

# Cement

## Sector Update

### No increase in Royalty, a big relief

#### Quick Pointers:

- Board of Directors approved the renewal of current technology and know-how (TKH) agreement with Holcim Technology Ltd (HLT), sister concern of parent, without any change
- Capacity expansion remains the key
- Prefer Ambuja (ACEM) over ACC due to upcoming expansion in North

**Board of Directors of ACC and ACEM approved renewal of TKH fees for next couple of years effective 1st January, 2021 at existing rate of 1% of net sales. Both the stocks have been under pressure for last one month due to overhang on the status of fees. Status quo on fees would help to retain investor sentiments as any increase in fees would have further escalated the below average performance on margins and volume growth. We maintain BUY on ACC and ACEM with revised TP of Rs1,770 and Rs280 respectively based on EV/EBITDA of 11.0x/12.0x CY22e. While, we like ACEM v/s ACC due to better outlook on earnings growth.**

- No change in TKH fees, a right move:** Both the companies lagged peers by a wide margin on earnings growth and capacity expansion. This has led to structural de-rating of valuations for both the companies in past 5-7 years. Increase in fees would have further aggravated the de-rating and investor concerns.
- Focus to shift on capacity expansion:** ACEM's green field plant in Rajasthan with clinker/cement capacity of 3.0mnt/1.8mnt is scheduled for commissioning by June-2021. Factoring debottlenecking of split grinding unit's (SGU) capacity, we expect the green field clinker plant would drive ~20% growth in ACEM's volumes from current 24mnt to 28.7mnt in CY23e. While, ACC's green field plant in Ametha, MP with capacity of 5mnt remained off the track as ordering of kiln and other major machineries is still not finalised. We expect ordering to finish in next couple of quarters with commissioning to stretch by a year to CY23 end from earlier guided timeline of CY22 end.
- Prefer ACEM over ACC:** ACEM would post better earnings growth with EBITDA CAGR of 15% in CY19-CY22e against 5% of ACC due to upcoming expansion in North region. Additionally, strong outlook on North region would help in sustaining overall margins at Rs1,000 as share of region would increase by 900bps to near 45% post expansion. North region is expected to operate at 85%+ utilisation for next three years due to limited capacity addition (14mnt in FY21-FY23) against incremental demand of 16mnt. ACEM also stand better compared to ACC due to lower presence in over-supply prone regions like East and South. Based on our estimates, East constitutes 20% of ACEM's volumes compared to 30% in ACC. While, ACEM has limited presence in South at 1% against 20% in ACC. ACC's Ametha plant in central region also stand strong on logistics, profitability and demand outlook. However, continuous delay on execution would attract limited investor interest. In wake of better growth outlook and strong regional presence, we prefer ACEM over ACC.

December 24, 2020

#### ACC - Change in Estimates

	Current		Previous	
	CY21E	CY22E	CY21E	CY22E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>1,770</b>		<b>1,805</b>	
Sales (Rs. m)	1,57,010	1,61,833	1,51,487	1,55,358
% Chng.	3.6	4.2		
EBITDA (Rs. m)	23,895	24,427	24,704	24,555
% Chng.	(3.3)	(0.5)		
EPS (Rs.)	83.7	85.7	86.7	86.7
% Chng.	(3.5)	(1.1)		

#### ACC - Consolidated

**Rating: BUY | CMP: Rs1,580 | TP: Rs1,770**

Y/e Dec	CY19	CY20E	CY21E	CY22E
Sales (Rs. m)	1,53,431	1,36,732	1,57,010	1,61,833
EBITDA (Rs. m)	20,983	23,218	23,895	24,427
Margin (%)	13.7	17.0	15.2	15.1
PAT (Rs. m)	13,774	15,088	15,732	16,115
EPS (Rs.)	73.3	80.3	83.7	85.7
Gr. (%)	35.1	9.5	4.3	2.4
DPS (Rs.)	14.0	24.1	25.1	25.7
Yield (%)	0.9	1.5	1.6	1.6
RoE (%)	12.5	12.4	11.8	11.1
RoCE (%)	13.5	14.0	13.0	12.1
EV/Sales (x)	1.6	1.8	1.5	1.5
EV/EBITDA (x)	11.9	10.4	9.9	9.6
PE (x)	21.6	19.7	18.9	18.4
P/BV (x)	2.6	2.3	2.1	2.0

#### Ambuja Cement - Change in Estimates

	Current		Previous	
	CY21E	CY22E	CY21E	CY22E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>280</b>		<b>285</b>	
Sales (Rs. m)	2,84,993	3,05,562	2,79,041	2,92,706
% Chng.	2.1	4.4		
EBITDA (Rs. m)	53,524	58,437	56,583	58,861
% Chng.	(5.4)	(0.7)		
EPS (Rs.)	10.9	12.4	12.0	12.8
% Chng.	(9.0)	(3.3)		

#### Ambuja Cement - Consolidated

Y/e Dec	CY19	CY20E	CY21E	CY22E
Sales (Rs. bn)	271	252	285	306
EBITDA (Rs. bn)	44	53	54	58
Margin (%)	16.4	20.9	18.8	19.1
PAT (Rs. bn)	17	23	22	25
EPS (Rs.)	8.8	11.8	10.9	12.4
Gr. (%)	29.6	34.6	(7.8)	13.9
DPS (Rs.)	1.5	17.0	3.0	5.0
Yield (%)	0.6	7.2	1.3	2.1
RoE (%)	7.5	10.0	9.2	9.8
RoCE (%)	14.2	17.4	17.1	17.5
EV/Sales (x)	1.4	1.6	1.3	1.2
EV/EBITDA (x)	11.8	10.3	9.8	8.5
PE (x)	27.0	20.1	21.8	19.1
P/BV (x)	2.0	2.1	1.9	1.8

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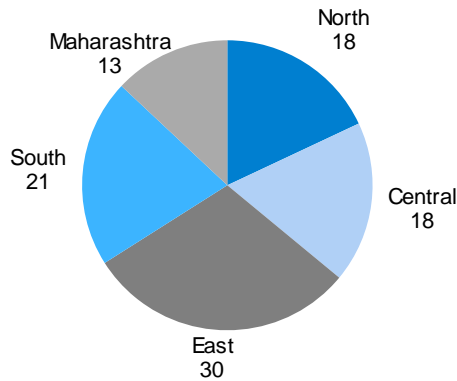
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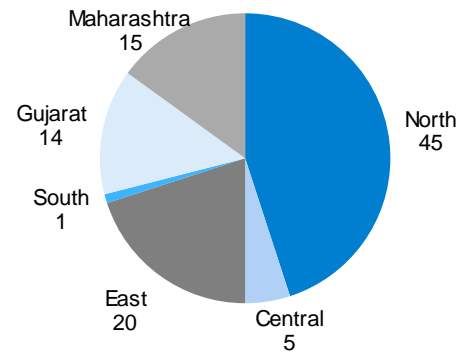
ACEM is better placed on regional presence with higher share of North and Gujarat markets. Both regions combined constitute 60% of volumes. In Maharashtra as well, ACEM is far better logistically positioned as it services Mumbai market through sea route, the most cost efficient mode of transportation.

**Exhibit 1: Regional mix of ACC**



Source: PL

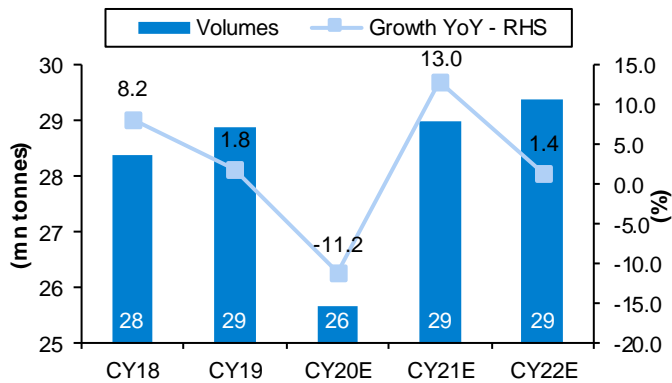
**Exhibit 2: Regional mix of Ambuja**



Source: PL

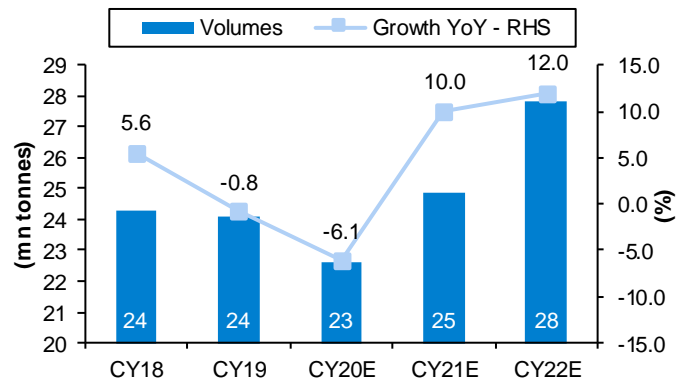
Driven by expansion in North, ACEM's volumes would grow at CAGR of 5% in volumes in CY19-CY22e against flat volumes in ACC. ACC's volumes would remain tepid due to lack of capacity.

**Exhibit 3: ACC's volumes to remain flat in CY19-CY22e**



Source: Company, PL

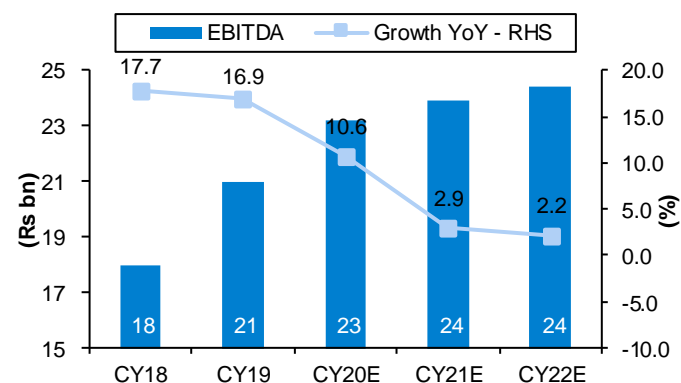
**Exhibit 4: ACEM's volumes to grow at CAGR of 5%**



Source: Company, PL

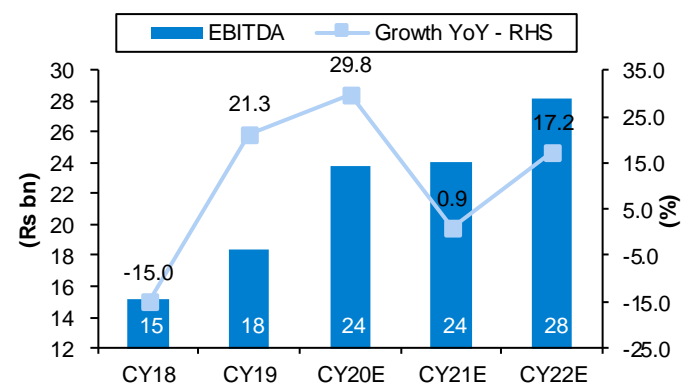
We expect EBITDA of ACC to grow at a CAGR of 5% in CY19-CY22e, entirely led by improvement in margins. While, ACEM's EBITDA would grow at a CAGR of 15%, led by 5% volume growth and 10% improvement in EBITDA/t due to better regional mix.

**Exhibit 5: ACC EBITDA CAGR of 5% in CY19-CY22e**



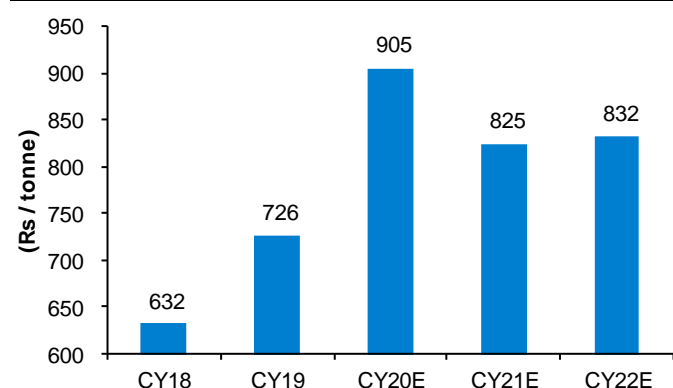
Source: Company, PL

**Exhibit 6: ACEM's EBITDA to grow a CAGR of 16%**



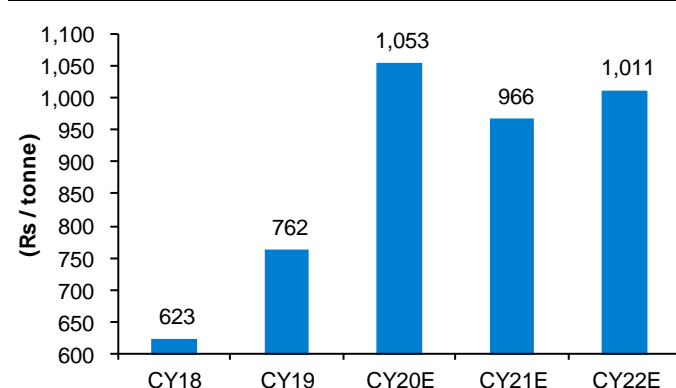
Source: Company, PL

**Exhibit 7: ACC's EBITDA/t to hover below Rs850**



Source: Company, PL

**Exhibit 8: Better regional mix to help ACEM sustain margins**



Source: Company, PL

## ACC - Financials

### Income Statement (Rs m)

Y/e Dec	CY19	CY20E	CY21E	CY22E
<b>Net Revenues</b>	<b>1,53,431</b>	<b>1,36,732</b>	<b>1,57,010</b>	<b>1,61,833</b>
YoY gr. (%)	6.0	(10.9)	14.8	3.1
Cost of Goods Sold	27,166	22,004	25,922	27,190
Gross Profit	1,26,265	1,14,729	1,31,088	1,34,644
Margin (%)	82.3	83.9	83.5	83.2
Employee Cost	8,661	8,208	8,618	9,049
Other Expenses	24,960	22,045	24,396	25,050
<b>EBITDA</b>	<b>20,983</b>	<b>23,218</b>	<b>23,895</b>	<b>24,427</b>
YoY gr. (%)	16.9	10.6	2.9	2.2
Margin (%)	13.7	17.0	15.2	15.1
Depreciation and Amortization	6,064	6,214	6,532	6,869
<b>EBIT</b>	<b>14,919</b>	<b>17,004</b>	<b>17,363</b>	<b>17,559</b>
Margin (%)	9.7	12.4	11.1	10.8
Net Interest	863	820	942	971
Other Income	6,329	6,174	6,898	7,304
<b>Profit Before Tax</b>	<b>20,385</b>	<b>22,358</b>	<b>23,319</b>	<b>23,891</b>
Margin (%)	13.3	16.4	14.9	14.8
Total Tax	6,750	7,378	7,695	7,884
Effective tax rate (%)	33.1	33.0	33.0	33.0
<b>Profit after tax</b>	<b>13,635</b>	<b>14,980</b>	<b>15,624</b>	<b>16,007</b>
Minority interest	1	2	2	2
Share Profit from Associate	140	110	110	110
<b>Adjusted PAT</b>	<b>13,774</b>	<b>15,088</b>	<b>15,732</b>	<b>16,115</b>
YoY gr. (%)	35.1	9.5	4.3	2.4
Margin (%)	9.0	11.0	10.0	10.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>13,774</b>	<b>15,088</b>	<b>15,732</b>	<b>16,115</b>
YoY gr. (%)	(9.4)	9.5	4.3	2.4
Margin (%)	9.0	11.0	10.0	10.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13,774	15,088	15,732	16,115
<b>Equity Shares O/s (m)</b>	<b>188</b>	<b>188</b>	<b>188</b>	<b>188</b>
<b>EPS (Rs)</b>	<b>73.3</b>	<b>80.3</b>	<b>83.7</b>	<b>85.7</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Dec	CY19	CY20E	CY21E	CY22E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>94,316</b>	<b>98,970</b>	<b>1,04,220</b>	<b>1,09,470</b>
Tangibles	94,316	98,970	1,04,220	1,09,470
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>24,204</b>	<b>30,418</b>	<b>36,950</b>	<b>43,818</b>
Tangibles	24,204	30,418	36,950	43,818
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>70,112</b>	<b>68,552</b>	<b>67,270</b>	<b>65,651</b>
Tangibles	70,112	68,552	67,270	65,651
Intangibles	-	-	-	-
Capital Work In Progress	5,404	7,500	16,500	27,000
Goodwill	156	156	156	156
Non-Current Investments	7,282	7,682	8,082	8,482
Net Deferred tax assets	(6,557)	(7,004)	(7,471)	(7,949)
Other Non-Current Assets	13,061	13,391	13,721	14,051
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	11,419	11,238	12,905	13,301
Trade receivables	6,267	5,619	6,452	6,651
Cash & Bank Balance	46,477	54,543	59,512	62,081
Other Current Assets	8,084	7,769	8,919	9,307
<b>Total Assets</b>	<b>1,71,360</b>	<b>1,79,543</b>	<b>1,96,606</b>	<b>2,09,763</b>
<b>Equity</b>				
Equity Share Capital	1,880	1,880	1,880	1,880
Other Equity	1,13,558	1,26,014	1,37,219	1,48,615
<b>Total Network</b>	<b>1,15,438</b>	<b>1,27,894</b>	<b>1,39,099</b>	<b>1,50,494</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	2,351	2,351	2,351	2,351
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	14,750	13,861	15,916	16,405
Other current liabilities	32,233	28,400	31,734	32,526
<b>Total Equity &amp; Liabilities</b>	<b>1,71,360</b>	<b>1,79,543</b>	<b>1,96,606</b>	<b>2,09,763</b>

Source: Company Data, PL Research

## Cash Flow (Rs m)

Y/e Dec	CY19	CY20E	CY21E	CY22E
PBT	20,525	22,358	23,319	23,891
Add. Depreciation	6,064	6,214	6,532	6,869
Add. Interest	863	820	942	971
Less Financial Other Income	6,329	6,174	6,898	7,304
Add. Other	(3,133)	(3,159)	(3,604)	(3,909)
Op. profit before WC changes	24,319	26,233	27,188	27,822
Net Changes-WC	2,699	(4,193)	1,124	(316)
Direct tax	(4,471)	(6,931)	(7,229)	(7,406)
<b>Net cash from Op. activities</b>	<b>22,547</b>	<b>15,109</b>	<b>21,083</b>	<b>20,100</b>
Capital expenditures	(4,949)	(6,750)	(14,250)	(15,750)
Interest / Dividend Income	-	-	-	-
Others	1,733	3,159	3,604	3,909
<b>Net Cash from Inv. activities</b>	<b>(3,217)</b>	<b>(3,591)</b>	<b>(10,646)</b>	<b>(11,841)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3,169)	(2,632)	(4,526)	(4,719)
Interest paid	(572)	(820)	(942)	(971)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(3,742)</b>	<b>(3,452)</b>	<b>(5,468)</b>	<b>(5,690)</b>
<b>Net change in cash</b>	<b>15,589</b>	<b>8,066</b>	<b>4,969</b>	<b>2,568</b>
Free Cash Flow	17,058	8,359	6,833	4,350

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Dec	Q4CY19	Q1CY20	Q2CY20	Q3CY20
<b>Net Revenue</b>	<b>39,698</b>	<b>34,330</b>	<b>25,203</b>	<b>34,675</b>
YoY gr. (%)	4.8	(10.8)	(37.9)	0.1
Raw Material Expenses	9,515	4,755	4,994	6,801
Gross Profit	30,183	29,575	20,209	27,874
Margin (%)	76.0	86.1	80.2	80.4
<b>EBITDA</b>	<b>4,504</b>	<b>5,178</b>	<b>4,434</b>	<b>6,016</b>
YoY gr. (%)	11.5	12.0	(36.0)	22.0
Margin (%)	11.3	15.1	17.6	17.3
Depreciation / Depletion	1,608	1,580	1,627	1,608
<b>EBIT</b>	<b>2,896</b>	<b>3,598</b>	<b>2,808</b>	<b>4,408</b>
Margin (%)	7.3	10.5	11.1	12.7
Net Interest	293	106	131	160
Other Income	1,481	1,246	1,332	1,153
<b>Profit before Tax</b>	<b>4,084</b>	<b>4,739</b>	<b>4,009</b>	<b>5,401</b>
Margin (%)	10.3	13.8	15.9	15.6
Total Tax	1,400	1,531	1,322	1,768
Effective tax rate (%)	34.3	32.3	33.0	32.7
<b>Profit after Tax</b>	<b>2,684</b>	<b>3,208</b>	<b>2,687</b>	<b>3,633</b>
Minority interest	-	-	-	-
Share Profit from Associates	49	22	22	6
<b>Adjusted PAT</b>	<b>2,733</b>	<b>3,230</b>	<b>2,709</b>	<b>3,638</b>
YoY gr. (%)	10.6	15.2	(40.5)	20.3
Margin (%)	6.9	9.4	10.7	10.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>2,733</b>	<b>3,230</b>	<b>2,709</b>	<b>3,638</b>
YoY gr. (%)	(62.7)	(6.6)	(40.5)	20.3
Margin (%)	6.9	9.4	10.7	10.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>2,733</b>	<b>3,230</b>	<b>2,709</b>	<b>3,638</b>
Avg. Shares O/s (m)	188	188	188	188
<b>EPS (Rs)</b>	<b>14.6</b>	<b>17.2</b>	<b>14.4</b>	<b>19.4</b>

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Dec	CY19	CY20E	CY21E	CY22E
<b>Per Share(Rs)</b>				
EPS	73.3	80.3	83.7	85.7
CEPS	105.5	113.3	118.4	122.3
BVPS	614.1	680.3	739.9	800.5
FCF	90.7	44.5	36.4	23.1
DPS	14.0	24.1	25.1	25.7
<b>Return Ratio(%)</b>				
RoCE	13.5	14.0	13.0	12.1
ROIC	15.6	17.0	15.7	14.2
RoE	12.5	12.4	11.8	11.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)
Net Working Capital (Days)	7	8	8	8
<b>Valuation(x)</b>				
PER	21.6	19.7	18.9	18.4
P/B	2.6	2.3	2.1	2.0
P/CEPS	15.0	13.9	13.3	12.9
EV/EBITDA	11.9	10.4	9.9	9.6
EV/Sales	1.6	1.8	1.5	1.5
Dividend Yield (%)	0.9	1.5	1.6	1.6

Source: Company Data, PL Research

## Key Operating Metrics

Y/e Dec	CY19	CY20E	CY21E	CY22E
Volume (mn te)	29	26	29	29
Net Realisation (Rs/te)	4,867	4,998	5,048	5,099
EBITDA (Rs/ te)	726	905	825	832
RM cost (Rs/ te)	975	858	895	926
Power, Oil & Fuel (Rs/ te)	1,125	1,057	1,175	1,192
Freight Charges (Rs/ te)	1,402	1,332	1,385	1,399

Source: Company Data, PL Research

## Ambuja Cement - Financials

### Income Statement (Rs m)

Y/e Dec	CY19	CY20E	CY21E	CY22E
<b>Net Revenues</b>	<b>2,71,036</b>	<b>2,52,453</b>	<b>2,84,993</b>	<b>3,05,562</b>
YoY gr. (%)	4.1	(6.9)	12.9	7.2
Cost of Goods Sold	36,837	33,105	38,159	40,735
Gross Profit	2,34,199	2,19,348	2,46,834	2,64,827
Margin (%)	86.4	86.9	86.6	86.7
Employee Cost	15,708	14,867	15,477	16,251
Other Expenses	45,531	39,596	43,528	45,775
<b>EBITDA</b>	<b>44,459</b>	<b>52,691</b>	<b>53,524</b>	<b>58,437</b>
YoY gr. (%)	11.9	18.5	1.6	9.2
Margin (%)	16.4	20.9	18.8	19.1
Depreciation and Amortization	11,525	11,773	13,151	14,554
<b>EBIT</b>	<b>32,934</b>	<b>40,918</b>	<b>40,373</b>	<b>43,883</b>
Margin (%)	12.2	16.2	14.2	14.4
Net Interest	1,699	1,654	1,868	2,014
Other Income	4,297	5,652	4,758	5,921
<b>Profit Before Tax</b>	<b>37,043</b>	<b>44,916</b>	<b>43,262</b>	<b>47,791</b>
Margin (%)	13.7	17.8	15.2	15.6
Total Tax	10,922	14,044	13,896	15,220
Effective tax rate (%)	29.5	31.3	32.1	31.8
<b>Profit after tax</b>	<b>26,121</b>	<b>30,871</b>	<b>29,366</b>	<b>32,571</b>
Minority interest	6,882	7,551	7,873	8,065
Share Profit from Associate	200	130	130	130
<b>Adjusted PAT</b>	<b>17,418</b>	<b>23,450</b>	<b>21,623</b>	<b>24,635</b>
YoY gr. (%)	29.6	34.6	(7.8)	13.9
Margin (%)	6.4	9.3	7.6	8.1
Extra Ord. Income / (Exp)	988	-	-	-
<b>Reported PAT</b>	<b>19,439</b>	<b>23,450</b>	<b>21,623</b>	<b>24,635</b>
YoY gr. (%)	(9.2)	20.6	(7.8)	13.9
Margin (%)	7.2	9.3	7.6	8.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	19,439	23,450	21,623	24,635
<b>Equity Shares O/s (m)</b>	<b>1,986</b>	<b>1,986</b>	<b>1,986</b>	<b>1,986</b>
<b>EPS (Rs)</b>	<b>8.8</b>	<b>11.8</b>	<b>10.9</b>	<b>12.4</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Dec	CY19	CY20E	CY21E	CY22E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>2,55,980</b>	<b>2,62,734</b>	<b>2,95,584</b>	<b>3,04,934</b>
Tangibles	2,55,980	2,62,734	2,95,584	3,04,934
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>48,967</b>	<b>60,740</b>	<b>73,891</b>	<b>88,445</b>
Tangibles	48,967	60,740	73,891	88,445
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>2,07,013</b>	<b>2,01,994</b>	<b>2,21,693</b>	<b>2,16,489</b>
Tangibles	2,07,013	2,01,994	2,21,693	2,16,489
Intangibles	-	-	-	-
Capital Work In Progress	19,967	30,288	18,431	28,931
Goodwill	-	-	-	-
Non-Current Investments	11,999	12,414	12,834	13,254
Net Deferred tax assets	(9,326)	(10,485)	(11,614)	(12,877)
Other Non-Current Assets	19,613	19,639	19,669	19,699
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	20,965	21,892	25,416	27,383
Trade receivables	10,686	9,733	11,073	11,908
Cash & Bank Balance	93,546	76,448	93,009	1,10,887
Other Current Assets	12,353	12,300	13,653	14,295
<b>Total Assets</b>	<b>4,01,823</b>	<b>3,90,519</b>	<b>4,21,759</b>	<b>4,49,047</b>
<b>Equity</b>				
Equity Share Capital	3,971	3,971	3,971	3,971
Other Equity	2,36,809	2,23,518	2,39,183	2,53,888
<b>Total Network</b>	<b>2,40,780</b>	<b>2,27,490</b>	<b>2,43,154</b>	<b>2,57,860</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	411	353	353	353
Provisions	2,888	2,888	2,888	2,888
Other non current liabilities	358	358	358	358
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	23,329	24,467	27,772	29,832
Other current liabilities	67,317	60,826	66,354	69,907
<b>Total Equity &amp; Liabilities</b>	<b>4,01,823</b>	<b>3,90,519</b>	<b>4,21,759</b>	<b>4,49,047</b>

Source: Company Data, PL Research

## Cash Flow (Rs m)

Y/e Dec	CY19	CY20E	CY21E	CY22E
PBT	38,753	44,916	43,262	47,791
Add. Depreciation	11,525	11,773	13,151	14,554
Add. Interest	1,699	1,654	1,868	2,014
Less Financial Other Income	4,297	5,652	4,758	5,921
Add. Other	(5,803)	(5,652)	(4,758)	(5,921)
Op. profit before WC changes	46,174	52,691	53,524	58,437
Net Changes-WC	6,512	(5,713)	2,127	1,628
Direct tax	(5,299)	(12,885)	(12,767)	(13,958)
<b>Net cash from Op. activities</b>	<b>47,387</b>	<b>34,093</b>	<b>42,884</b>	<b>46,108</b>
Capital expenditures	(16,070)	(17,075)	(20,994)	(19,850)
Interest / Dividend Income	-	-	-	-
Others	4,142	5,652	4,758	5,921
<b>Net Cash from Invst. activities</b>	<b>(11,929)</b>	<b>(11,423)</b>	<b>(16,236)</b>	<b>(13,929)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	(58)	-	-
Dividend paid	(5,174)	(38,055)	(8,219)	(12,287)
Interest paid	(1,130)	(1,654)	(1,868)	(2,014)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(6,304)</b>	<b>(39,767)</b>	<b>(10,087)</b>	<b>(14,301)</b>
<b>Net change in cash</b>	<b>29,154</b>	<b>(17,097)</b>	<b>16,561</b>	<b>17,878</b>
Free Cash Flow	30,713	17,018	21,890	26,258

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Dec	CY19	CY20E	CY21E	CY22E
<b>Per Share(Rs)</b>				
EPS	8.8	11.8	10.9	12.4
CEPS	14.6	17.7	17.5	19.7
BVPS	121.3	114.6	122.5	129.9
FCF	15.5	8.6	11.0	13.2
DPS	1.5	17.0	3.0	5.0
<b>Return Ratio(%)</b>				
RoCE	14.2	17.4	17.1	17.5
ROIC	16.7	17.8	19.2	21.4
RoE	7.5	10.0	9.2	9.8
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.4)	(0.3)	(0.4)	(0.4)
Net Working Capital (Days)	11	10	11	11
<b>Valuation(x)</b>				
PER	27.0	20.1	21.8	19.1
P/B	2.0	2.1	1.9	1.8
P/CEPS	16.3	13.4	13.5	12.0
EV/EBITDA	11.8	10.3	9.8	8.5
EV/Sales	1.4	1.6	1.3	1.2
Dividend Yield (%)	0.6	7.2	1.3	2.1

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Dec	Q4CY19	Q1CY20	Q2CY20	Q3CY20
<b>Net Revenue</b>	<b>30,380</b>	<b>27,600</b>	<b>21,440</b>	<b>28,020</b>
YoY gr. (%)	9.9	(3.1)	(26.4)	9.6
Raw Material Expenses	3,633	2,514	2,315	2,547
Gross Profit	26,747	25,086	19,125	25,473
Margin (%)	88.0	90.9	89.2	90.9
<b>EBITDA</b>	<b>4,495</b>	<b>5,357</b>	<b>5,625</b>	<b>6,299</b>
YoY gr. (%)	47.1	40.0	(11.0)	70.4
Margin (%)	14.8	19.4	26.2	22.5
Depreciation / Depletion	1,487	1,379	1,289	1,287
<b>EBIT</b>	<b>3,009</b>	<b>3,978</b>	<b>4,336</b>	<b>5,012</b>
Margin (%)	9.9	14.4	20.2	17.9
Net Interest	237	231	183	185
Other Income	1,635	1,557	2,249	1,027
<b>Profit before Tax</b>	<b>4,407</b>	<b>5,304</b>	<b>6,402</b>	<b>5,855</b>
Margin (%)	14.5	19.2	29.9	20.9
Total Tax	(142)	1,313	1,868	1,450
Effective tax rate (%)	(3.2)	24.8	29.2	24.8
<b>Profit after Tax</b>	<b>4,549</b>	<b>3,991</b>	<b>4,534</b>	<b>4,405</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>3,516</b>	<b>3,991</b>	<b>4,534</b>	<b>4,405</b>
YoY gr. (%)	45.6	3.1	10.0	87.8
Margin (%)	11.6	14.5	21.1	15.7
Extra Ord. Income / (Exp)	1,033	-	-	-
<b>Reported PAT</b>	<b>4,549</b>	<b>3,991</b>	<b>4,534</b>	<b>4,405</b>
YoY gr. (%)	(15.3)	(6.5)	10.0	87.8
Margin (%)	15.0	14.5	21.1	15.7
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>4,549</b>	<b>3,991</b>	<b>4,534</b>	<b>4,405</b>
Avg. Shares O/s (m)	1,986	1,986	1,986	1,986
<b>EPS (Rs)</b>	<b>1.8</b>	<b>2.0</b>	<b>2.3</b>	<b>2.2</b>

Source: Company Data, PL Research

## Key Operating Metrics

Y/e Dec	CY19	CY20E	CY21E	CY22E
Stand. Volume	24.1	22.6	24.9	27.8
Stand. Net Realisations (Rs/te)	4,719	4,915	4,964	4,989
Stand. EBITDA/ te (Rs/te)	762	1,053	966	1,011
Stand. RM cost (Rs/ te)	451	491	492	487
Stand. Power, Oil & Fuel (Rs/ te)	1,076	973	1,100	1,106
Stand. Freight Charges (Rs/ te)	1,286	1,281	1,320	1,346
Cons. Volume	53.0	48.2	53.8	57.2
Cons. Net Realisations (Rs/te)	5,119	5,233	5,294	5,341
Cons. EBITDA/ te (Rs/te)	840	1,092	994	1,021

Source: Company Data, PL Research

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	1,805	1,563
2	Ambuja Cement	BUY	285	254
3	Coal India	Hold	132	123
4	Heidelberg Cement India	Hold	195	185
5	Hindalco Industries	BUY	230	192
6	Hindustan Zinc	Hold	235	223
7	Jindal Steel & Power	BUY	260	191
8	JK Lakshmi Cement	BUY	370	285
9	JSW Steel	Reduce	223	321
10	NMDC	BUY	125	103
11	Shree Cement	Reduce	20,550	23,485
12	Steel Authority of India	Reduce	30	34
13	Tata Steel	Reduce	405	492
14	The Ramco Cements	Reduce	675	802
15	Ultratech Cement	BUY	5,400	4,895

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<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



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