

# India Cements

Refer to important disclosures at the end of this report

## Sustaining higher cement prices is vital

- Q3 results beat our estimates on higher-than-expected volumes (down 10.3% yoy vs. estimate of 12% decline) and lower opex. EBITDA came in at Rs2.15bn vs. our estimate of Rs2.05bn and OPM stood at 18.5% vs. estimated 18.1%.
- Key positives: 1) Rs26/ton qoq decline in variable cost despite increase in petcoke/fuel price; 2) lower-than-estimated sales volume drop; 3) lower fixed costs - Rs1.5bn vs. Rs1.95bn in Q3FY20. Key negatives: 1) Realization decline of 4.8% qoq vs. estimated 3.5% drop; 2) Higher freight costs due to increased sales in the East region.
- Management highlighted their efforts to improve profitability - sustainable reduction in fixed costs, improve contribution through better pricing and higher volumes in the East region with an aim to improve utilization. Expansion plan in the Central region will be delayed by few quarters as the focus is on debt reduction.
- We raise EBITDA assumptions for FY21-23 by 1-2% on higher cement prices. Cement prices went up in the South region due to low capacity utilization and may not be sustained. Valuations at 8.6x FY23E EV/EBITDA do not look attractive, considering net debt/EBITDA of 2.8x and RoCE of 7.2% in FY22E. We maintain Sell.

**Higher realization helps profits:** Cement prices in the South region remain high compared to last year even after some moderation seen in Q2/Q3FY21. Our channel checks indicated that cement prices in the South region were up 12% yoy (down 3.3% qoq) in Q3FY21. ICEM reported 7.5% yoy improvement in realization (down 4.8% qoq). Higher-than-estimated decline in realization was due to increased sales in the East region (0.3mt sales in Q3, including clinker sales of 0.12mt). Higher sales in the East region also led to an increase in lead distance and in turn, higher freight costs (up 5.6% yoy/7.9% qoq). Sales volume was down 10.3% yoy as demand remained under pressure in the South region. Variable cost has declined Rs26/ton as the company has low cost fuel inventory and expects coal cost to rise only in Mar-Apr'21. Fixed cost fell to Rs1.5bn/quarter from Rs1.95bn in Q3FY20. Absolute employee expense was down 8.9% yoy. Other expense declined 17.2% yoy/15.3% qoq. Lower costs led to 1.3% yoy/1% qoq decline in opex/ton. EBITDA increased 67.3% yoy with 7.8pp improvement in OPM led by higher realization. Interest expense was down 15% yoy/2.8% qoq on lower debt and borrowing costs. Profit stood at Rs620mn vs. a loss of Rs54mn in Q3FY20.

**Maintain Sell on expensive valuations:** We raise EBITDA estimates by 1-2% for FY21-23 as we increase realization assumptions marginally. Cement prices in the South region have been volatile historically and sustainability needs to be seen for building in aggressive assumptions. In FY21 so far, prices have sustained at higher level despite a steep fall in demand. The company's inability to reduce debts in absence of capex has been a concern for the last few years (Rs7.2bn increase in gross debt during FY17-FY20). Though gross debt has declined by Rs3bn in 9MFY21, net debt/EBITDA is likely to be remain at 3.9x/3.5x/2.8x in FY21/22/23E. Management indicated that capacity expansion in the Central region will be undertaken after few quarters, which may delay debt reduction. Valuations at 8.6x FY23E EV/EBITDA appear rich, considering higher debt, lower return ratios (RoE/RoCE at 4.7%/7.7% in FY23E) and volatility in cement prices. We maintain Sell with a revised TP of Rs120 (7x FY23E EV/EBITDA) vs. Rs115 earlier. The key upside risk is the sustenance of higher prices in the South region and a steep recovery in demand.

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	43,905	49,747	53,706
EBITDA	6,379	5,852	8,042	8,282	9,069
EBITDA Margin (%)	11.3	11.6	18.3	16.6	16.9
APAT	694	645	2,048	2,176	2,774
EPS (Rs)	2.2	2.1	6.6	7.0	9.0
EPS (% chg)	(34.6)	(7.1)	217.4	6.2	27.5
ROE (%)	1.3	1.2	3.7	3.8	4.7
P/E (x)	75.4	81.1	25.6	24.1	18.9
EV/EBITDA (x)	13.2	14.9	10.4	9.8	8.6
P/BV (x)	1.0	1.0	0.9	0.9	0.9

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
<b>Rs 169</b> as of (January 27, 2021)	<b>Rs 120 (▲)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>SELL (■)</b>	<b>(29.0) %</b>

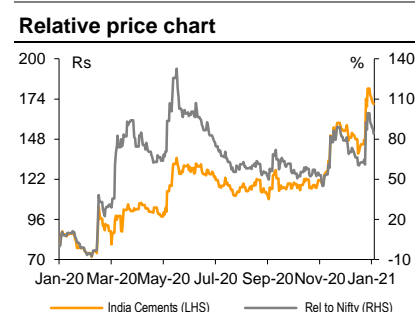
Change in Estimates	
EPS Chg FY21E/FY22E (%)	5/5
Target Price change (%)	4.3
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus		
EPS Estimates		
	FY21E	FY22E
Emkay	6.6	7.0
Consensus	5.4	6.0
Mean Consensus TP (12M)	Rs 119	

Stock Details	
Bloomberg Code	ICEM IN
Face Value (Rs)	10
Shares outstanding (mn)	310
52 Week H/L	186 / 70
M Cap (Rs bn/USD bn)	52 / 0.72
Daily Avg Volume (nos.)	3,312,740
Daily Avg Turnover (US\$ mn)	7.2

Shareholding Pattern Dec '20	
Promoters	28.4%
FIIIs	12.4%
DIIIs	9.4%
Public and Others	49.8%

Price Performance				
(%)	1M	3M	6M	12M
<b>Absolute</b>	17	39	43	95
<b>Rel. to Nifty</b>	13	16	13	67



Source: Bloomberg

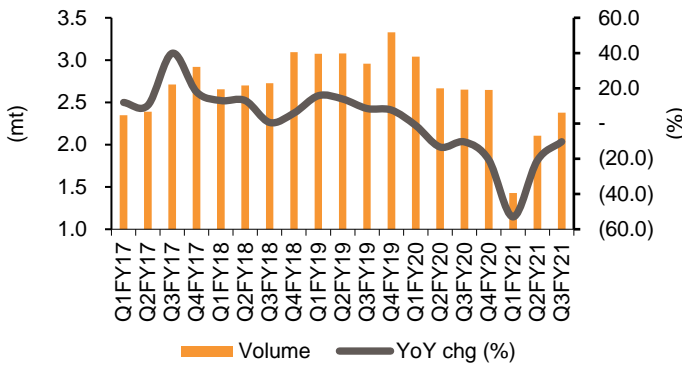
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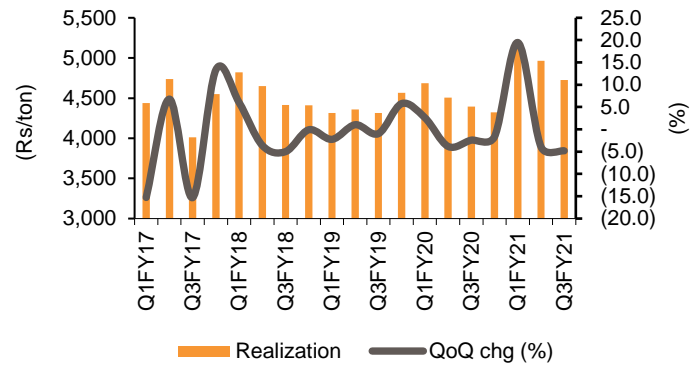
# Story in Charts

**Exhibit 1: Sales volume declines 10.3% yoy**



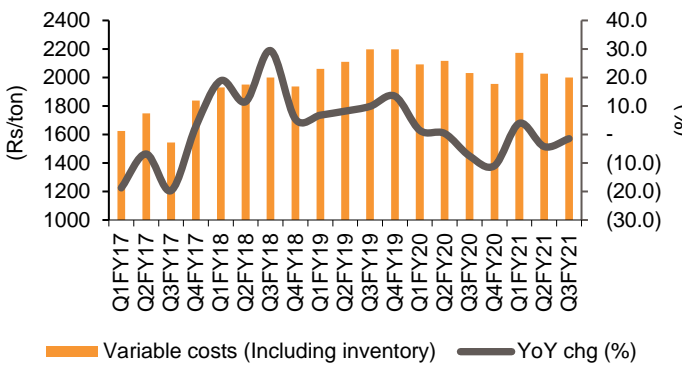
Source: Emkay Research, Company

**Exhibit 2: Realization up 7.5% yoy, but down 4.8% qoq**



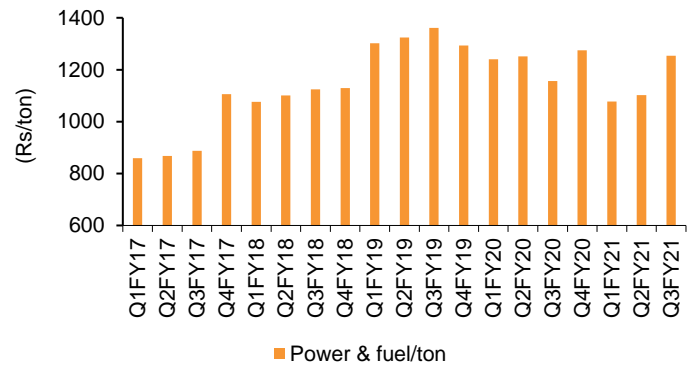
Source: Emkay Research, Company

**Exhibit 3: Variable cost/ton down Rs30 yoy/Rs26 qoq**



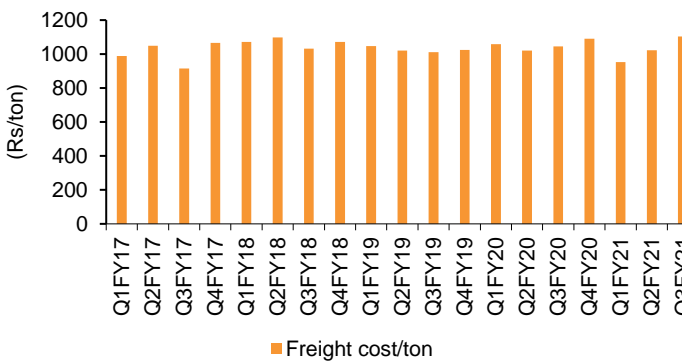
Source: Emkay Research, Company

**Exhibit 4: Energy cost/ton up 8.4% yoy/13.7% qoq**



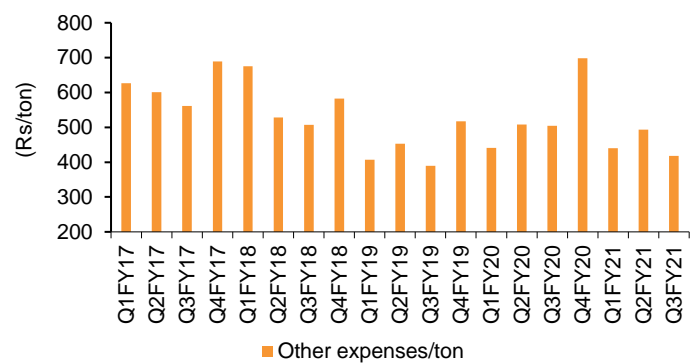
Source: Emkay Research, Company

**Exhibit 5: Freight cost/ton up 5.6% yoy/7.9% qoq**



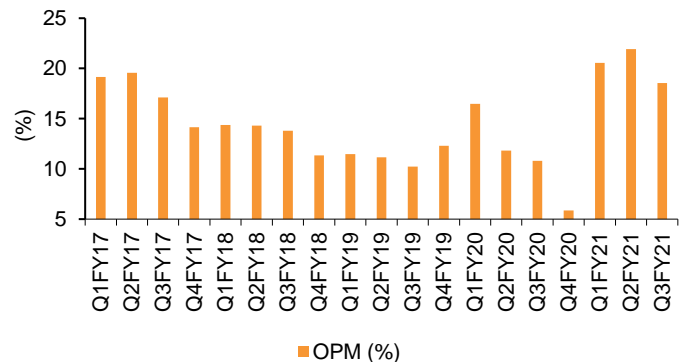
Source: Emkay Research, Company

**Exhibit 6: Other expenses/ton down 17.2% yoy**



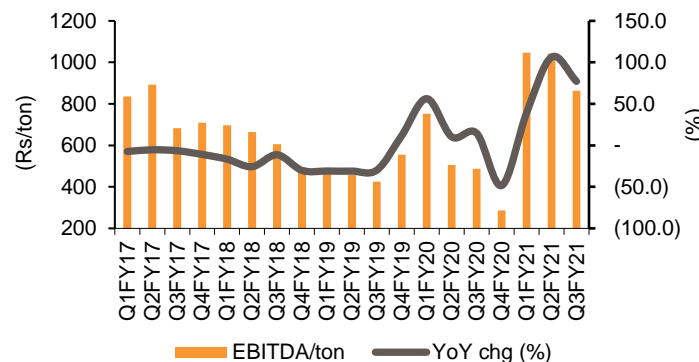
Source: Emkay Research, Company

**Exhibit 7: OPM expanded 7.7pp yoy but down 3.4pp qoq**



Source: Emkay Research, Company

**Exhibit 8: EBITDA/ton up 77.2% yoy**



Source: Emkay Research, Company

## Exhibit 9: Actual vs. Estimates (Q3FY21)

(in Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Sales	11,603	11,358	11,778	2.2	(1.5)	Led by higher-than-estimated volumes
EBITDA	2,152	2,051	2,166	4.9	(0.6)	Led by higher revenues
EBITDA margin (%)	18.5	18.1	18.4	49bps	16bps	
Adj. PAT	620	537	607	15.5	2.2	Led by higher operating profit

Source: Company, Emkay Research, Bloomberg

## Exhibit 10: Quarterly results

Rs mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	9MFY20	9MFY21	YoY (%)
<b>Net Sales</b>	<b>11,911</b>	<b>11,519</b>	<b>7,570</b>	<b>10,697</b>	<b>11,603</b>	<b>(2.6)</b>	<b>8.5</b>	<b>39,056</b>	<b>29,871</b>	<b>(23.5)</b>
<b>Total Expenditure</b>	<b>10,625</b>	<b>10,845</b>	<b>6,013</b>	<b>8,351</b>	<b>9,451</b>	<b>(11.0)</b>	<b>13.2</b>	<b>33,879</b>	<b>23,815</b>	<b>(29.7)</b>
as % of sales	89.2%	94.1%	79.4%	78.1%	81.5%			86.7%	79.7%	
Raw Material Consumed	2,315	1,802	1,567	1,947	1,776	(23.3)	(8.8)	7,210	5,290	(26.6)
as % of sales	19.4%	15.6%	20.7%	18.2%	15.3%			18.5%	17.7%	
Employee Expenses	867	774	750	737	790	(8.8)	7.3	2,725	2,277	(16.5)
as % of sales	7.3%	6.7%	9.9%	6.9%	6.8%			7.0%	7.6%	
Power, Oil & Fuel	3,066	3,375	1,540	2,323	2,980	(2.8)	28.3	10,176	6,843	(32.8)
as % of sales	25.7%	29.3%	20.3%	21.7%	25.7%			26.1%	22.9%	
Transportation & Handling	2,770	2,885	1,362	2,155	2,624	(5.3)	21.7	8,711	6,141	(29.5)
as % of sales	23.3%	25.0%	18.0%	20.1%	22.6%			22.3%	20.6%	
Other Expenses	1,607	2,009	794	1,189	1,281	(20.3)	7.7	5,056	3,263	(35.5)
as % of sales	13.5%	17.4%	10.5%	11.1%	11.0%			12.9%	10.9%	
<b>EBITDA</b>	<b>1,287</b>	<b>675</b>	<b>1,557</b>	<b>2,347</b>	<b>2,152</b>	<b>67.3</b>	<b>(8.3)</b>	<b>5,178</b>	<b>6,056</b>	<b>17.0</b>
Depreciation	615	642	600	601	605	(1.7)	0.6	1,827	1,806	(1.1)
<b>EBIT</b>	<b>672</b>	<b>33</b>	<b>957</b>	<b>1,746</b>	<b>1,547</b>	<b>130.4</b>	<b>(11.3)</b>	<b>3,351</b>	<b>4,250</b>	<b>26.8</b>
Other Income	33	180	33	57	26	(20.9)	(54.5)	97	116	19.7
Interest	806	924	730	705	685	(15.0)	(2.8)	2,421	2,119	(12.5)
PBT	(101)	(711)	261	1,098	888	n/m	(19.1)	1,027	2,247	118.8
<b>Total Tax</b>	<b>(48)</b>	<b>(600)</b>	<b>91</b>	<b>384</b>	<b>268</b>	<b>n/m</b>	<b>(30.1)</b>	<b>271</b>	<b>743</b>	<b>173.8</b>
Adjusted PAT	(54)	(110)	170	714	620	n/m	(13.2)	755.6	1,504.1	99.1
Extra ordinary items	-	1,000	-	-	-	n/m	n/m	-	-	n/m
<b>Reported PAT</b>	<b>(54)</b>	<b>(1,111)</b>	<b>170</b>	<b>714</b>	<b>620</b>	<b>n/m</b>	<b>(13.2)</b>	<b>756</b>	<b>1,504</b>	<b>99.1</b>
<b>Adjusted EPS (Rs)</b>	<b>(0.2)</b>	<b>(0.4)</b>	<b>0.5</b>	<b>2.3</b>	<b>2.0</b>	<b>n/m</b>	<b>(13.2)</b>	<b>2.4</b>	<b>4.9</b>	<b>99.1</b>

Margins (%)						bps	bps			bps
EBIDTA	10.8	5.9	20.6	21.9	18.5	775	(339)	13.3	20.3	702
EBIT	5.6	0.3	12.6	16.3	13.3	770	(298)	8.6	14.2	565
EBT	-0.8	-6.2	3.4	10.3	7.7	851	(261)	2.6	7.5	489
PAT	-0.5	-1.0	2.2	6.7	5.3	580	(133)	1.9	5.0	310
Effective Tax rate	46.9	84.5	34.9	34.9	30.2	(1,674)	(475)	26.4	33.1	664

Source: Company, Emkay Research

## Exhibit 11: Operating cost analysis on per ton basis

Per ton analysis (Rs)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	9MFY20	9MFY21	YoY (%)
Volumes (mt)	2.7	2.6	1.4	2.1	2.4	(10.3)	12.8	8.4	5.9	(29.2)
Realization/ton	4,397	4,325	5,167	4,965	4,727	7.5	(4.8)	4,672	5,051	8.1
Raw materials	874	681	1,096	924	747	(14.5)	(19.1)	863	895	3.7
Employee	327	292	524	350	333	1.7	(4.9)	326	385	18.1
Energy	1,157	1,275	1,077	1,102	1,254	8.4	13.7	1,217	1,157	(5.0)
Freight	1,045	1,090	953	1,023	1,104	5.6	7.9	1,042	1,038	(0.4)
Other Expenses	505	698	440	493	418	(17.2)	(15.3)	605	552	(8.8)
Opex	3,907	4,036	4,090	3,892	3,855	(1.3)	(1.0)	4,053	4,027	(0.6)
<b>EBITDA</b>	<b>488</b>	<b>286</b>	<b>1,047</b>	<b>1,043</b>	<b>864</b>	<b>77.2</b>	<b>(17.2)</b>	<b>619</b>	<b>1,024</b>	<b>65.3</b>

Source: Company, Emkay Research

## Exhibit 12: Changes in estimates

Rs mn	FY21E			FY22E			FY23E		
	Earlier	Revised	Chg (%)	Earlier	Revised	Chg (%)	Earlier	Revised	Chg (%)
Cement volumes (mt)	8.6	8.6	-	10.0	10.0	-	10.6	10.6	-
Realization (Rs/ton)	4,978	4,993	0.3	4,838	4,853	0.3	4,920	4,935	0.3
Sales	43,772	43,905	0.3	49,596	49,747	0.3	53,544	53,706	0.3
EBIDTA	7,908	8,042	1.7	8,132	8,282	1.8	8,907	9,069	1.8
EBIDTA (%)	18.1	18.3	25	16.4	16.6	25	16.6	16.9	25
Net Profit	1,948	2,048	5.1	2,074	2,176	4.9	2,677	2,774	3.6
EPS (Rs)	6.3	6.6	5.1	6.7	7.0	4.9	8.6	9.0	3.6

Source: Company, Emkay Research

## Exhibit 13: Key assumptions

Particulars	FY18	FY19	FY20	FY21E	FY22E	FY23E
Sales volumes (mt)	11.2	12.4	11.0	8.6	10.0	10.6
Realization (Rs/ton)	4,494	4,390	4,456	4,993	4,853	4,935
<b>Per ton costs (Rs)</b>						
Raw material	807	840	839	832	851	871
Employee cost	355	287	317	415	369	358
Power & Fuel	1,109	1,319	1,227	1,139	1,186	1,234
Freight	1,068	1,026	1,050	1,025	1,055	1,086
Other expense	643	557	640	759	705	673
<b>Total Cost</b>	<b>4,007</b>	<b>4,011</b>	<b>4,051</b>	<b>4,171</b>	<b>4,166</b>	<b>4,221</b>
EBITDA	624	513	530	935	832	858

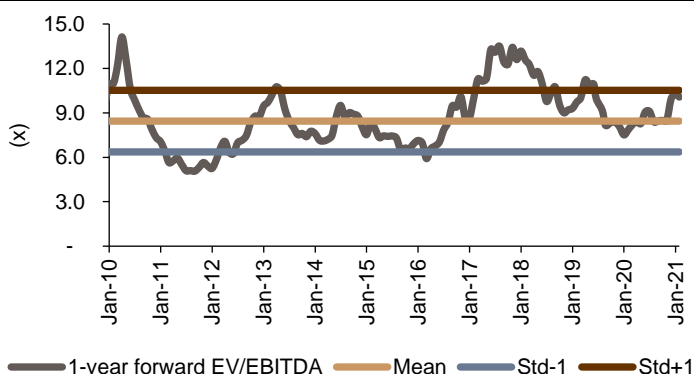
Source: Company, Emkay Research

## Exhibit 14: Peer Valuation

Company	Rs bn	EV/EBITDA (x)			EV/Ton (USD)			P/E (x)		
	Mcap	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
<b>India Cements</b>	<b>52</b>	<b>10.4</b>	<b>9.8</b>	<b>8.6</b>	<b>72</b>	<b>70</b>	<b>67</b>	<b>25.6</b>	<b>24.1</b>	<b>18.9</b>
UltraTech Cement	1,549	15.1	13.9	11.8	189	180	169	28.4	25.5	21.4
Shree Cements	838	21.8	19.0	16.5	249	232	226	47.3	41.5	36.4
Ambuja Cements*	510	15.5	14.4	12.1	182	168	161	28.9	28.4	24.5
ACC*	313	10.3	9.1	8.4	104	102	101	22.8	20.0	18.3
Ramco Cements	185	13.7	13.3	11.7	144	134	128	22.3	23.0	20.1
JK Cement	164	13.2	12.6	11.1	148	146	143	29.0	26.4	22.2
Birla Corp	56	6.6	6.6	5.6	76	63	58	11.1	11.1	9.7
Prism Cement	44	11.9	11.1	9.5	110	111	109	57.1	47.7	30.0
Star Cement	39	9.8	7.6	6.6	89	83	80	15.5	12.7	11.9
JK Lakshmi Cement	38	6.4	5.9	5.3	50	47	44	14.5	13.1	11.7
Orient Cement	17	5.6	5.9	5.2	45	42	39	10.5	12.5	10.7

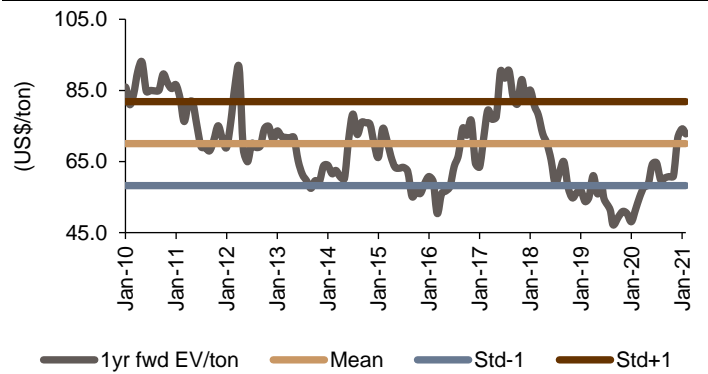
Source: Company, Emkay Research, \*Dec-ending companies

## 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

- **Focus on improving profitability:** Management indicated that they will not compromise on cement prices to push higher volumes in the market. The realization decline in Q3 was due to 1) higher sales in the East region (0.12mt clinker and 0.18mt cement) and 2) higher non-trade sales - 47% vs. 27%/44% in Q1/Q2FY21. Demand in the East region is growing in double digits and few states in the region are clinker deficit, hence South-based (Andhra Pradesh) players sell into the East markets. Andhra Pradesh government is also giving concessions on clinker transportation (15% concession on railway freight for a fixed distance) in the East region on the basis of higher volumes over a fixed base year. South-based players are asking for concessions for cement transportation also.
- **Opex trends:** Variable cost/ton was down to Rs2,160/ton vs. Rs2,200 in Q3FY20 despite an increase in pet coke/fuel cost. Low-cost fuel inventory will keep energy costs under control till Feb-Mar'21. Fuel cost/kcal was Rs1.3 in Q3, which at current pet coke/coal prices should increase by 10%. Fixed cost/qtr has been reduced to Rs1.5bn vs. Rs1.95bn earlier and there should be much increase in fixed costs. Higher sales in the East region led to higher lead distance and in turn, higher freight costs.
- **Gross debt:** Gross debt stood at Rs32bn vs. Rs35bn at FY20-end. Another Rs1.5bn debt will be repaid in Q4. Scheduled repayment in FY22 is Rs4-4.5bn. Borrowing cost was 8.39% in Q3FY21 vs. 9.18% in Q3FY20.
- **Capex:** Capex in 9MFY21 was Rs700mn. Capex in FY22 will be Rs1.5bn (includes Rs1bn for 10MW Waste Heat Recovery System). Decision on capacity expansion in the Central region has been kept on hold for few quarters.
- **Demand trends:** Demand has started improving in Andhra Pradesh, though it remains subdued in Telangana. Supply to government projects in AP has reached 0.5mt/month, and management believes that companies in AP will not be able to meet government demand if it remains so high.

**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>43,905</b>	<b>49,747</b>	<b>53,706</b>
<b>Expenditure</b>	<b>49,901</b>	<b>44,723</b>	<b>35,864</b>	<b>41,465</b>	<b>44,637</b>
<b>EBITDA</b>	<b>6,379</b>	<b>5,852</b>	<b>8,042</b>	<b>8,282</b>	<b>9,069</b>
Depreciation	2,513	2,469	2,454	2,506	2,555
<b>EBIT</b>	<b>3,866</b>	<b>3,384</b>	<b>5,588</b>	<b>5,776</b>	<b>6,515</b>
Other Income	310	277	228	239	251
Interest expenses	3,242	3,345	3,079	3,108	3,059
<b>PBT</b>	<b>934</b>	<b>316</b>	<b>2,737</b>	<b>2,907</b>	<b>3,707</b>
Tax	240	(329)	689	732	933
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>2,048</b>	<b>2,176</b>	<b>2,774</b>
<b>Adjusted PAT</b>	<b>694</b>	<b>645</b>	<b>2,048</b>	<b>2,176</b>	<b>2,774</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	52,914	54,905	57,384
<b>Net worth</b>	<b>52,397</b>	<b>54,149</b>	<b>56,013</b>	<b>58,004</b>	<b>60,483</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>32,888</b>	<b>30,638</b>	<b>27,188</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>94,811</b>	<b>94,552</b>	<b>93,581</b>
<b>Net block</b>	<b>67,130</b>	<b>68,258</b>	<b>67,304</b>	<b>66,798</b>	<b>65,494</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>36,701</b>	<b>37,144</b>	<b>38,098</b>
Cash & bank balance	67	66	158	105	154
Other Current Assets	0	0	0	0	0
<b>Current liabilities &amp; Provision</b>	<b>18,670</b>	<b>18,027</b>	<b>18,064</b>	<b>18,260</b>	<b>18,881</b>
<b>Net current assets</b>	<b>16,533</b>	<b>18,912</b>	<b>18,637</b>	<b>18,884</b>	<b>19,218</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>92,380</b>	<b>96,497</b>	<b>94,811</b>	<b>94,552</b>	<b>93,581</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>2,509</b>	<b>2,668</b>	<b>3,456</b>
Other Non-Cash items	(202)	(168)	0	0	0
Chg in working cap	(2,098)	(1,269)	366	(301)	(284)
<b>Operating Cashflow</b>	<b>4,134</b>	<b>4,139</b>	<b>7,719</b>	<b>7,250</b>	<b>7,852</b>
Capital expenditure	(1,712)	(1,365)	(1,042)	(2,000)	(1,250)
<b>Free Cash Flow</b>	<b>2,423</b>	<b>2,774</b>	<b>6,677</b>	<b>5,250</b>	<b>6,602</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>(814)</b>	<b>(1,761)</b>	<b>(999)</b>
Equity Capital Raised	17	0	0	0	0
Loans Taken / (Repaid)	1,707	2,562	(3,550)	(2,250)	(3,450)
Dividend paid (incl tax)	(336)	(300)	(184)	(184)	(295)
Other Financing Cash Flow	0	0	0	0	0
<b>Financing Cashflow</b>	<b>(1,747)</b>	<b>(738)</b>	<b>(6,813)</b>	<b>(5,542)</b>	<b>(6,804)</b>
<b>Net chg in cash</b>	<b>(16)</b>	<b>(1)</b>	<b>92</b>	<b>(53)</b>	<b>49</b>
Opening cash position	84	67	66	158	105
<b>Closing cash position</b>	<b>67</b>	<b>66</b>	<b>158</b>	<b>105</b>	<b>154</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	18.3	16.6	16.9
EBIT Margin	6.9	6.7	12.7	11.6	12.1
Effective Tax Rate	25.7	(104.0)	25.2	25.2	25.2
Net Margin	1.2	1.3	4.7	4.4	5.2
ROCE	4.6	3.9	6.1	6.4	7.2
ROE	1.3	1.2	3.7	3.8	4.7
RoIC	4.7	4.0	6.5	6.7	7.7

<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	6.6	7.0	9.0
CEPS	10.3	10.0	14.5	15.1	17.2
BVPS	169.1	174.7	180.7	187.2	195.2
DPS	0.8	0.6	0.5	0.5	0.8

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	75.4	81.1	25.6	24.1	18.9
P/CEPS	16.3	16.7	11.6	11.1	9.8
P/BV	1.0	1.0	0.9	0.9	0.9
EV / Sales	1.5	1.7	1.9	1.6	1.5
EV / EBITDA	13.2	14.9	10.4	9.8	8.6
Dividend Yield (%)	0.5	0.4	0.3	0.3	0.5

<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	0.5	0.4
Net Debt/EBIDTA	5.0	6.0	3.9	3.5	2.8
Working Cap Cycle (days)	106.8	136.0	153.6	137.8	129.6

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	8.7	(10.1)	(13.2)	13.3	8.0
EBITDA	(8.6)	(8.3)	37.4	3.0	9.5
EBIT	(12.5)	(12.5)	65.2	3.4	12.8
PAT	(34.2)	137.0	24.4	6.2	27.5

<b>Quarterly (Rs mn)</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>	<b>Q3FY21</b>
Revenue	11,911	11,519	7,570	10,697	11,603
EBITDA	1,287	675	1,557	2,347	2,152
<b>EBITDA Margin (%)</b>	<b>10.8</b>	<b>5.9</b>	<b>20.6</b>	<b>21.9</b>	<b>18.5</b>
PAT	(54)	(1,111)	170	714	620
<b>EPS (Rs)</b>	<b>(0.2)</b>	<b>(3.6)</b>	<b>0.5</b>	<b>2.3</b>	<b>2.0</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>	<b>Dec-20</b>
Promoters	28.2	28.3	28.3	28.4	28.4
FIs	14.6	12.9	12.3	12.0	12.4
DIs	16.6	8.3	8.9	9.7	9.4
Public and Others	40.7	50.6	50.5	49.9	49.8

Source: Capitaline

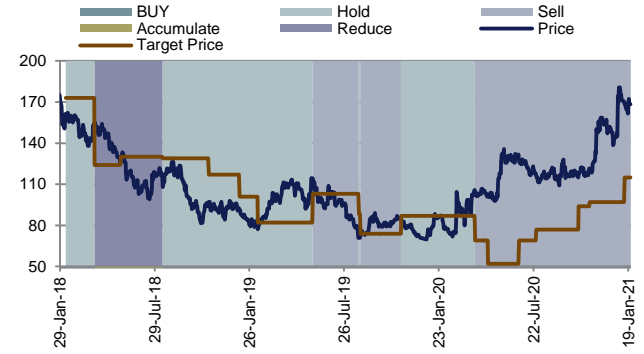


## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
12-Jan-21	169	115	12m	Sell	Sanjeev Kumar Singh
06-Nov-20	121	97	12m	Sell	Sanjeev Kumar Singh
16-Oct-20	118	94	12m	Sell	Sanjeev Kumar Singh
28-Aug-20	122	77	12m	Sell	Sanjeev Kumar Singh
27-Jul-20	116	77	12m	Sell	Sanjeev Kumar Singh
24-Jun-20	127	69	12m	Sell	Sanjeev Kumar Singh
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

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>2.14</b>	<b>2.14</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
ACC	0.18	0.00	-100%	-18	0.00
Ambuja Cements	0.24	0.26	9%	2	12.15
Grasim Industries	0.53	0.53	0%	0	24.82
Birla Corporation	0.00	0.04	NA	4	1.91
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	0.04	NA	4	1.97
Orient Cement	0.00	0.00	NA	0	0.00
Prism Johnson	0.00	0.00	NA	0	0.00
Ramco Cements	0.13	0.14	10%	1	6.50
Shree Cements	0.29	0.29	0%	0	13.32
Star Cement	0.00	0.00	NA	0	0.00
Ultratech Cement	0.78	0.84	8%	6	39.33
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
	01-Apr-19	27-Jan-20	27-Jul-20	26-Oct-20	24-Dec-20	25-Jan-21
EAP - Cement & Building Materials	100.0	108.4	90.5	103.1	112.9	120.8
BSE200 Neutral Weighted Portfolio (ETF)	100.0	104.9	86.6	101.0	111.7	119.6

\*Performance measurement base date 1<sup>st</sup> April 2019

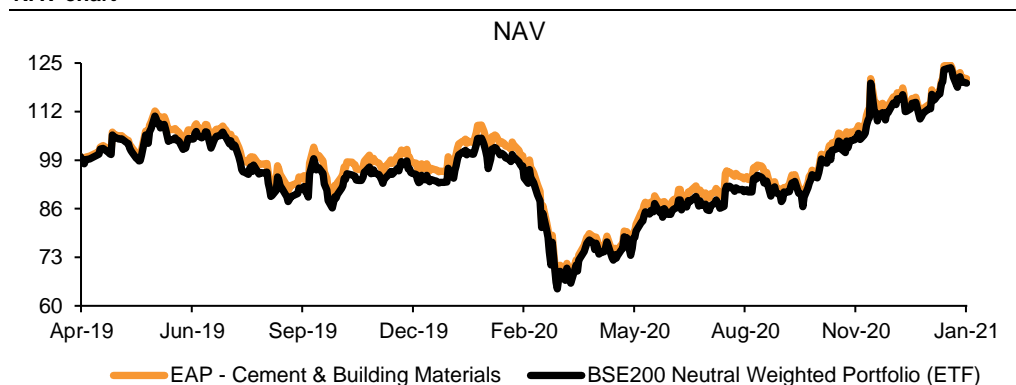
Source: Emkay Research

#### Price Performance (%)

	1m	3m	6m	12m
EAP - Cement & Building Materials	7.0%	17.1%	33.5%	11.5%
BSE200 Neutral Weighted Portfolio (ETF)	7.1%	18.4%	38.1%	14.1%

Source: Emkay Research

#### NAV chart



Source: Emkay Research

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

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

“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: 27 Jan 2021 23:08:57 (SGT)

Dissemination Date: 27 Jan 2021 23:09:57 (SGT)

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