October 26, 2018

Heidelberg Cement (HEICEM)

₹ 134

Strong realisations keep momentum healthy…

- Heidelberg Cement reported good set of numbers for Q2FY19. Revenues increased 14.2% YoY to ₹479.5 crore mainly led by healthy growth in the realisations that were up by 7.6% YoY to ₹4,262/t (vs I-direct est: ₹4,120/t). Capacity utilisation also remained healthy at 83% due to pick-up in demand despite lean monsoon season.
- On the margin front, the EBITDA margin increased 218 bps YoY to 23% (vs I-direct est:16.5%) mainly led by the strong realisations. Company reported highest ever EBITDA/tonne of ₹980/t (vs I-direct estimate of ₹ 681/t) as it was also able to reduce the effect of hardening of fuel prices by higher power generation from Waste Heat Recovery System (WHRS) and economic power sourcing during the quarter.

Limited capacity addition in central region to drive utilisation, pricing

A pick-up in construction activity coupled with better sand availability in Uttar Pradesh drove cement volumes in H1FY19. Going forward, hike in minimum support prices and higher infra spend are expected to keep cement demand robust. This coupled with the absence of new capacity addition in the central region is expected to keep utilisation healthy. Further, consolidation of cement capacity in the region is expected to bring pricing discipline in the region. Consequently, we expect revenues to increase at 10.5% CAGR in FY18-20E.

WHRMS, operating leverage will continue to drive margin expansion

Despite higher pet coke prices, the company was able to control the power cost in Q2FY19 mainly led by higher power generation from WHRS and economic power sourcing during the quarter. The 12MW WHRS commissioned by the company is expected to help the company reduce power cost by ~10-20/t and lower dependence on grid power. Further, we expect improving utilisation to lead to operating leverage benefit of ~₹ 25-30/t. This, coupled with higher realisation, is expected to drive EBITDA/t from ₹ 720/t in FY18 to ₹ 926/t in FY20E.

Higher cash flows to drive debt reduction

The company is expected to generate free cash flow of ₹ 451 crore in FY18-20E. This cash flow post dividend payment can be used for debt repayment. Consequently, we expect Heidelberg to repay ~₹ 370 crore. Hence, debt/equity can be reduced to 0.3x in FY20E from 0.8x in FY18.

Structurally in sweet spot to capture upcoming growth; maintain BUY

With a good Q2FY19 show, we expect healthy volume and realisation growth trend to continue on account of better sand availability in Uttar Pradesh and increase in construction activities post monsoon leading to growth in volumes at 5.5% CAGR in FY18-20E (indicating utilisation improvement from 86% in FY18 to 97% in FY20E). This coupled with increase in realisation (led by a pick-up in demand) is expected to result in revenue CAGR of 10.5% in FY18-20E. In addition, operating leverage benefit and cost efficiency are expected to result in margin expansion of 310 bps to 21.1%. Consequently, we maintain our **BUY** rating on the stock with a revised target price of ₹165 [i.e. valuing at 8.0x FY20E EV/EBITDA (@ 20% discount to its peers), $125/tonne on capacity of 5.4 MT]. As the company is expected to reach its peak utilisation levels by FY20E, the growth would moderate going forward unless it being addressed with the new capacity.

Rating matrix

Rating	:	Buy
Target	:	₹ 165
Target Period	:	15-18 months
Potential Upside	:	24%

What's Changed?

Target	Changed from ₹180 to ₹165
EPS FY19E	Changed from ₹ 7.8 to ₹ 9.0
EPS FY20E	Changed from ₹ 9.7 to ₹ 10.6
Rating	Unchanged

Quarterly Performance

	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
Revenue	479.5	420.0	14.2	536.9	-10.7
EBITDA	110.2	87.4	26.1	116.0	-4.9
EBITDA (%)	23.0	20.8	218 bps	21.6	139 bps
PAT	50.1	33.2	50.9	51.1	-2.0

Key Financials

	FY17	FY18	FY19E	FY20E
Net Sales	1687.6	1860.7	2101.3	2272.5
EBITDA	249.0	334.6	441.9	479.3
Net Profit	72.0	134.0	205.0	240.5
EPS (₹)	3.2	5.9	9.0	10.6

Valuation summary

	FY17	FY18	FY19E	FY20E
PE (x)	41.8	22.5	14.7	12.5
Target PE (x)	51.9	27.9	18.2	15.5
EV to EBITDA (x)	15.5	10.7	8.0	6.9
EV/Tonne(US$)	119	111	109	102
Price to book (x)	3.1	2.9	2.6	2.3
RoNW (%)	7.4	12.8	17.5	18.1
RoCE (%)	10.6	14.8	21.1	24.2

Stock data

Particular	Amount
Mcap	₹ 3014 crore
Debt (FY18)	₹ 787 crore
Cash & Invest (FY18)	₹ 212 crore
EV	₹ 3588 crore
52 week H/L	₹ 189 / 110
Equity cap	₹ 226.6 crore
Face value	₹ 10

Price performance (%)

	1M	3M	6M	12M
Heildelberg Cem	-17.5	-17.6	-21.6	1.2
India Cement	-19.8	-27.7	-43.1	-53.7
JK Cement	-14.0	-12.9	-30.2	-31.7
JK Lakshmi Cem	-11.7	-19.8	-36.2	-35.7
Sagar Cement	-8.1	-20.2	-34.5	-26.6

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Variance analysis

	Q2FY19	Q2FY19E	Q2FY18	YoY (%)	Q1FY19	QoQ (%)	Comments
Net Sales	479.5	470.8	420.0	14.2	536.9	-10.7	Healthy realisations in central region (up 7.6% YoY) despite monsoon along with pick-up in demand drove revenues during the quarter
Other Incomes	12.5	9.0	8.2	53.4	10.3	21.7	
Raw Material Expenses	88.0	94.3	81.4	8.1	98.4	301.5	
Employee Expenses	31.1	30.4	29.3	6.4	30.6	1.9	
Change in stock	-16.6	3.5	-13.8	19.7	9.6	NA	
Power and fuel	120.1	112.4	108.4	10.8	118.0	1.8	Increase in pet coke prices led to higher power cost but WHRMS helped limit the increase in power cost
Freight	66.6	74.3	61.3	8.7	82.8	-19.6	Higher diesel prices led to rise in freight cost during the quarter
Others	79.9	78.1	66.0	21.1	81.4	-1.8	
EBITDA	110.2	77.8	87.4	26.1	116.0	-4.9	
EBITDA Margin (%)	23.0	16.5	20.8	218 bps	21.6	139 bps	Operating leverage benefit drove margins in the quarter
Interest	19.9	17.7	18.8	5.6	21.9	-9.3	
Depreciation	25.5	24.5	25.5	-0.1	25.5	0.0	
PBT	77.4	44.6	51.3	51.0	78.9	-1.9	
Total Tax	27.3	15.7	18.1	51.3	27.8	-1.5	
Reported PAT	50.1	28.9	16.3	207.7	51.6	-2.0	
Adjusted PAT	50.1	28.9	33.2	50.9	51.1	-2.0	The increase in PAT was mainly led by better performance at operating level
Key Metrics							
Volume (MT)	1.13	1.14	1.06	6.1	1.27	-11.2	Low base of last year, increase in construction activity and better sand availability drove volumes in the quarter
Realisation (₹)	4,262	4,120	3,962	7.6	4,237	0.6	Pricing environment continue to remain healthy in the central region during Q2
EBITDA per Tonne (₹)	980	681	825	18.8	915	7.0	Lower power cost/t and decline in fixed cost/t led to sharp rise in EBITDA/t

Source: Company, ICICI Direct Research

Change in estimates

	FY19E			FY20E			
(₹ Crore)	Old	New	% Change	Old	New	% Change	Comments
Revenue	2,141.9	2,156.6	0.7	2,322.6	2,342.5	0.9	Revival in rural economy and normal monsoon to drive demand in coming years
EBITDA	403.2	441.9	9.6	446.6	479.3	7.3	
EBITDA Margin (%)	18.8	20.5	167 bps	19.2	20.5	123 bps	Power cost rationalisation and operating leverage benefit to drive margins
PAT	188.2	205.0	8.9	220.7	240.5	9.0	Reduction in debt to drive profitability
EPS (₹)	8.3	9.0	8.9	9.7	10.6	9.0	

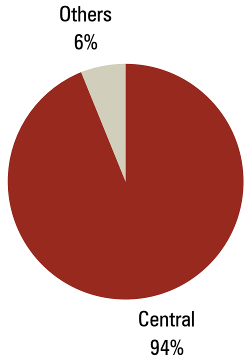
Source: Company, ICICI Direct Research

Assumptions

	Current					Earlier		Comments
	FY16	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Volume (MT)	4.4	4.5	4.6	4.9	5.2	4.9	5.2	We expect volumes to grow at a CAGR of 5.5% over FY18-20E
Realisation (₹)	3,667	3,771	4,004	4,263	4,391	4,183	4,308	
EBITDA per Tonne (₹)	474	556	720	896	926	790	816	We expect annual EBITDA/tonne to cross ₹900/t by FY20E

Source: Company, ICICI Direct Research

Regional presence



Company Analysis

Substantial portion of company's revenues from central region

Heidelberg Cement India sells ~94% of total cement volumes in the central region, a favourable region in India, considering the demand-supply scenario. The company sells the rest of the volume in the western and southern regions. Its share in the central region had gone up from 75% to over 94% led by capacity expansion in CY13. With no major capacity addition, we believe it will likely remain a central regional player.

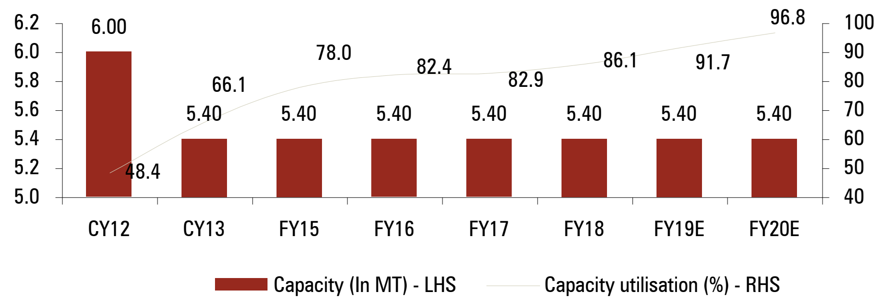
Improving macro to keep utilisation healthy

The government's focus on construction of roads (83,677 km to be built over the next five years) and affordable housing (~2.2 crore houses to be built over the next two or three years) bodes well for cement demand. This, coupled with absence of new capacity addition in the central region, is expected to keep utilisation healthy. Further, consolidation of cement capacity in the region is expected to bring pricing discipline in the region. Consequently, we expect realisation to remain elevated over the next couple of years.

Cost efficiency to drive margins…

The company doubled its cement capacity to 6 MT from 3 MT in CY13 at a total capex of ₹ 1,570 crore. However, due to subdued demand, these major expansions took a heavy toll on its profitability with the company reporting a net loss of ₹ 41 crore in CY13 (vs. net profit of ₹ 31 crore in CY12) led by high interest and depreciation. However, with improving utilisation along with stabilisation of new capacity, its margins have improved. Consequently, we expect margins to improve over the coming years.

Exhibit 1: Revival in demand to drive utilisation



Source: Company, ICICI Direct Research

Healthy free cash flow generation to help reduce debt significantly

With limited capex (due to no major capacity addition) and improving margins, we expect the company to generate free cash flow of ~₹ 451 crore over the next two years. We believe a significant portion of this will be used to reduce debt. As a result, we expect the debt to equity to decline to 0.3x in FY20E from 0.8x in FY18.

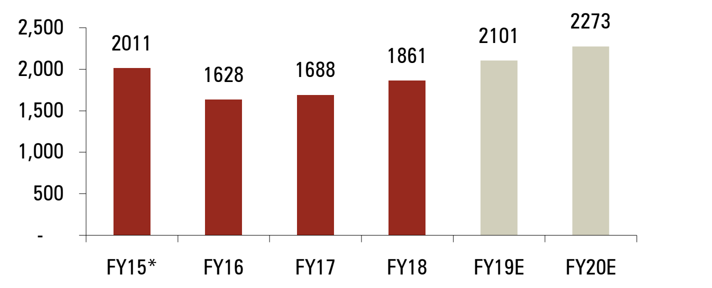
Large global promoter

Heidelberg's Indian operations have the support of the rich experience of the German promoter (Heidelberg AG), a Germany-based company, which is one of the world's largest cement manufacturers with consolidated revenue of over €15 billion in 2016. This, we believe, would provide huge potential to grow inorganically over the longer run.

Improvement in realisation and utilisation to drive revenues

Utilisation has improved from 66.1% in CY13 to 86% in FY18. Going forward, we expect utilisation to further improve to 97% in FY20E. We expect volumes to grow at a CAGR of 5.5% in FY18-20E led by increased government spending and revival in rural economy. Further, we expect pricing to improve in the central region. Consequently, we expect sales to increase at a CAGR of 10.5% over FY18-20E.

Exhibit 2: Expect revenue to grow at CAGR of 10.5% over FY18-20E



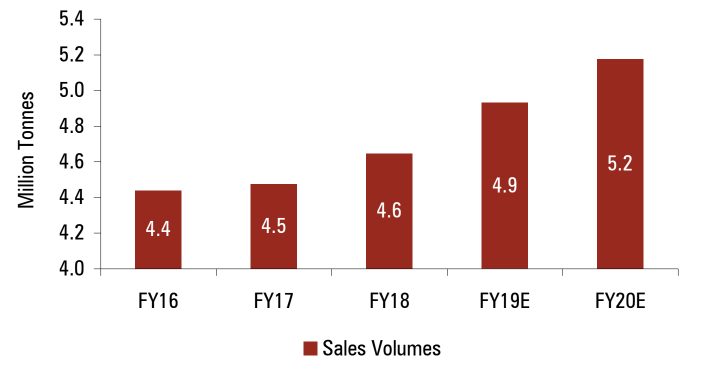
*Source: Company, ICICI Direct Research *15 months period*

Exhibit 3: Cement capacity

	State	Region	MT
Ammasandra, Tumkur	Karnataka	South	0.7
Village Imlai, Damoh	Madhya Pradesh	Central	2.0
Village Madora, Jhansi	Uttar Pradesh	Central	2.7
Gadab, Taluka Pen, Raigad	Maharashtra	West	0.7
Total Capacity			5.4

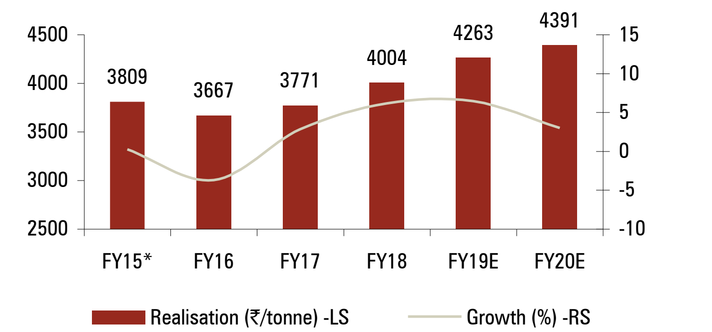
Source: Company, ICICI Direct Research

Exhibit 4: Volume expected at 5.2 MT by FY20E



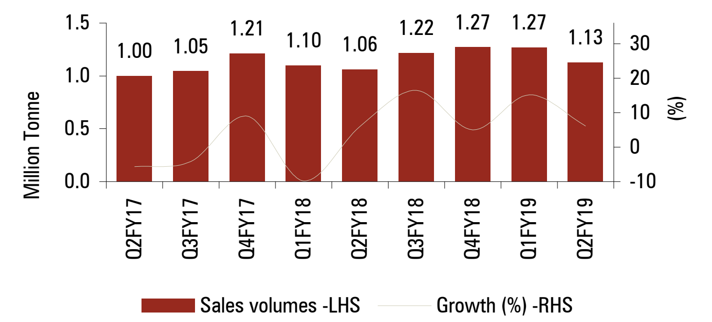
Source: Company, ICICI Direct Research

Exhibit 5: Realisation to improve in FY18-20E



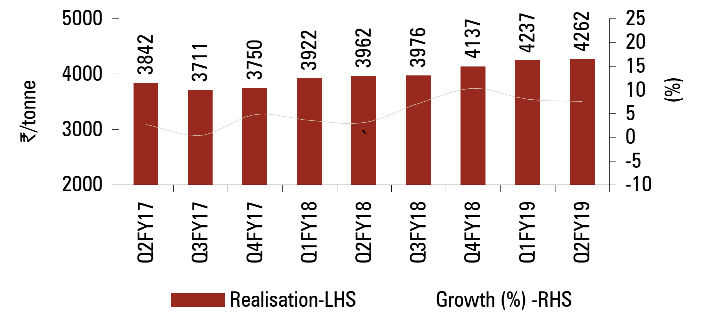
Source: Company, ICICI Direct Research

Exhibit 6: Q2FY19 volumes up 6.1% YoY led by improved sand availability



Source: Company, ICICI Direct Research

Exhibit 7: Q2FY19 realisation increases 7.6% YoY

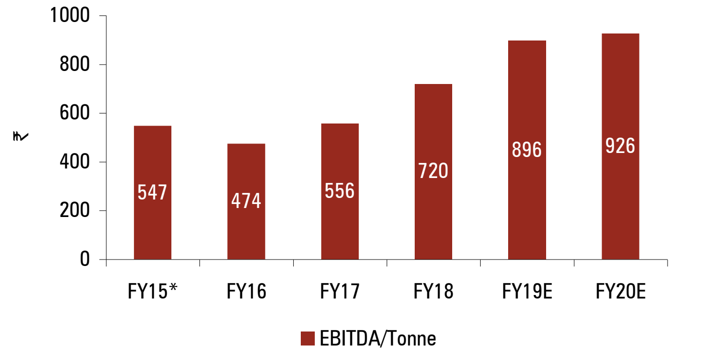


Source: Company, ICICI Direct Research

Margins to improve to 21% by FY20E

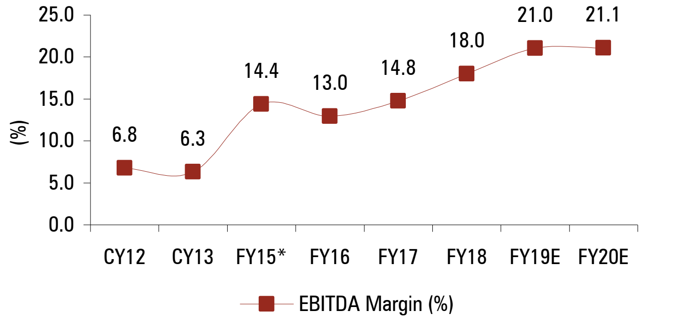
Higher utilisation and steps like overhead belt conveyor & WHRMS will drive cost downwards, going forward. Consequently, despite cost headwinds, we expect margins to improve further to over 21% by FY20E.

Exhibit 8: Expect EBITDA/tonne of ₹926/tonne in FY20E



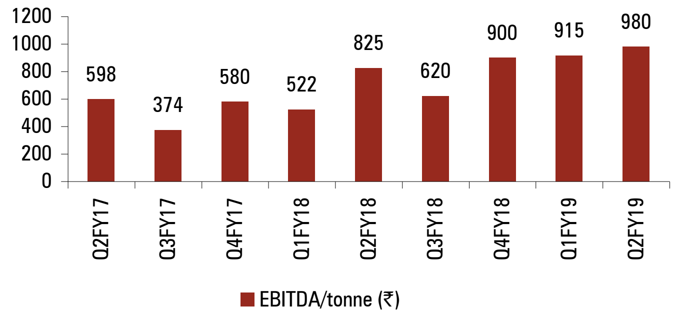
Source: Company, ICICI Direct Research

Exhibit 9: Margins to improve led by improvement in utilisation



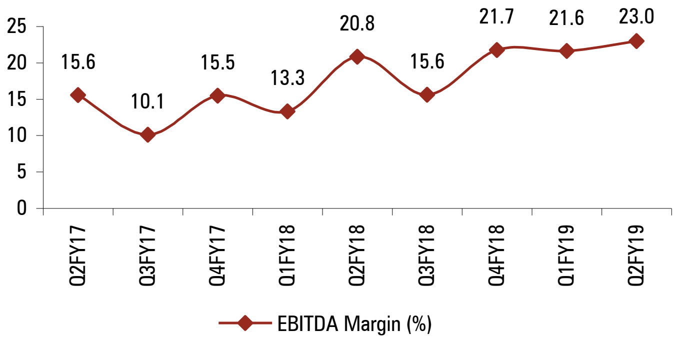
Source: Company, ICICI Direct Research

Exhibit 10: Q2FY19 EBITDA per tonne at ₹980



Source: Company, ICICI Direct Research

Exhibit 11: Pick-up in margins expected, going forward, led by improvement in capacity utilisation, cost efficiency

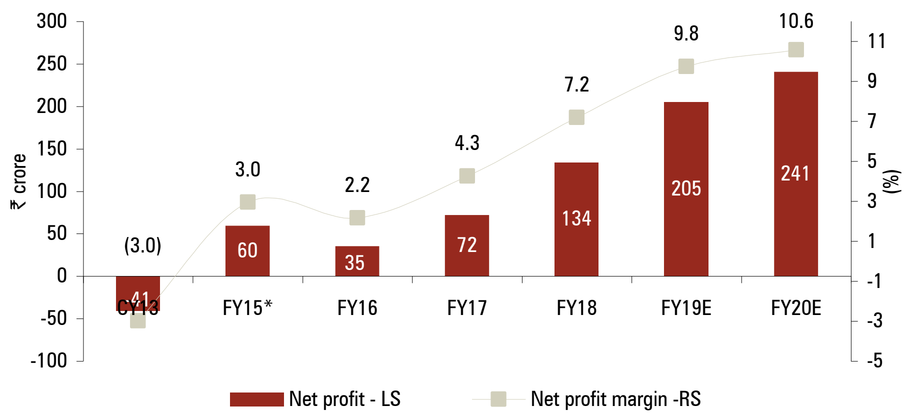


Source: Company, ICICI Direct Research

Net profit to increase at CAGR of 34% over FY18-20E

After witnessing a loss in CY13, mainly due to higher interest cost on debt due to expansion, we expect the company to report CAGR of 34% over FY18-20E mainly led by higher operating margins and lower debt.

Exhibit 12: Profitability trend



Source: Company, ICICI Direct Research

Outlook and valuations

With a good Q2FY19 show, we expect healthy volume and realisation growth trend to continue on account of better sand availability in Uttar Pradesh and increase in construction activities post monsoon leading to growth in volumes at 5.5% CAGR in FY18-20E (indicating utilisation improvement from 86% in FY18 to 97% in FY20E). This coupled with increase in realisation (led by a pick-up in demand) is expected to result in revenue CAGR of 10.5% in FY18-20E. In addition, operating leverage benefit and cost efficiency are expected to result in margin expansion of 310 bps to 21.1%. Consequently, we maintain our **BUY** rating on the stock with a revised target price of ₹165 [i.e. valuing at 8.0x FY20E EV/EBITDA (@ 20% discount to its peers), $125/tonne on capacity of 5.4 MT]. As the company is expected to reach its peak utilisation levels, the growth would moderate going forward unless it being addressed with the new capacity.

Exhibit 13: Assumptions

₹ per tonne	FY15*	FY16	FY17E	FY18	FY19E	FY20E
Sales Volume (mtpa)	5.3	4.4	4.5	4.6	4.9	5.2
Net Realisation	3809	3667	3771	4004	4263	4391
Total Expenditure	3262	3193	3215	3284	3366	3465
Stock Adjustment	-52	-21	77	29	2	2
Raw material	841	772	728	767	803	827
Power & Fuel	1065	1018	959	955	990	1019
Employees	253	238	256	259	262	267
Freight	519	523	535	610	627	646
Others	636	663	659	663	683	704
EBITDA per Tonne	547	474	556	720	896	926

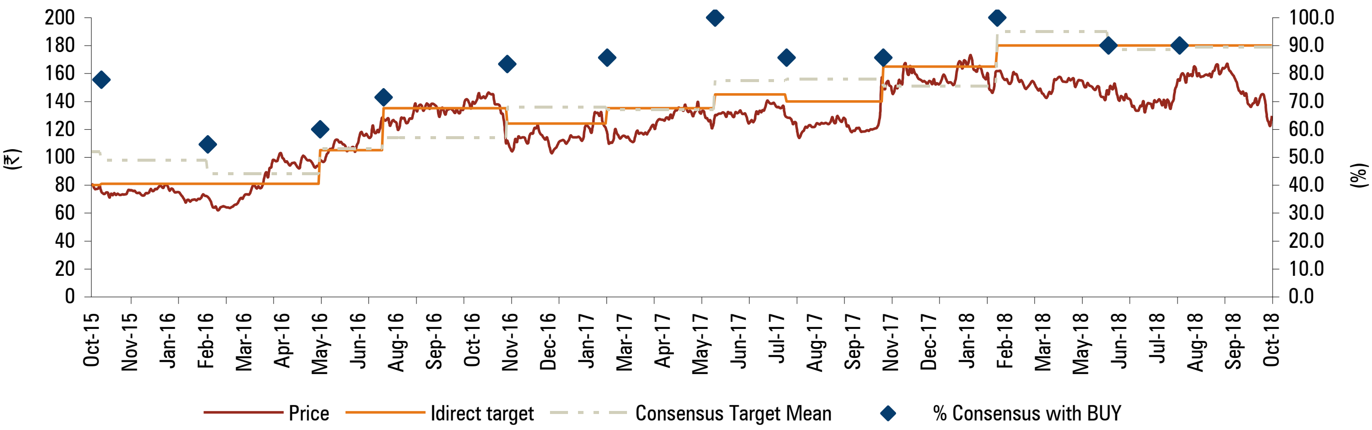
*Source: Company, ICICI Direct Research   * 15 months*

Exhibit 14: Assumptions

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/Tonne ($)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	1,687.6	3.7	3.2	103.5	41.8	119	15.5	7.4	10.6
FY18	1860.7	10.3	5.9	86.1	22.5	111	10.7	12.8	14.8
FY19E	2101.3	12.9	9.0	53.0	14.7	109	8.0	17.5	21.1
FY20E	2272.5	8.1	10.6	17.3	12.5	102	6.9	18.1	24.2

Source: Company, ICICI Direct Research

Recommendation history vs. consensus estimate



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
May-08	Board approves amalgamation of Indorama Cement and Heidelberg Cement India with Mysore Cements. Total capacity of the merged entity stands at 3.07 MTPA
Jul-08	The Securities and Appellate Tribunal (SAT) dismisses the Securities and Exchange Board of India's (Sebi) directive on the structure of Heidelberg's open offer for Mysore Cement shares, which involved a non-compete fee for promoters. Thus, it clears the way for an open offer
Oct-09	The board of HeidelbergCement India approves setting up of an expansion project at its plants at Damoh (Madhya Pradesh) and Jhansi (Uttar Pradesh) to increase cement production capacity from the existing 1.8 MTPA to 4.7 MTPA
Jun-10	The board of HeidelbergCement India approves increasing the cement production at Raigad unit of the company in Maharashtra by 0.625 MTPA
Feb-13	HeidelbergCement India successfully completes and commissions the expansion project at Damoh (MP). This comprises increase of clinker manufacturing capacity at its unit Narsingarh, district Damoh from 1.2 to 3.1 MTPA and increase of cement capacity at Imlai, district Damoh from 1.0 to 2.0 MTPA
Feb-13	Board approves setting up of a waste heat recover based power generation plant at its clinkerisation unit at Narsingarh, district Damoh (MP). The proposed plant will produce approximately 12.15 MW of power
Jan-14	HeidelbergCement India Ltd completes the sale and transfer of its cement grinding facility at Raigad, Maharashtra to JSW Steel on a slump sale basis in accordance with business transfer agreement executed between the company and JSW Steel on October 5, 2013
Feb-16	Commissions 12 MW WHRMS

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	HeidelbergCement AG	30-Jun-18	0.7	157.2	0.0
2	Stewart Investors	30-Jun-18	0.0	9.2	0.0
3	First State Investments (Singapore)	31-Aug-18	0.0	6.1	0.0
4	Sundaram Asset Management Company Limited	31-Aug-18	0.0	4.7	0.0
5	Life Insurance Corporation of India	30-Jun-18	0.0	3.6	0.0
6	Alquity Investment Management Ltd.	31-Aug-18	0.0	3.6	0.2
7	J.P. Morgan Asset Management (Hong Kong) Ltd.	30-Jun-18	0.0	3.0	0.0
8	Bajaj Group of Industries	30-Jun-18	0.0	2.9	2.9
9	Caisse de Depot et Placement du Quebec	30-Jun-18	0.0	2.8	0.0
10	Aditya Birla Sun Life AMC Limited	30-Sep-18	0.0	2.6	0.0

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Promoter	69.39	69.39	69.39	69.39	69.39
FII	11.71	11.33	11.63	11.74	11.97
DII	6.42	6.32	5.97	5.97	6.20
Others	12.48	12.96	13.01	12.90	12.44

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Bajaj Group of Industries	6.0	2.9	HDFC Standard Life Insurance Company Limited	-0.6	-0.3
Legato Capital Management LLC	0.5	0.3	Caisse de Depot et Placement du Quebec	-0.1	0.0
Alquity Investment Management Ltd.	0.4	0.2	Sahara Asset Management Company Pvt. Ltd.	0.0	0.0
Tata Asset Management Limited	0.2	0.1	Aditya Birla Sun Life AMC Limited	0.0	0.0
BNY Mellon Asset Management North America Corporation	0.1	0.0	BlackRock Advisors (UK) Limited	0.0	0.0

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Total operating Income	1,687.6	1,860.7	2,101.3	2,272.5
Growth (%)	3.7	10.3	12.9	8.1
Raw material	360.7	370.3	396.6	428.9
Power & Fuel	429.3	443.9	487.8	527.6
Employees	114.8	120.2	129.3	138.4
Freight	239.2	283.6	308.9	334.1
Others	294.7	308.2	336.8	364.2
Total Operating Exp.	1,438.6	1,526.1	1,659.4	1,793.2
EBITDA	249.0	334.6	441.9	479.3
Growth (%)	18.0	34.4	32.1	8.5
Depreciation	99.2	101.2	103.6	107.5
Interest	89.8	74.5	77.3	67.7
Other Income	49.4	49.6	55.3	70.0
Exceptional items	0.0	0.0	0.0	0.0
PBT	109.4	208.5	316.4	374.0
Total Tax	37.4	74.5	111.4	133.5
PAT	72.0	134.0	205.0	240.5
Growth (%)	103.5	86.1	53.0	17.3
EPS (₹)	3.2	5.9	9.0	10.6

*Source: ICICI Direct Research * FY15 was 15months and FY16 is 12 months hence there is higher decline in sales*

Cash flow statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Profit after Tax	72.0	134.0	205.0	240.5
Add: Depreciation	99.2	101.2	103.6	107.5
(Inc)/dec in Current Assets	139.5	3.8	-61.1	25.9
Inc/(dec) in CL and Provisions	28.5	75.6	3.4	85.6
CF from operating activities	339.2	314.5	250.9	459.6
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-25.3	-31.9	-110.0	-138.4
Others	33.9	46.8	0.0	0.0
CF from investing activities	8.7	14.8	-110.0	-138.4
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-341.4	-76.6	-170.0	-200.0
Dividend paid & dividend tax	-53.0	-68.3	-82.0	-82.0
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	53.0	13.8	0.0	0.0
CF from financing activities	-341.4	-131.2	-252.0	-282.0
Net Cash flow	6.4	198.2	-111.1	39.2
Opening Cash	7.8	14.2	212.4	101.3
Closing Cash	14.2	212.4	101.3	140.6

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Liabilities				
Equity Capital	226.6	226.6	226.6	226.6
Reserve and Surplus	740.3	819.8	942.8	1,101.3
Total Shareholders funds	967.0	1,046.4	1,169.4	1,327.9
Total Debt	917.9	857.6	687.6	487.6
Deferred Tax Liability	53.0	83.5	83.5	83.5
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	1,937.9	1,987.5	1,940.4	1,898.9
Assets				
Gross Block	2,949.6	2,979.7	3,092.8	3,234.1
Less: Acc Depreciation	1,072.5	1,173.7	1,277.3	1,384.8
Net Block	1,877.1	1,806.0	1,815.5	1,849.3
Capital WIP	6.3	8.1	5.0	2.0
Total Fixed Assets	1,883.4	1,814.1	1,820.5	1,851.3
Investments	0.0	0.0	0.0	0.0
Inventory	139.6	126.9	173.6	151.4
Debtors	12.6	18.8	16.9	21.7
Loans and Advances	299.5	302.7	315.1	307.6
Other Current Assets	58.4	57.9	61.9	60.8
Cash	14.2	212.4	101.3	140.6
Total Current Assets	524.3	718.7	668.8	682.1
Creditors	253.7	326.5	328.6	379.9
Provisions	216.1	218.9	220.2	254.5
Total Current Liabilities	469.8	545.4	548.8	634.4
Net Current Assets	54.5	173.4	120.0	47.7
Application of Funds	1,937.9	1,987.5	1,940.4	1,899.0

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
EPS	3.2	5.9	9.0	10.6
Cash EPS	7.6	10.4	13.6	15.4
BV	43	46	52	59
DPS	2.0	2.5	3.0	0.0
Cash Per Share	0.6	9.4	4.5	6.2
Operating Ratios (%)				
EBITDA Margin	14.8	18.0	21.0	21.1
PAT Margin	4.3	7.2	9.8	10.6
Inventory days	34.4	26.1	26.1	26.1
Debtor days	4.1	3.1	3.1	3.1
Creditor days	52.7	56.9	56.9	56.9
Return Ratios (%)				
RoE	7.4	12.8	17.5	18.1
RoCE	10.6	14.8	21.1	24.2
RoIC	7.8	13.2	18.5	21.2
Valuation Ratios (x)				
P/E	41.8	22.5	14.7	12.5
EV / EBITDA	15.5	10.7	8.0	6.9
EV / Net Sales	2.3	1.9	1.7	1.4
Market Cap / Sales	1.8	1.6	1.4	1.3
Price to Book Value	3.1	2.9	2.6	2.3
Solvency Ratios				
Debt/EBITDA	3.5	2.4	1.4	0.9
Debt / Equity	0.9	0.8	0.5	0.3
Current Ratio	1.1	1.3	1.2	1.1
Quick Ratio	1.1	0.9	1.0	0.9

Source: Company, ICICI Direct Research

ICICI Direct Research coverage universe (Cement)

Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY18	EPS (₹) FY19E	EPS (₹) FY20E	EV/EBITDA (x) FY18	EV/EBITDA (x) FY19E	EV/EBITDA (x) FY20E	EV/Tonne ($) FY18	EV/Tonne ($) FY19E	EV/Tonne ($) FY20E	RoCE (%) FY18	RoCE (%) FY19E	RoCE (%) FY20E	RoE (%) FY18	RoE (%) FY19E	RoE (%) FY20E
ACC*	1,368	1,750	Buy	25,710	35.0	49.2	49.9	14.8	14.1	10.5	116	108	104	14.0	14.2	18.4	9.9	9.7	12.8
Ambuja Cement*	193	231	Buy	38,323	6.3	6.3	8.1	12.8	12.5	9.9	126	127	126	11.3	12.4	16.4	8.6	8.4	10.8
UltraTech Cem	3,348	4400	Buy	91,869	89.6	106.5	160.1	18.0	15.3	11.2	197	185	174	10.0	11.5	15.4	9.5	10.3	13.5
Shree Cement	13,530	18500	Hold	47,084	397.8	354.3	530.9	19.6	18.8	14.5	237	200	193	15.3	13.1	17.2	15.6	12.5	16.2
Heidelberg Cem	133	165	Buy	3,014	5.9	9.0	10.6	10.7	8.0	6.9	111	109	102	14.8	21.1	24.2	12.8	17.5	18.1
India Cement	82	140	Buy	2,519	3.3	4.3	7.5	8.1	8.0	6.4	61	59	58	5.1	5.1	6.7	1.9	2.5	4.2
JK Cement	669	830	Hold	4,678	51.3	45.1	56.3	8.5	9.7	8.7	77	77	80	14.6	11.9	12.8	16.7	13.3	14.6
JK Lakshmi Cem	267	375	Buy	3,137	7.1	8.3	15.2	11.3	10.4	7.9	62	57	56	8.8	9.4	12.8	5.8	6.3	10.5
Mangalam Cem	204	250	Hold	545	4.3	-6.9	1.3	10.2	18.5	12.5	37	41	42	7.2	3.3	6.0	2.2	-3.7	0.7
Star Cement	106	125	Hold	4,444	7.9	5.5	6.2	9.0	10.8	9.3	214	199	195	21.6	16.1	18.0	22.4	14.0	13.9
Ramco Cement	571	844	Buy	13,594	23.5	24.8	33.5	13.2	13.0	9.6	147	142	118	10.4	9.7	12.0	13.7	13.3	15.8
Sagar Cement	613	900	Buy	1,251	12.9	19.5	28.1	11.0	9.6	8.1	65	55	36	8.1	9.3	10.8	3.4	4.9	6.6

Source: Company, ICICI Direct Research

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