Result Update

February 12, 2019

JK Lakshmi Cement (JKLAKS)

₹ 303

Higher input costs weigh on margins…

Rating matrix

Rating	:	Buy
Target	:	₹ 335
Target Period	:	12-15 months
Potential Upside	:	12%

What's changed?

Target	Changed from ₹ 315 to ₹ 335
EPS FY19E	Changed from ₹ 7.1 to ₹ 5.4
EPS FY20E	Changed from ₹ 12.9 to ₹ 10.4
Rating	Unchanged

Quarterly performance

	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	935.0	837.4	11.7	851.4	9.8
EBITDA	98.3	94.3	4.2	91.6	7.2
EBITDA (%)	10.5	11.3	-76 bps	10.8	-25 bps
PAT	14.8	8.6	71.7	7.8	88.9

Key financials

₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	2910.4	3412.2	3771.5	4101.5
EBITDA	365.4	411.3	398.3	494.5
Net Profit	82.0	83.9	63.9	121.8
EPS (₹)	7.0	7.1	5.4	10.4

Valuation summary

	FY17	FY18	FY19E	FY20E
P/E	43.5	42.5	55.9	29.3
Target P/E	48.1	47.0	61.8	32.4
EV/EBITDA	14.1	12.3	12.5	10.0
EV/Tonne($)	68	62	58	58
P/BV	2.7	2.6	2.5	2.4
RoNW (%)	5.9	5.8	4.2	7.6
RoCE (%)	7.5	8.8	8.1	10.6

Stock data

Particular	Amount
Mcap	₹ 3566 crore
Debt (FY18)	₹ 1951 crore
Cash & Invest (FY18)	₹ 452 crore
EV	₹ 5066 crore
52 week H/L	₹ 487 / ₹ 260
Equity cap	₹ 274.2 crore
Face value	₹ 10

Price performance

	1M	3M	6M	12M
Heidelberg Cem.	-3.0	-3.2	-7.6	-9.3
India Cement	-11.8	-14.8	-31.4	-50.3
JK Cement	-1.2	0.5	-10.4	-33.1
JK Lakshmi Cem.	-3.8	9.1	-6.2	-28.1

Research Analyst

Rashesh Shah
rashes.shah@icicisecurities.com

Romil Mehta
romil.mehta@icicisecurities.com

- JK Lakshmi Cement reported a mixed set of Q3FY19 numbers. Net sales increased 11.7% YoY to ₹ 935 crore (vs. I-direct estimate of ₹ 895 crore), driven by 9% volume growth to ~ 2.3 MT (vs. I-direct estimate of 2.2 MT). Realisations were at ₹ 4056/t (marginally lower than I-direct estimate of ₹ 4083/t)
- On the margin front, EBITDA margins fell 78 bps YoY to 10.5% (below I-direct estimate of 13.1%) due to higher freight and power & fuel costs. EBITDA/t was at ₹ 426/t (below I-direct estimate of ₹ 534/t), down 4.4% YoY led by higher RM costs due to clinker purchase from outside and other expenses due to plant maintenance costs
- The work on 20 MW power plant and Odisha GU is progressing as per the schedule and is expected to get commissioned by Q4FY19E

Slow pace of capacity additions to inch-up utilisation levels higher…

A short-term blip is expected in government spending due to elections, which is expected to normalise by the time the peak demand period for the cement industry for the next fiscal resumes. Several factors like sustained infrastructure spends in low cost housing, roads along with a pickup in private capex are expected to further boost cement consumption. The northern region (where JK Cement sells ~60% of volumes) is expected to witness limited capacity addition CAGR of 3.0% in FY18-20E while demand is expected to grow ~7-8% led by the above-mentioned reasons. These factors would result in improved utilisations. Consequently, we expect revenue CAGR of 9.6% in FY18-20E

….capacity expansions to boost volumes

Majority of the company's capacity expansion is complete while only 0.8 MT grinding unit at Odisha yet to be commissioned. The grinding unit will cater to the coastal Odisha market where realisations are healthy. With the addition of the grinding unit, the company's capacity will be 13.3 MT by Q4FY19E. The benefit of these expansions is expected to lead to volume growth of 10.7% in FY18-20E.

Shift from grid power to CPP at Durg to improve margins

The company's east operations have lower profitability compared to its north operations due to high power cost. To rationalise power cost, the company has set up a waste heat recovery (WHR), reduced its power consumption to 69 kwh/t from 74/kwh/t and is also in the process of setting up a captive power plant of 20 MW (by end of FY19) in the Durg facility, which will help in saving power costs by ~₹ 60/t. In addition, commissioning of the conveyor belt will help reduce freight expenses on limestone by ~₹ 30-40/t. This coupled with debt reduction of ~ ₹ 200 crore every year from free cash flows it generates, will boost margins and strengthen the balance sheet.

Cost rationalisation, key positive, going forward; maintain BUY

With limited clinker capacity addition (3.0% CAGR in FY18-20E) and improved demand (CAGR of ~6-7% in FY18-20E) in the northern region, we expect utilisation to firm up in coming years. A rise in trade sales should help improve realisations. Consequently, we expect revenues to increase at a CAGR of 13.0% in FY18-20E. Further, cost control initiatives like captive power plant (20 MW) and conveyor belt at Durg along with softening prices of some key raw materials like petcoke are expected to drive margins in FY19E-20E. Hence, we continue to maintain **BUY** rating on the stock with a revised target price of ₹ 335/share (i.e. at $65/tonne on FY20E capacity of 13.0 MT, 11x FY20E EV/EBITDA).

Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	YoY (%)	Q2FY19	QoQ (%)	Comments
Net Sales	935.0	894.9	837.4	11.7	851.4	9.8	Rise in the share of trade volumes aided 2.4% growth in realisations resulting in better-than-expected revenue growth during the quarter
Other Incomes	13.7	15.0	14.6	-6.3	15.0	-8.4	
Raw Material Expenses	208.8	211.5	200.5	4.1	196.4	6.3	
Employee Expenses	65.5	60.3	55.0	19.1	65.8	-0.4	
Change in stock	11.8	0.0	-14.8	-179.8	-8.0	-246.5	
Power and fuel	223.3	223.3	204.9	8.9	225.2	-0.8	Increase in pet coke prices led to higher power & fuel cost
Freight	229.6	203.9	216.2	6.2	202.2	13.6	Reduction in lead distance by 30-33 km and easing of axle load helped offset an increase in diesel price impact
Others	97.8	78.9	81.1	20.5	78.3	24.8	
EBITDA	98.3	117.0	94.3	4.2	91.6	7.2	
EBITDA Margin (%)	10.5	13.1	11.3	-76 bps	10.8	-25 bps	Increase in input cost and lower realisation led to margin contraction
Interest	47.1	46.6	51.4	-8.3	49.3	-4.5	
Depreciation	45.1	45.2	44.8	0.6	45.2	-0.2	
Less: Exceptional Items	0.0	0.0	0.0	NA	0.0	NA	
PBT	19.8	40.2	12.7	55.4	12.1	63.5	
Total Tax	5.0	9.6	4.1	21.5	4.3	17.3	
PAT	14.8	NA	8.6	71.7	7.8	88.9	
Adjusted PAT	14.8	30.5	8.6	71.7	7.8	88.9	
Key Metrics							
Volume (MT)	2.31	2.19	2.10	9.6	2.13	8.4	
Realisation (₹)	4,056	4,083	3,983	1.8	4,003	1.3	With the rise in the share of trade volumes, realisations improved 1.8% YoY during the quarter
EBITDA per Tonne (₹)	426	534	449	-5.0	431	-1.0	Increase in power cost/t led to decline in EBITDA/t

Source: Company, ICICI Direct Research

Change in estimates

	FY19E			FY20E			
(₹ Crore)	Old	New	% Change	Old	New	% Change	Comments
Revenue	3,908.0	3,824.8	-2.1	4,424.0	4,161.5	-5.9	Higher utilisation and capacity expansion to drive revenues in next two years
EBITDA	444.6	398.3	-10.4	558.7	494.5	-11.5	
EBITDA Margin (%)	11.4	10.4	-96 bps	12.6	11.9	-75 bps	Commissioning of CPP plant at Durg and operational efficiency to drive EBITDA margins in the quarter
PAT	83.2	63.9	-23.3	151.6	121.8	-19.6	
EPS (₹)	7.1	5.4	-23.3	12.9	10.4	-19.6	

Source: Company, ICICI Direct Research

Assumptions

	Current							Earlier		Comments
	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Volume (MT)	5.6	6.0	7.3	7.9	8.5	9.3	10.0	9.4	10.4	We revise volume sales guidance marginally downwards taking a conservative view
Realisation (₹)	3,661	3,874	3,577	3,661	4,017	4,054	4,100	4,105	4,187	
EBITDA per Tonne (₹)	537	587	370	460	484	428	494	471	531	Given the weak pricing environment, we revise EBITDA/t downwards by₹39/t for FY20E

Source: Company, ICICI Direct Research

Company Analysis

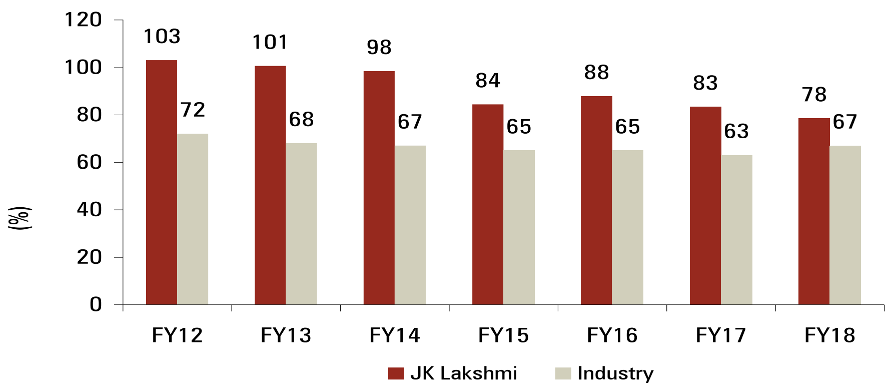
Improving macro, limited capacity addition to drive utilisation…

We expect capacity addition in the northern region to increase at 2.0% CAGR in FY18-20E while demand is expected to increase at a CAGR of ~7-8% mainly led by overall sustained spending in roads and affordable housing. JK Lakshmi sells majority of its volumes in the north. Hence, given the limited capacity addition and healthy cement demand, we expect realisation and utilisation to rise over the coming years. Due to this, coupled with capacity expansion, we expect revenues to increase at a CAGR of 9.6% in FY18-20E.

Operates at healthy utilisation in industry…

Due to the company's strong focus on the northern and western regions where demand is continuously rising, the company has been able to maintain higher utilisation even in a difficult business environment. During FY13 and FY14, the company reported over 90% capacity utilisation while in FY18 JK Lakshmi managed to maintain effective capacity utilisation of 78%.

Exhibit 1: Higher utilisation levels



Source: Company, ICICI Direct Research

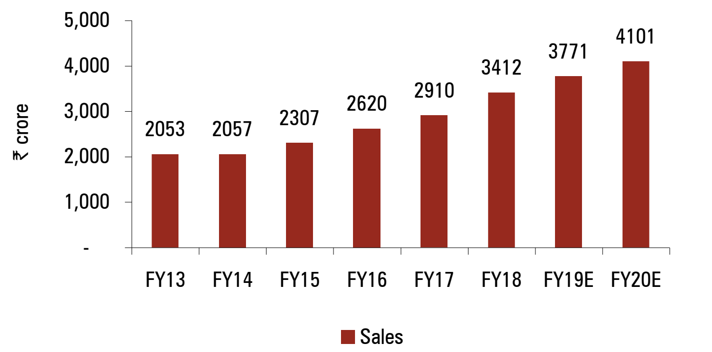
Healthy expansion plans to fuel future growth…

Majority of the company's capacity expansion is complete while only 0.8 MT grinding unit at Odisha is expected to be commissioned. The grinding unit will cater to the coastal Odisha market where realisations are healthy. With the addition of the grinding unit the company's capacity will be 13.3 MT by Q4FY19E. The benefit of these expansions will lead to volume growth of 10.7% in FY18-20E.

Expect 9.6% revenue CAGR in FY18-20E led by capacity expansion

Revenues have grown at 10.7% CAGR in FY13-18 led by realisation CAGR of 0.6% and volume CAGR of 10.0% during the same period. Going forward, with an expected recovery in demand along with capacity addition, we expect revenue CAGR of 9.6% in FY18-20E. We expect volumes to grow at a CAGR of 8.5% in FY18-20E.

Exhibit 2: Expect expansion led revenue CAGR of 9.6% during FY18-20E



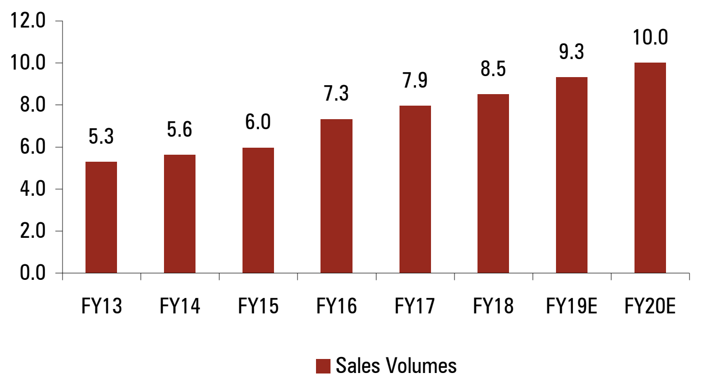
Source: Company, ICICI Direct Research

Exhibit 3: Capacity addition plans

	State	Region	MT
Current Capacity			
	Rajasthan	North	4.9
	Gujarat	West	0.7
	Haryana	North	1.3
	Chhattisgarh	East	2.7
	Gujarat	West	1.3
			10.9
Additions			
	Odisha	East	0.8
Total Standalone Capacity Post Expansion			11.7
Rajasthan (Subsidiary)		West	1.6
Total Consolidated Capacity Post Expansion			13.3

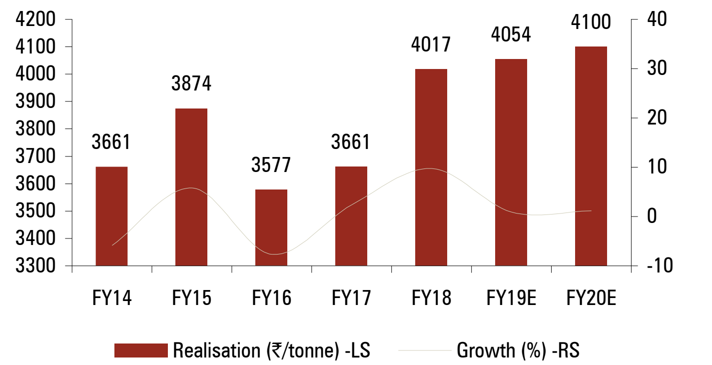
Source: Company, ICICI Direct Research

Exhibit 4: Volume to grow at 8.5% CAGR during FY18-20E



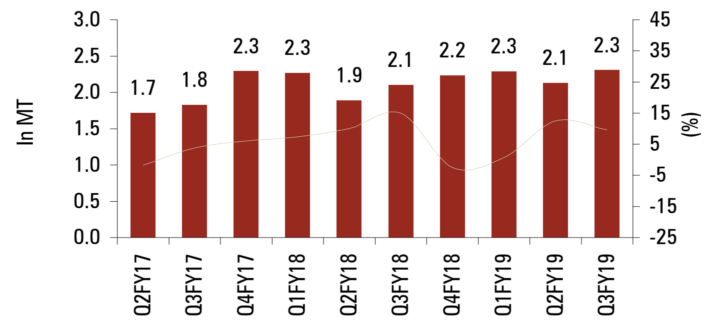
Source: Company, ICICI Direct Research

Exhibit 5: Realisations to improve over next two years



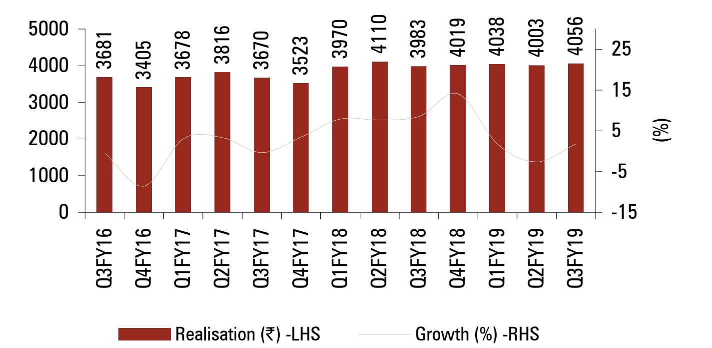
Source: Company, ICICI Direct Research

Exhibit 6: Q3FY19 sales volume up 9% YoY



Source: Company, ICICI Direct Research

Exhibit 7: Q3FY19 realisations up 2.4% YoY

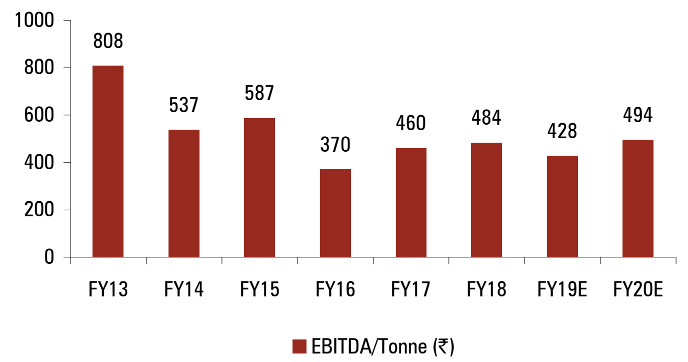


Source: Company, ICICI Direct Research

Margins to improve progressively over next two years

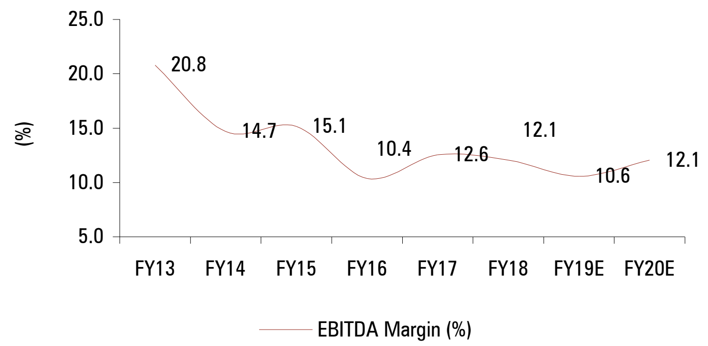
We expect margins to improve from 10.6% in FY19E to 12.1% in FY20E led by lower freight cost (due to commissioning of grinding unit) and lower power cost.

Exhibit 8: Expect EBITDA/tonne of ₹ 494/t by FY20E



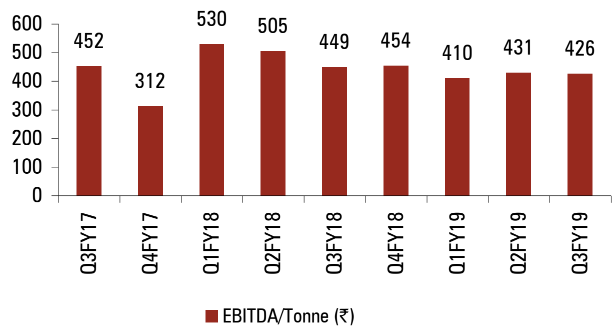
Source: Company, ICICI Direct Research

Exhibit 9: Margins to improve progressively



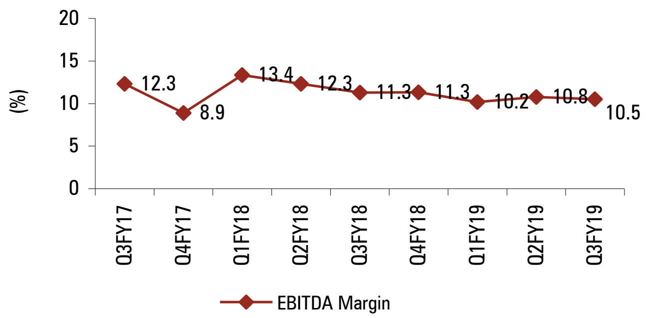
Source: Company, ICICI Direct Research

Exhibit 10: Q3FY19 EBITDA/tonne declines 5.0%YoY



Source: Company, ICICI Direct Research

Exhibit 11: Margins decline 76 bps YoY

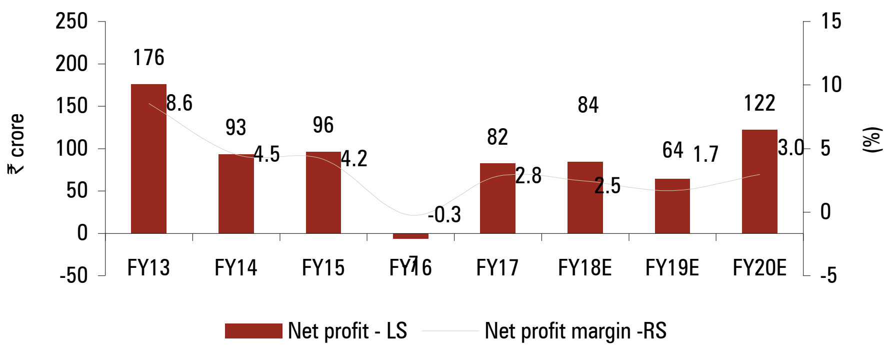


Source: Company, ICICI Direct Research

Net profit to improve led by better performance at operating level

We expect PAT to increase from ₹ 84 crore in FY18 to ₹ 122 crore in FY20E led by an improvement in the operating performance. Net margins are expected to slightly improve from 2.5% in FY18 to 3.0% in FY20E.

Exhibit 12: Profitability trend



Source: Company, ICICI Direct Research

Outlook and valuation

With limited clinker capacity addition (3.0% CAGR in FY18-20E) and improved demand (CAGR of ~6-7% in FY18-20E) in the northern region, we expect utilisation to firm up in coming years. A rise in trade sales should help improve realisations. Consequently, we expect revenues to increase at a CAGR of 13.0% in FY18-20E. Further, cost control initiatives like captive power plant (20 MW) and conveyor belt at Durg along with softening prices of some key raw materials like petcoke are expected to drive margins in FY19E-20E. Hence, we continue to maintain **BUY** rating on the stock with a revised target price of ₹ 335/share (i.e. at $65/tonne on FY20E capacity of 13.0 MT, 11x FY20E EV/EBITDA).

Exhibit 13: Assumptions

₹ per tonne	FY16	FY17	FY18	FY19E	FY20E
Sales Volume (mtpa)	7.3	7.9	8.5	9.3	10.0
Net Realisation	3577	3661	4017	4054	4100
Total Expenditure	3207	3202	3533	3625	3606
Stock Adjustment	-24	16	-56	29	0
Raw material	970	943	973	916	939
Power & Fuel	746	713	937	974	950
Employees	267	262	277	286	270
Freight	898	906	1027	1034	1050
Others	350	362	376	387	397
EBITDA per Tonne	370	460	484	428	494

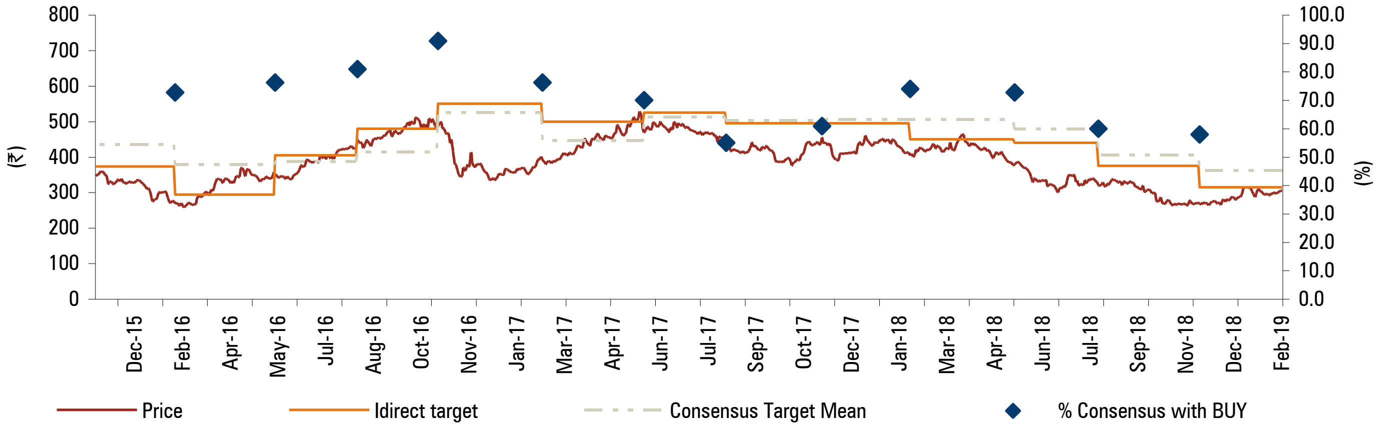
Source: Company, ICICI Direct Research

Exhibit 14: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	EV/Tonne ($)	RoNW (%)	RoCE (%)
FY17	2910.4	11.1	7.0	1866.4	43.5	14.1	74	5.9	7.5
FY18	3412.2	17.2	7.1	2.4	42.5	12.3	68	5.8	8.8
FY19E	3771.5	10.5	5.4	-23.9	55.9	12.5	63	4.2	8.1
FY20E	4101.5	8.8	10.4	90.8	29.3	10.0	63	7.6	10.6

Source: Company, ICICI Direct Research

Recommendation history vs. Consensus estimate



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	News/Event
Feb-09	Government announces excise duty cut of 2% to boost cement sales
Mar-11	The company completes the setting up of 18 MW power plant and 12 MW green power project, through waste heat recovery
Apr-11	The company registers de-growth of ~ 12% in sales and ~6% in volume due to subdued demand. However, capacity utilisation for the company stood at 91%, much higher than industry trend of ~75%
Feb-12	Stock surges as board approves buyback of equity shares up to ₹ 97.5 crore at maximum price of ₹ 70/share (i.e 1.39 crore shares)
Mar-12	The government proposes to raise excise duty on the building material from 10% to 12% against the expectations of a cut in the same
Apr-12	The company reports one of the best quarterly results in recent times with 39% YoY increase in net sales due to a sharp increase in cement demand after the monsoon season. Net profit increased 10x compared to the the previous year on the back of a lower base and higher margin expansion
Apr-13	Expansion plant at Durg gets delayed by four to six months to Q1FY15 from Q4FY14 as projected earlier due to damage caused to properties by local villagers. The expected loss from this damage works out to ~₹ 140 crore, which was fully covered by insurance
Mar-14	The company increases its stake in Udaipur Cement Works (UCWL) from 27.72% to 75.46% with the allotment of fresh equity shares worth ₹ 78 crore, thereby making UCWL a subsidiary company
Apr-14	Company increases its capacity from 5.3 MTPA in FY13 to 6.6 MTPA by FY14 via brownfield expansion and de-bottlenecking at existing plants
May-14	With the commissioning of the 2.7 MTPA plant in eastern region, the company will have a standalone capacity of 9.3 MTPA by Q4FY15
May-15	Commissions 1.7 MT cement plant in Chhattisgarh being the first phase of the company's greenfield cement plant of 2.7 MT
Oct-16	Commissions 1.3 MT grinding unit in Surat
Mar-17	Expands Chhattisgarh plant by 0.9 MT to 2.7 MT

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Bengal & Assam Company Ltd	31-Dec-18	24%	28.1	0.0
2	JK Organisation	31-Dec-18	12%	13.6	0.0
3	Franklin Templeton Asset Management (India) Pvt. Ltd.	31-Dec-18	10%	11.6	1.4
4	BMF Investment, Ltd.	31-Dec-18	9%	11.0	0.0
5	ICICI Prudential Asset Management Co. Ltd.	31-Dec-18	5%	6.0	0.0
6	Bansal (Sachin)	31-Dec-18	4%	4.4	0.1
7	HDFC Life Insurance Company Limited	31-Dec-18	3%	3.8	-1.8
8	Norges Bank Investment Management (NBIM)	31-Dec-18	3%	3.1	0.0
9	Life Insurance Corporation of India	31-Dec-18	2%	2.9	0.0
10	Prazim Trading & Investment Co. Pvt. Ltd.	31-Dec-18	1%	1.6	0.3

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	45.94	45.94	45.94	45.94	45.94
FII	8.72	8.09	7.61	7.97	8.07
DII	19.77	19.30	18.90	19.28	20.67
Others	25.57	26.67	27.55	26.81	25.32

Source: Reuters, ICICI Direct Research

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Franklin Templeton Asset Management (India) Pvt. Ltd.	5.90	1.40	HDFC Life Insurance Company Limited	-7.58	-1.80
Prazim Trading & Investment Co. Pvt. Ltd.	1.46	0.35	IDFC Asset Management Company Private Limited	-0.76	-0.15
Bansal (Sachin)	0.23	0.06	Ashoka Pte. Ltd.	-0.40	-0.09
HSBC Global Asset Management (India) Private Limited	0.22	0.05	Bansal (Vivek)	-0.23	-0.06
Reliance Nippon Life Asset Management Limited	0.11	0.03	Sanlam Investment Management (Pty) Ltd.	-0.09	-0.02

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Total operating Income	2,910.4	3,412.2	3,771.5	4,101.5
Growth (%)	11.1	17.2	10.5	8.8
Raw material	762.0	778.4	852.3	939.3
Power & Fuel	567.0	795.9	906.5	950.3
Employees	208.4	235.0	265.8	270.1
Freight	720.1	872.6	961.8	1050.4
Others	287.6	319.0	360.2	396.9
Total Operating Exp.	2,545.0	3,000.8	3,346.6	3,607.0
EBITDA	365.4	411.3	424.9	494.5
Growth (%)	34.8	12.6	3.3	16.4
Depreciation	172.4	179.3	178.1	191.2
Interest	188.7	197.5	190.2	189.2
Other Income	69.8	68.1	53.4	60.0
Exceptional items	0.0	0.0	0.0	0.0
PBT	74.2	102.7	109.9	174.1
Total Tax	-7.8	18.8	19.4	52.2
PAT	82.0	83.9	90.5	121.8
Adjusted PAT	82.0	83.9	63.9	121.8
Growth (%)	1,866.4	2.4	-23.9	90.8
Adjusted EPS (₹)	7.0	7.1	5.4	10.4

Source: Company, ICICI Direct Research

Cash flow statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Profit after Tax	82.0	83.9	63.9	121.8
Add: Depreciation	172.4	179.3	178.1	191.2
(Inc)/dec in Current Assets	-86.7	72.4	-106.6	-18.5
Inc/(dec) in CL and Prov.	125.5	-11.0	233.4	-4.6
CF from operating activities	293.2	324.5	368.7	290.0
(Inc)/dec in Investments	-372.3	15.1	0.0	20.0
(Inc)/dec in Fixed Assets	-191.2	-169.5	-250.0	-250.0
Others	-16.3	0.0	0.0	0.0
CF from investing activities	-579.8	-154.4	-250.0	-230.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	288.2	-155.1	-100.0	-50.0
Dividend paid	-10.3	-10.6	-11.4	-14.2
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	5.9	-1.8	0.0	0.0
CF from financing activities	283.8	-167.5	-111.4	-64.2
Net Cash flow	-2.8	2.6	7.4	-4.2
Opening Cash	11.8	9.0	11.6	19.0
Closing Cash	9.0	11.6	19.0	14.8

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Liabilities				
Equity Capital	58.9	58.9	58.9	58.9
Reserve and Surplus	1,322.8	1,394.4	1,446.9	1,554.5
Total Shareholders funds	1,381.7	1,453.2	1,505.7	1,613.4
Total Debt	2,106.6	1,951.5	1,851.5	1,801.5
Deferred Tax Liability	0.0	0.0	0.0	0.0
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	3,488.3	3,404.7	3,357.2	3,414.8
Assets				
Gross Block	4,612.4	4,758.8	5,136.9	5,486.9
Less: Acc Depreciation	1,786.0	1,965.3	2,143.4	2,334.7
Net Block	2,826.3	2,793.5	2,993.5	3,152.2
Capital WIP	205.1	228.1	100.0	0.0
Total Fixed Assets	3,031.4	3,021.6	3,093.5	3,152.2
Investments	499.7	440.2	440.2	420.2
Inventory	277.6	317.0	340.1	374.5
Debtors	89.5	96.9	109.7	115.0
Loans and Advances	366.7	247.5	318.2	297.0
Non current Investments	309.5	353.9	353.9	353.9
Cash	9.0	11.6	19.0	14.8
Total Current Assets	1,052.3	1,026.9	1,140.9	1,155.2
Creditors	1,061.1	1,060.4	1,295.5	1,289.0
Provisions	34.0	23.7	22.0	23.8
Total Current Liabilities	1,095.1	1,084.1	1,317.5	1,312.9
Net Current Assets	-42.9	-57.2	-176.6	-157.7
Application of Funds	3,488.3	3,404.7	3,357.2	3,414.8

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
Adjusted EPS	0.4	7.0	7.1	5.4
Cash EPS	21.6	22.4	20.6	26.6
BV	117.4	123.5	127.9	137.1
DPS	0.8	0.8	0.8	1.0
Cash Per Share	0.8	1.0	1.6	1.3
Operating Ratios (%)				
EBITDA Margin	12.6	12.1	10.6	12.1
PAT Margin	2.8	2.5	1.7	3.0
Inventory days	32.5	31.8	31.8	31.8
Debtor days	11.7	10.0	10.0	10.0
Creditor days	126.0	113.5	114.0	115.0
Return Ratios (%)				
RoE	5.9	5.8	4.2	7.6
RoCE	7.5	8.8	8.1	10.6
RoIC	7.0	8.5	7.9	10.2
Valuation Ratios (x)				
P/E	43.5	42.5	55.9	29.3
EV / EBITDA	14.1	12.3	12.5	10.0
EV / Net Sales	1.8	1.5	1.3	1.2
Market Cap / Sales	1.2	1.0	0.9	0.9
Price to Book Value	2.7	2.6	2.5	2.4
Solvency Ratios				
Debt/EBITDA	5.8	4.7	4.6	3.6
Debt / Equity	1.5	1.3	1.2	1.1
Current Ratio	0.7	0.6	0.6	0.6
Quick Ratio	0.7	0.6	0.6	0.6

Source: Company, ICICI Direct Research

ICICI Direct Research coverage universe (Cement)

Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY18	FY19E	FY20E	EV/EBITDA (x) FY18	FY19E	FY20E	EV/Tonne ($) FY18	FY19E	FY20E	RoCE (%) FY18	FY19E	FY20E	RoE (%) FY18	FY19E	FY20E
ACC*	1,420	1,650	Buy	26,687	35.0	49.2	80.9	19.8	15.4	13.4	121	110	107	10.7	14.0	14.7	8.1	9.9	14.9
Ambuja Cement*	209	231	Buy	41,500	6.3	6.4	8.1	14.0	13.2	10.8	137	139	137	11.3	12.8	16.4	8.6	9.0	10.8
UltraTech Cem	3,440	4,150	Buy	94,394	89.6	81.8	113.1	18.5	17.3	12.6	202	189	177	10.0	9.7	12.6	9.5	8.1	10.2
Shree Cement	15,610	16,900	Hold	54,323	397.8	396.0	611.1	22.6	20.3	14.9	236	197	171	15.3	13.2	19.3	15.6	14.0	18.2
Heidelberg Cem	146	165	Buy	3,297	5.9	9.3	10.9	11.6	8.4	7.3	119	117	110	14.8	21.5	24.6	12.8	18.0	18.4
India Cement	79	120	Buy	2,418	3.3	1.5	3.7	8.0	8.6	8.2	60	59	60	5.1	4.4	4.9	1.9	0.9	2.2
JK Cement	690	759	Hold	4,825	48.9	36.9	58.2	8.7	10.0	8.4	79	79	81	14.6	11.1	13.2	16.7	11.1	15.4
JK Lakshmi Cem	303	335	Buy	3,566	7.1	5.4	10.4	12.3	12.5	10.0	62	58	58	8.8	8.1	10.6	5.8	4.2	7.6
Mangalam Cem	206	239	Hold	550	4.3	8.9	23.9	10.3	10.0	5.4	37	40	38	7.2	7.0	13.2	2.2	4.4	10.6
Star Cement	92	90	Hold	3,857	7.9	7.5	7.0	7.9	7.9	7.3	188	171	167	21.6	19.3	19.1	22.4	18.1	14.8
Ramco Cement	600	750	Buy	14,285	23.5	23.2	27.8	13.9	14.2	11.5	154	149	125	10.4	8.9	10.1	13.7	12.5	13.6
Sagar Cement	603	700	Buy	1,229	12.9	15.1	21.3	10.9	10.3	8.7	64	54	35	8.1	8.3	9.5	3.4	3.8	5.1

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct Research endeavours to provide objective opinions and recommendations. ICICI Direct Research assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: >15%/20% for large caps/midcaps, respectively, with high conviction;
Buy: >10%/15% for large caps/midcaps, respectively;
Hold: Up to +/-10%;
Sell: -10% or more;

Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No. 7, MIDC,
Andheri (East)
Mumbai – 400 093

research@icicidirect.com

ANALYST CERTIFICATION

We /I, Rashesh Shah, CA and Romil Mehta, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with Sebi Registration Number – INH000000990. ICICI Securities Limited Sebi Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.
ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.
Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed 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, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.