-19	24-Dec-19	24-Mar-20	22-May-20	23-Jun-20
EAP - Cement & Building Materials	100.0	98.2	96.4	65.8	81.8	91.2
BSE200 Neutral Weighted Portfolio (ETF)	100.0	95.3	93.4	64.5	80.0	88.4

\*Performance measurement base date 1<sup>st</sup> 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”

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

Completed Date: 25 Jun 2020 00:57:34 (SGT)

Dissemination Date: 25 Jun 2020 00:58:34 (SGT)

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