



***It's the profitability!***

**VP Research: Shravan Shah**

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

**Associate: Maulik Shah/Parth Bhavsar**

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com/parthb@dolatcapital.com

**DOLAT CAPITAL**



**December 08, 2020**

# Index

Sr. No	Particulars	Page No
1)	Industry Summary	3
2)	Valuation Matrix	5
3)	It's the profitability!	6
4)	Another decade on horizon – Another repeat of history	14
5)	Sensitivity remains in favor of price	16
6)	Consecutive decadal CAGR decline in production	16
7)	Profitability of cement players kept on rising primarily led by realization	19
8)	Company wise ranking based on highest to lowest CAGR over FY15-20	22
9)	Cement players gained market share by reducing exposure to South region	23
<b>Company Section</b>		
10)	ACC	29
11)	Ambuja Cement	33
12)	Birla Corp	37
13)	Dalmia Bharat	41
14)	HeidelbergCement	45
15)	JK Cement	49
16)	JK Lakshmi Cement	53
17)	Shree Cement	57
18)	The Ramco Cement	61
19)	UltraTech Cement	65

# Cement

## It's the profitability!

The cement sector is back in the limelight as the reopening of the economy and trade open construction activity as well private spending. Coincidently, we are also at the cusp of a new decade for the sector. And it was only appropriate to look at it from the prism of structural trends that have played out last decade and what could play out the next.

Our coverage universe revenues grew 11.4%/ 10.2% over FY11-20/ FY15-20 while earnings grew by 9.3%/ 12.7%. But, the real story we observe was in the operating profit (read profitability) that has driven the sector performance and valuation multiples.

### Another decade on horizon – Another repeat of History

We believe that same trend to persist next decade – the focus on profitability (read EBITDA/tn) shall be the primary driver of producers and investors. We project for our coverage universe (10 companies) based on this as the key hypothesis – revenue growth at 6.6% CAGR (FY20-FY23E) led by 5.5% volume CAGR and 1% realization/tn CAGR. The EBITDA of our coverage universe is expected to grow at higher 9.7% CAGR over FY20-FY23E. The key driver of this trend is the EBITDA/tn (profitability) is expected to grow at 4.0% CAGR with flat opex/tn for the projected period.

### Sensitivity remains in favor of price

We run sensitivity scenarios for our estimates on price, utilization and volume growth. The highest sensitivity is seen on price realization – a 1.0% realization/tn CAGR translates into incremental growth of 4.0% at EBITDA/tn level. Similarly 1% volume and 1% utilization has NIL sensitivity to EBITDA/tn.

Here, it is important to highlight that EBITDA/tn grew sharply by 23.1%/ 56.6% to historic high of Rs1,322 in H1FY21 vs. FY20/ FY19 respectively. However, with expected 0.9% decline in realization in H2FY21E vs. H1FY21, EBITDA/tn to cool off from Rs.1,322 (H1FY21) in H2FY21E, still to grow by 13.6% YoY to Rs1,220 (historic high) in FY21E. We factor stabilization in EBITDA/tn in FY22E and FY23E vs. FY21E (historic high).

### Consecutive decadal CAGR decline in production, capacity addition and utilization

Over the last three decades, cement production has grown 6.9% CAGR with the base effect reflected in slower growth from 8.3% CAGR (FY90-2000) to 7.5% (FY00-2010) to 4.9% (FY10-2020) and further to 4.3% (FY15-2020). At the same time, capacity addition CAGR remained lower at 5.8% (FY10-20)/ 6% (FY15-20) vs. 9.4% (FY00-10)/ 6.9% (FY90-00). With marginal higher capacity addition CAGR (7.3%) over production CAGR (6.9%) during last three decades, cement capacity utilization has kept on declining from 76%/79% over FY90-00/ FY00-10 to 67% (FY10-20), which further reduced to 65% over FY15-20.

Shravan Shah  
VP Research

+91 22 40969749  
shravans@dolatcapital.com

Maulik Shah  
Associate

+91 22 40969775  
mauliks@dolatcapital.com

Parth Bhavasar  
Associate

+91 22 40969775  
parthb@dolatcapital.com

## Profitability of cement players kept on rising primarily led by realization

Our analysis of 11 companies (63% of India's capacity and 70.3% of cement production in FY20) witnessed 9.9% revenue CAGR over FY15-FY20 led by 8.1% volume CAGR and 1.6% realization/tn CAGR. EBITDA grew at higher 14.7% CAGR over FY15-FY20 as EBITDA/tn (profitability) grew at faster rate of 6.1% CAGR with opex/tn grew at just 0.6% CAGR. Thus, 1.6% realization/tn CAGR translated into much better profitability growth. Our sample universe reported decade high EBITDA/tn of Rs1,049 in FY20.

## Gaining market share by reducing exposure to South region

Our sample universe reduced their exposure (capacity) in South region from 29% in FY15 to 24.3% (Exhibit 62) in FY20, which helped them to gain market share (volume) from 59.7% in FY15 to 70.3% in FY20, which further increased sharply to 80.4% in H1FY21. The primary reason is lower capacity utilization in South region (average ~55% for FY15-20) vs. India (average ~65% for FY15-20).

## Valuation Matrix

Company	Revenue (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				Capacity (mtpa)		CAGR (20-23E)					
	FY20	FY21E	FY22E	FY23E	CAGR	FY20	FY21E	FY22E	FY23E	CAGR	FY20	FY21E	FY22E	FY23E	CAGR	FY20	FY23E	Volume	Realization	EBITDA/tm
ACC	156.6	139.1	160.0	181.7	5.1	21.0	24.7	28.6	32.5	15.8	12.6	13.4	16.3	18.1	12.8	33.1	39.0	3.7	1.9	11.6
Ambuja	116.7	111.5	124.6	132.8	4.4	21.5	25.6	28.1	30.1	11.9	15.3	16.9	17.5	19.2	7.9	29.7	31.5	2.4	2.0	9.3
Birla Corp	69.2	66.6	78.8	92.5	10.2	13.4	13.7	16.3	19.1	12.6	4.9	4.9	6.1	7.8	16.9	15.5	20.6	9.4	1.0	3.2
Dalmia Bharat	96.7	95.0	110.9	125.4	9.0	21.1	24.2	26.4	28.8	11.0	2.2	5.7	6.5	8.1	53.3	26.5	37.4	9.6	(0.5)	1.3
Heidelberg	21.7	20.3	23.6	25.4	5.3	5.3	5.1	6.0	6.5	7.5	2.7	2.4	3.2	3.3	7.0	6.3	6.3	3.9	1.4	3.4
JK Lakshmi	40.4	41.0	43.7	45.9	4.4	6.7	6.7	7.3	7.6	4.4	2.6	2.5	2.8	3.1	5.3	11.7	11.7	3.5	0.8	0.9
JK Cement	54.6	60.4	69.5	77.1	12.2	11.8	14.0	15.8	17.4	13.7	5.8	6.7	7.3	8.8	15.2	15.5	16.7	11.8	0.3	1.7
Shree Cement	119.0	120.7	131.7	145.0	6.8	36.7	38.2	41.2	44.9	6.9	15.8	19.7	18.1	18.8	6.0	40.4	46.4	7.0	(0.2)	(0.1)
Ramco Cement	53.7	54.3	63.5	70.1	9.3	11.4	14.8	16.8	17.8	16.2	6.0	7.8	9.0	9.3	15.8	18.8	20.8	5.5	3.8	10.2
Ultratech	421.2	414.4	451.8	482.2	5.6	92.8	101.8	109.6	116.7	9.1	37.1	45.7	50.8	57.2	17.1	114.8	134.5	4.4	1.1	4.5

Company	CMP*	TP	Mcap		EV/EBITDA (x)				EV/tn (\$)				Net Debt/ EBITDA (x)				RoE (%)			
					(Rs)	(Rs)	(Rs bn)	Rating	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
ACC	1,666	1,966	313	Buy	12.8	11.1	9.4	7.9	109	112	110	89	(1.7)	(2.2)	(1.6)	(1.5)	10.1	12.3	11.2	12.3
Ambuja	253	257	501	Accumulate	15.3	14.2	12.5	11.2	150	166	151	145	(1.7)	(2.2)	(0.5)	(0.9)	7.3	7.1	8.0	8.4
Birla Corp	764	1,030	59	Buy	6.9	6.9	5.9	4.8	81	83	64	61	2.5	2.6	2.3	1.8	5.4	10.5	9.8	11.1
Dalmia Bharat	1,124	1,384	210	Buy	11.9	10.1	8.9	7.6	127	111	90	79	2.3	1.9	1.5	0.9	2.9	2.1	5.3	5.9
Heidelberg	209	235	47	Accumulate	8.8	8.9	7.7	7.4	101	97	101	105	0.4	(0.1)	(0.5)	(0.1)	19.9	21.6	17.9	20.9
JK Lakshmi	363	393	43	Buy	7.9	7.7	7.3	7.1	61	60	62	62	3.0	1.5	1.4	1.5	5.4	16.3	13.8	13.5
JK Cement	2,166	2,240	151	Buy	14.6	12.5	11.2	10.1	151	143	143	143	1.9	1.8	1.6	1.6	12.9	25.1	19.4	18.0
Shree Cement	24,913	26,403	868	Accumulate	22.7	21.4	19.5	17.6	279	238	234	230	0.1	(0.9)	(1.4)	(1.6)	12.2	14.0	14.3	11.9
Ramco Cement	889	926	212	Accumulate	21.2	16.3	14.1	13.1	173	165	154	152	1.5	2.6	2.0	1.5	11.9	12.8	14.8	14.8
Ultratech	5,091	5,834	1,397	Buy	16.8	14.8	13.3	11.8	184	177	165	144	3.0	1.8	1.2	0.7	8.4	10.2	11.1	11.2

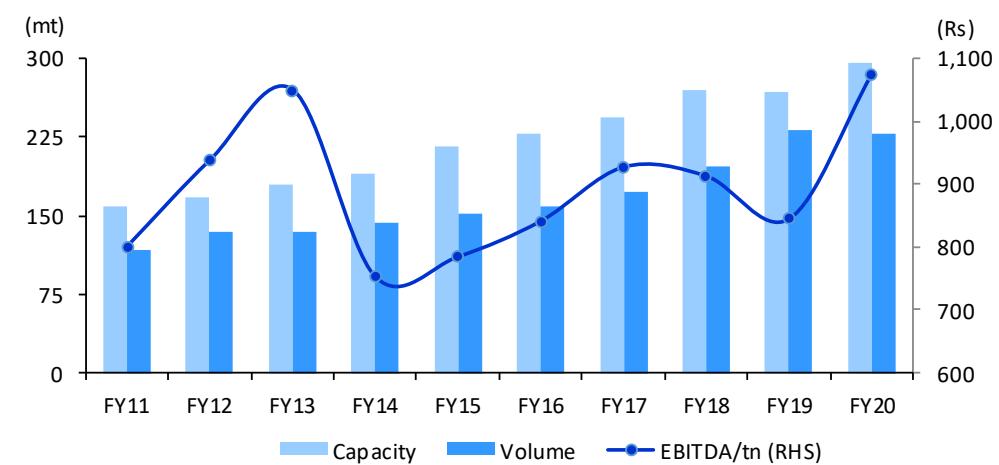
\* CMP as on 4 Dec'20

## It's the profitability!

The cement sector is back in the limelight as the reopening of the economy and trade open construction activity as well private spending. Coincidentally, we are also at the cusp of a new decade for the sector. And it was only appropriate to look at it from the prism of structural trends that have played out last decade and what could play out the next.

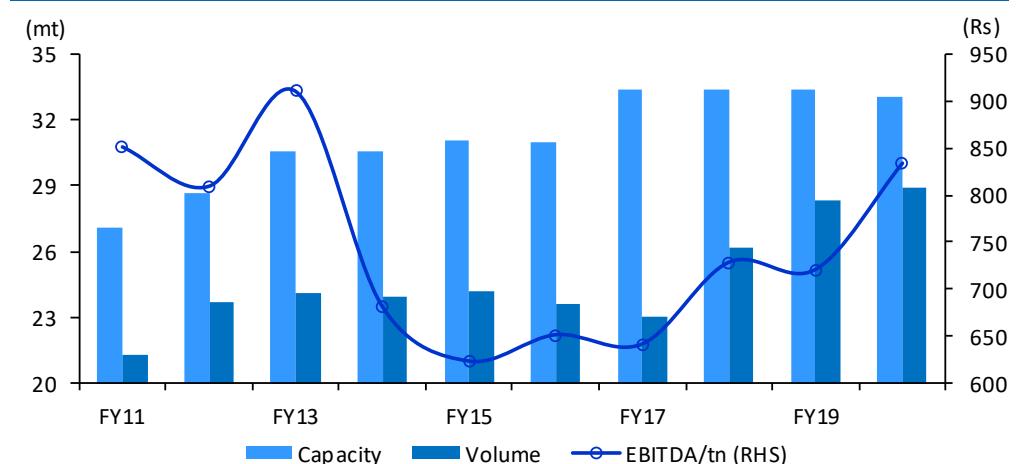
Our coverage universe revenues grew 11.4%/ 10.2% over FY11-20/ FY15-20 while earnings grew by 9.3%/ 12.7%. But, the real story we observe was in the operating profit (read profitability) that has driven the sector performance and valuation multiples.

### Exhibit 1: Rising capacity, volume and EBITDA/tn for coverage universe



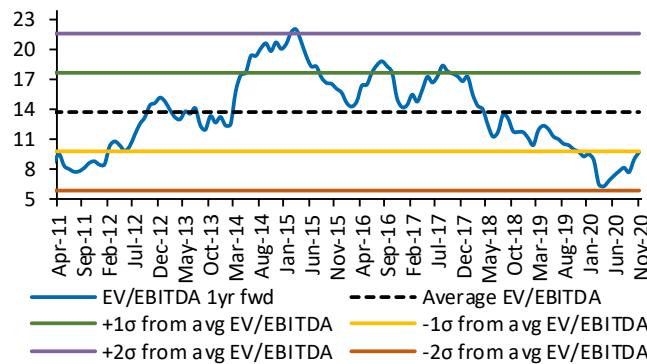
Source: Company, DART

### Exhibit 2: ACC

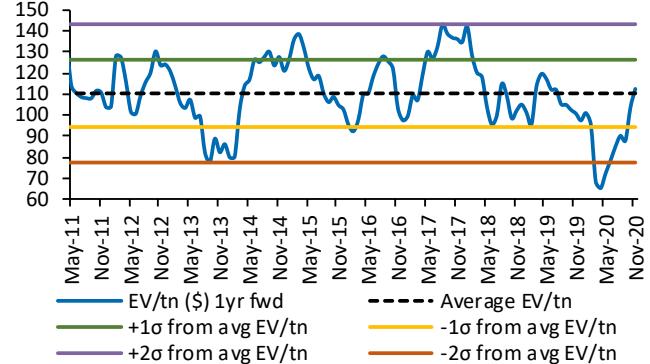


Source: Company, DART

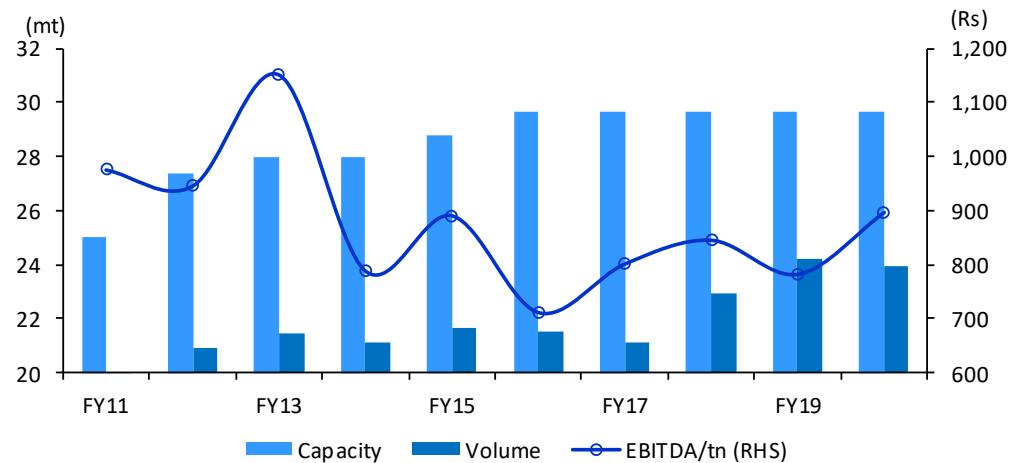
### Exhibit 3: ACC – EV/EBITDA 1yr fwd



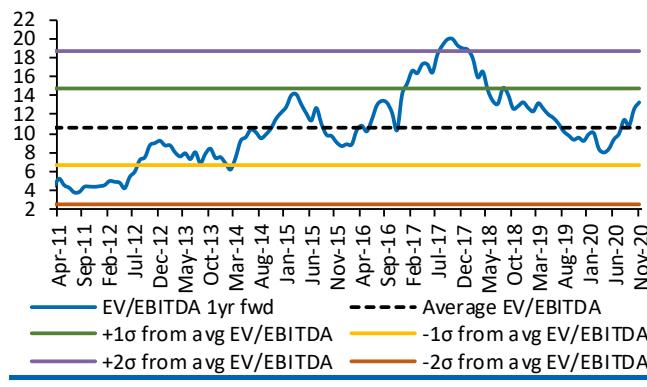
### Exhibit 4: ACC – EV/tn (USD) 1 yr fwd



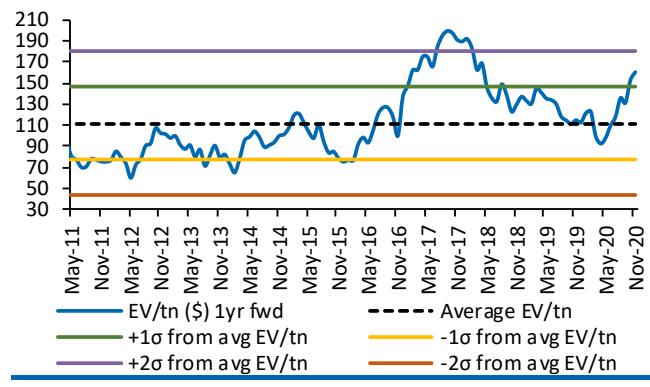
### Exhibit 5: Ambuja



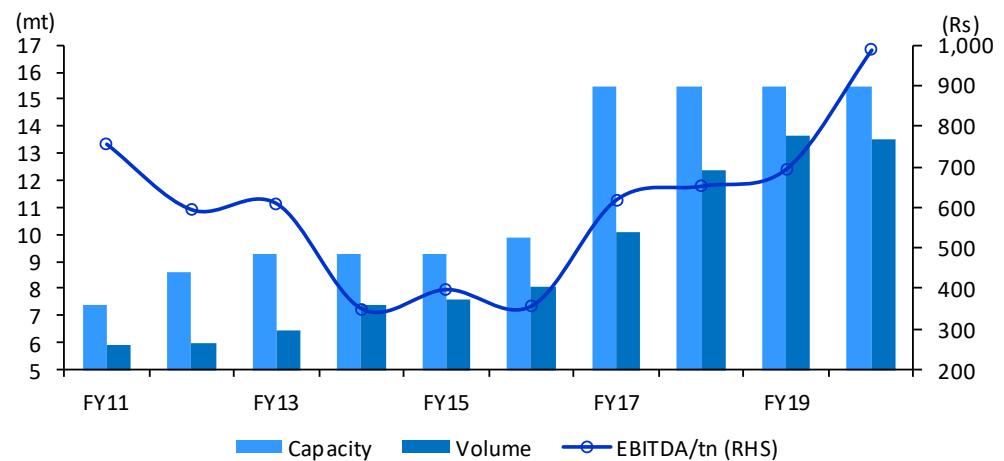
### Exhibit 6: Ambuja – EV/EBITDA 1 yr fwd



### Exhibit 7: Ambuja – EV/tn (USD) 1 yr fwd

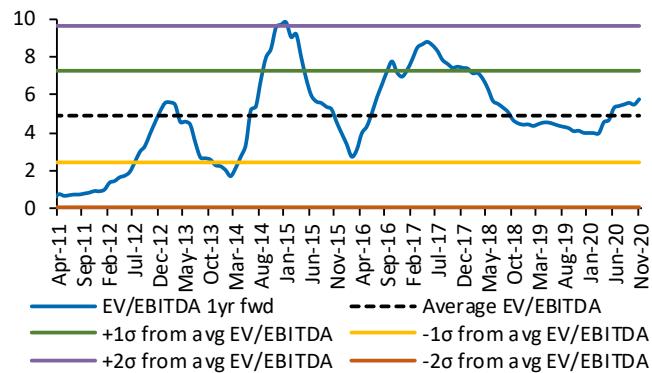


### Exhibit 8: Birla Corp



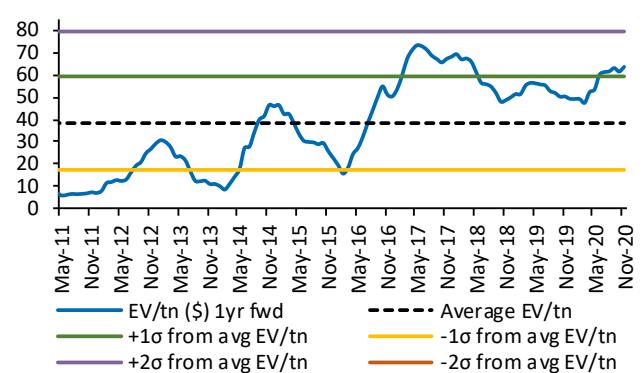
Source: Company, DART

### Exhibit 9: Birla Corp – EV/EBITDA 1 yr fwd



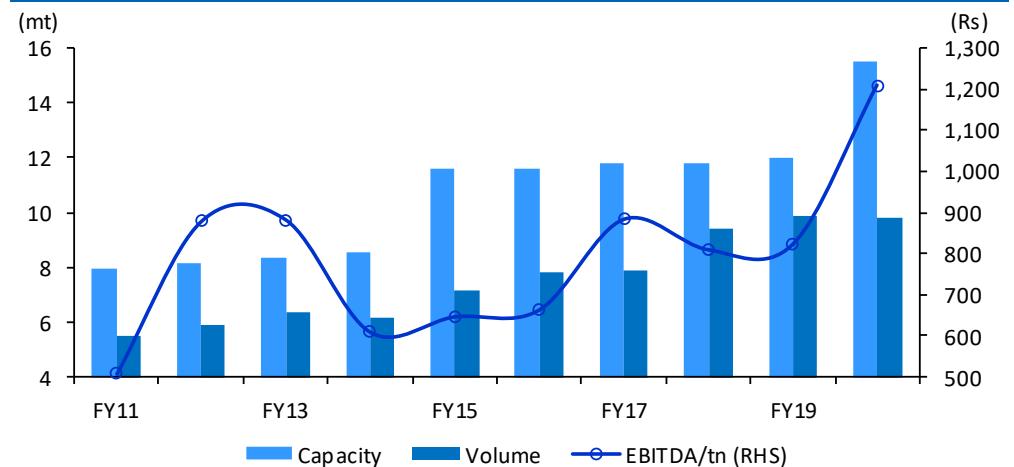
Source: Company, DART

### Exhibit 10: Birla Corp – EV/tn (USD) 1 yr fwd



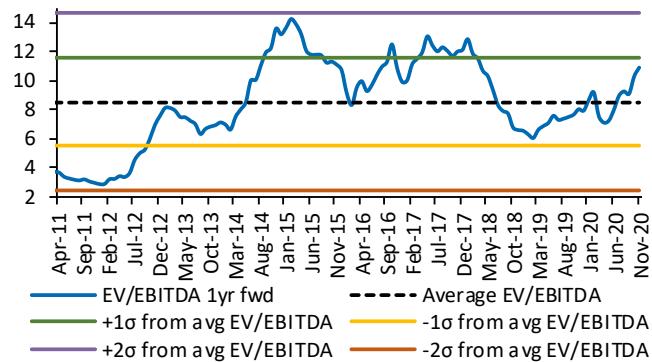
Source: Company, DART

### Exhibit 11: JK Cement

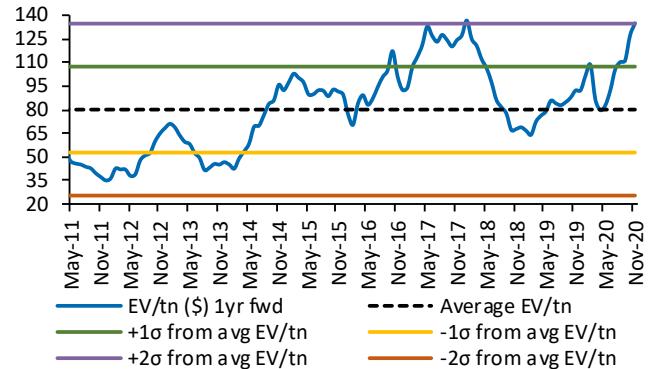


Source: Company, DART

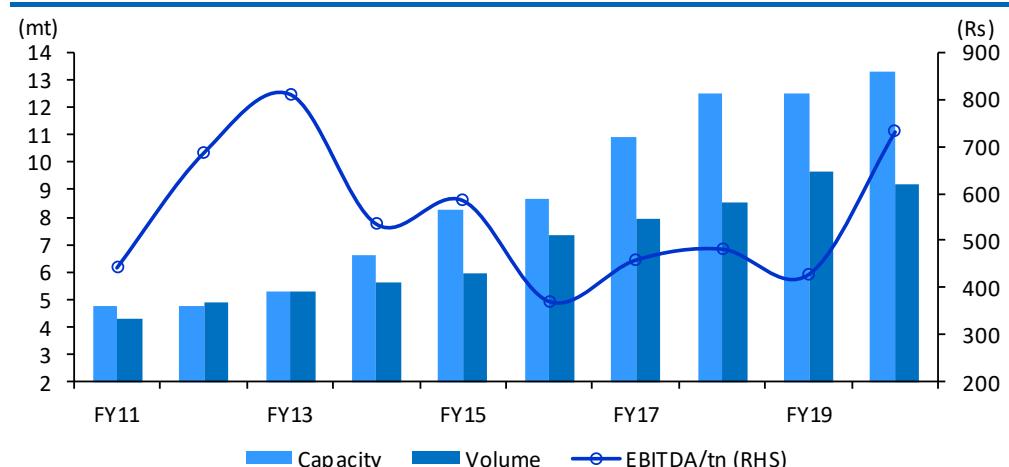
### Exhibit 12: JK Cement – EV/EBITDA 1 yr fwd



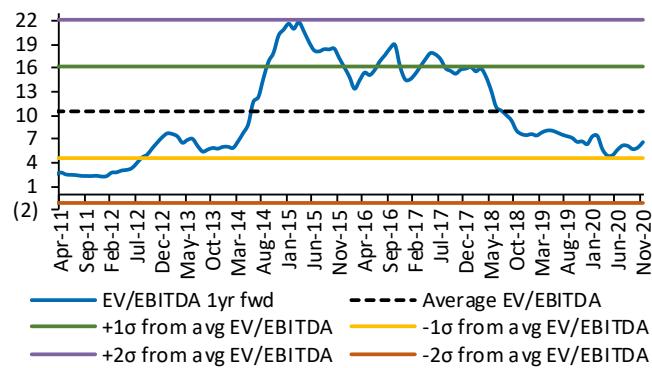
### Exhibit 13: JK Cement – EV/tn (USD) 1 yr fwd



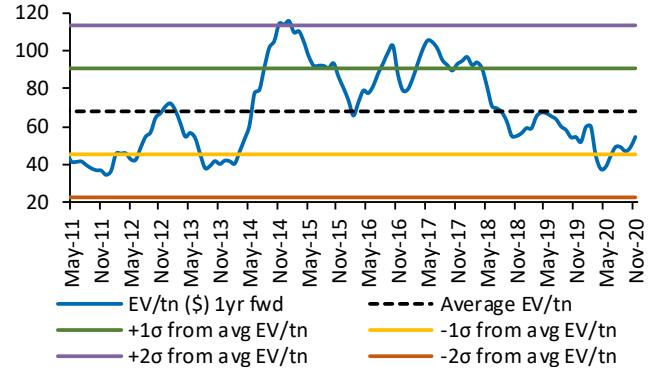
### Exhibit 14: JK Lakshmi Cement



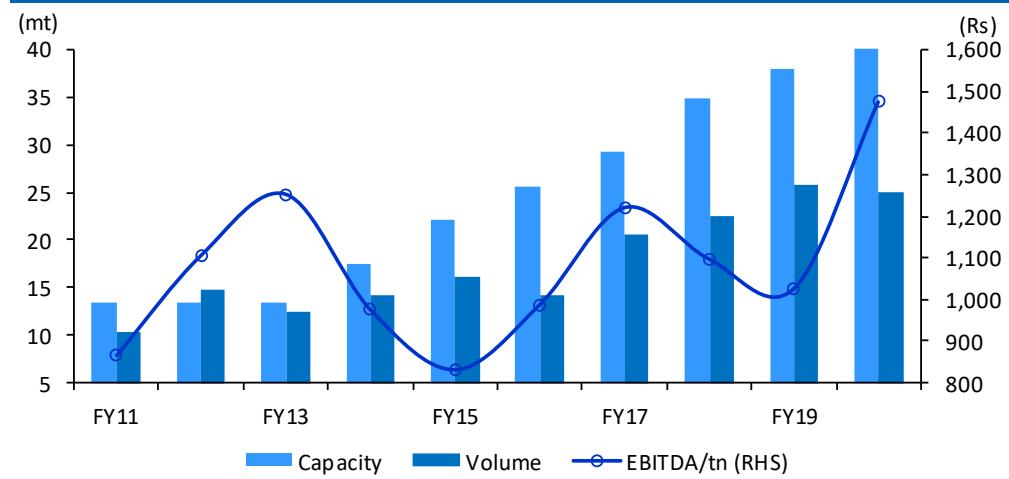
### Exhibit 15: JK Lakshmi - EV/EBITDA 1 yr fwd



### Exhibit 16: JK Lakshmi - EV/tn (USD) 1 yr fwd

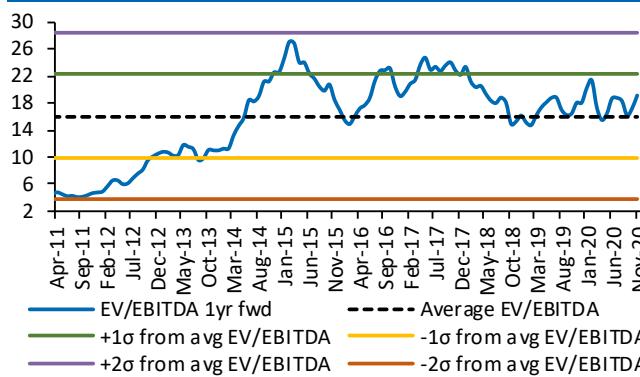


### Exhibit 17: Shree Cement



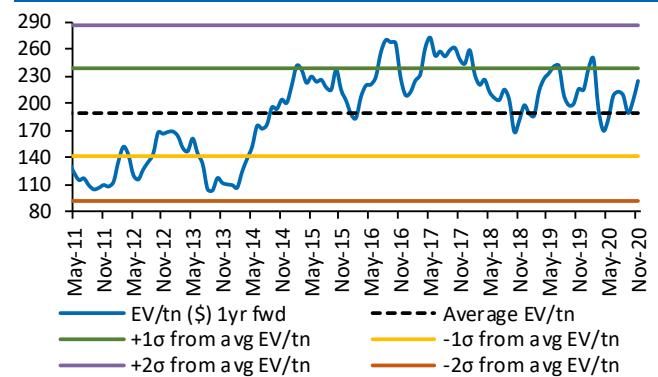
Source: Company, DART

### Exhibit 18: Shree Cement – EV/EBITDA 1 yr fwd



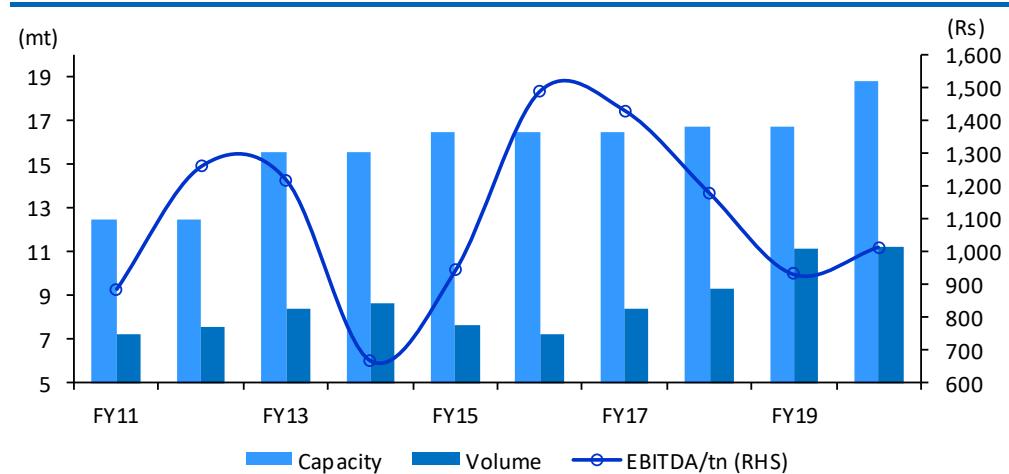
Source: Company, DART

### Exhibit 19: Shree Cement – EV/tn (USD) 1 yr fwd



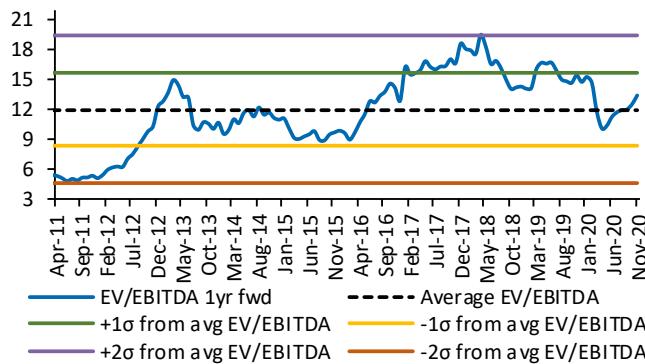
Source: Company, DART

### Exhibit 20: Ramco Cement

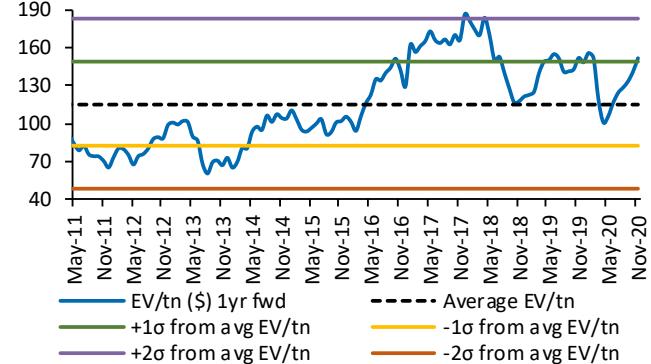


Source: Company, DART

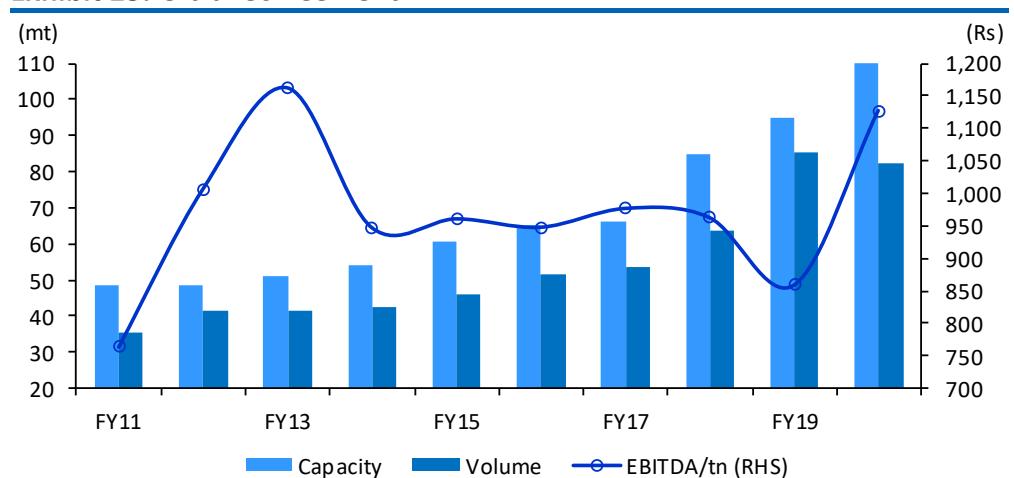
### Exhibit 21: Ramco Cement – EV/EBITDA 1 yr fwd



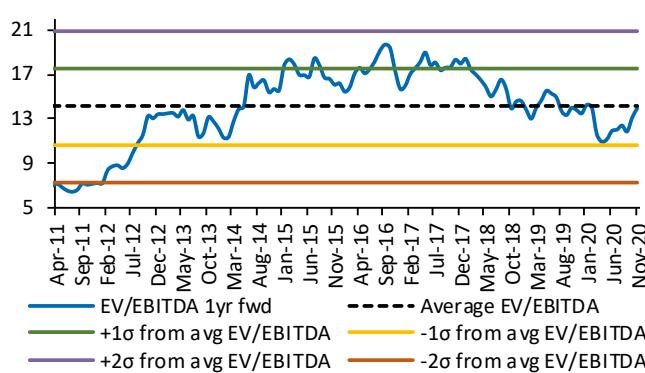
### Exhibit 22: Ramco – EV/tn (USD) 1 yr fwd



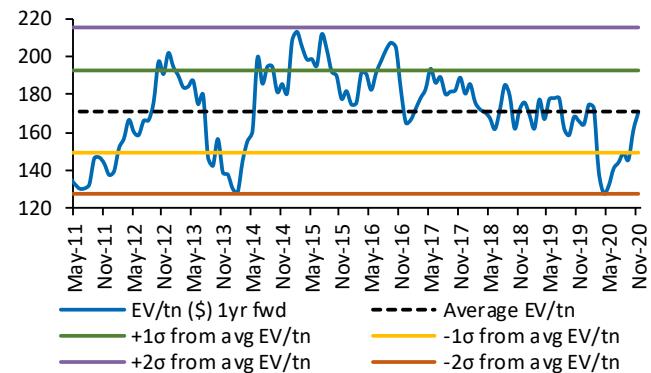
### Exhibit 23: UltraTech Cement



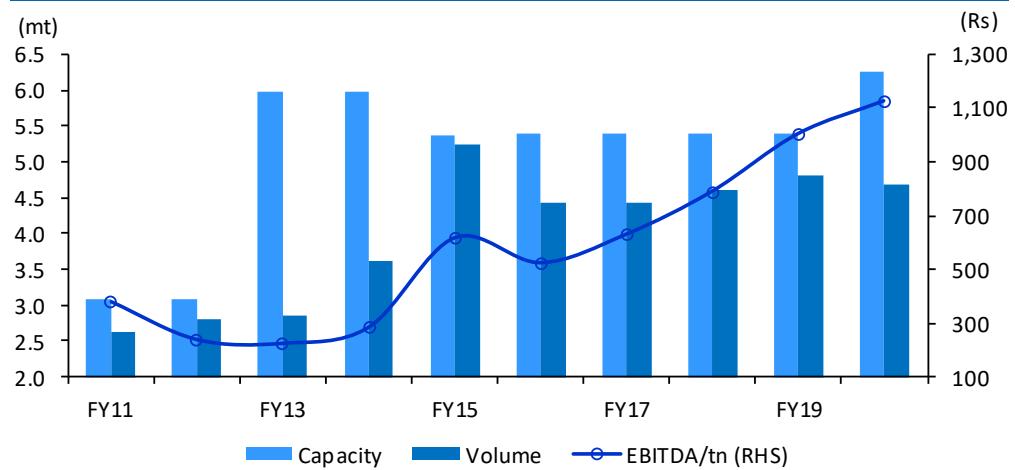
### Exhibit 24: UltraTech – EV/EBITDA 1 yr fwd



### Exhibit 25: UltraTech – EV/tn (USD) 1 yr fwd

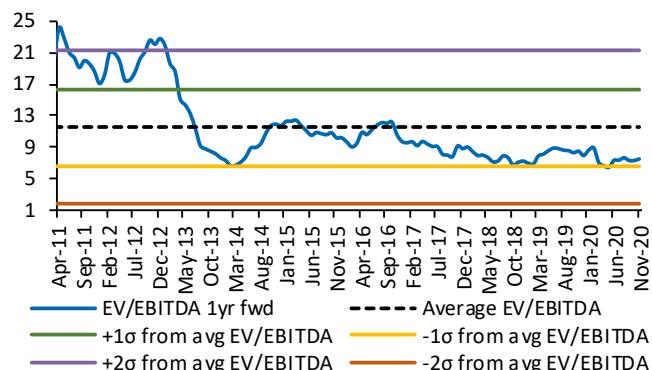


### Exhibit 26: Heidelberg



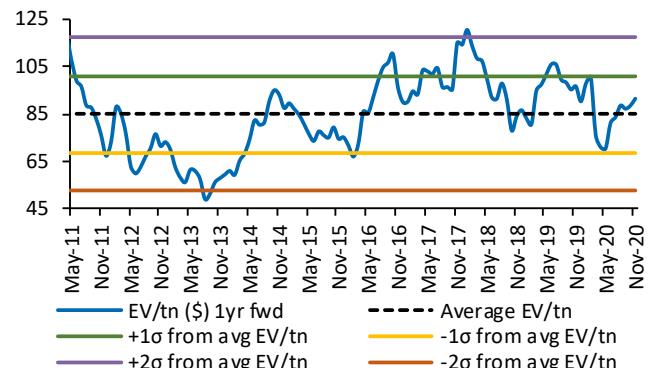
Source: Company, DART

### Exhibit 27: Heidelberg - EV/EBITDA 1 yr fwd



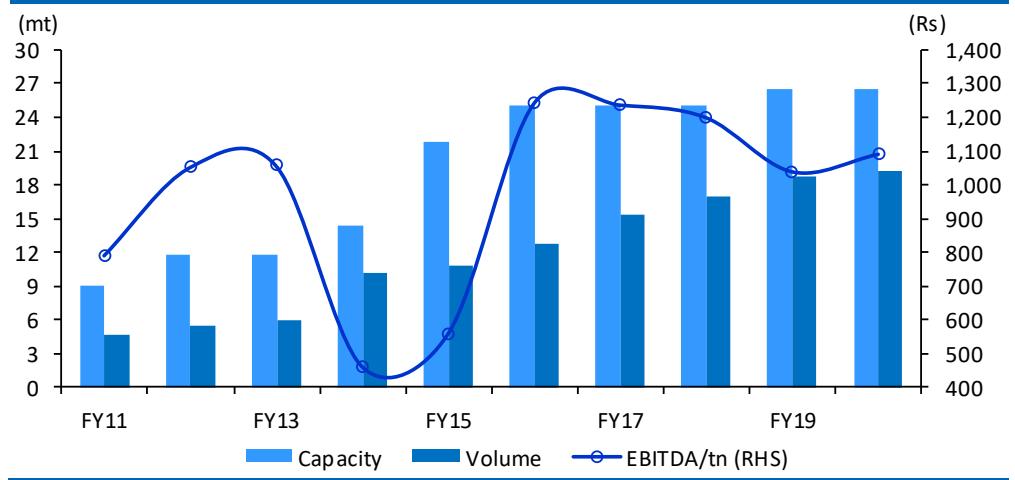
Source: Company, DART

### Exhibit 28: Heidelberg - EV/tn (USD) 1 yr fwd

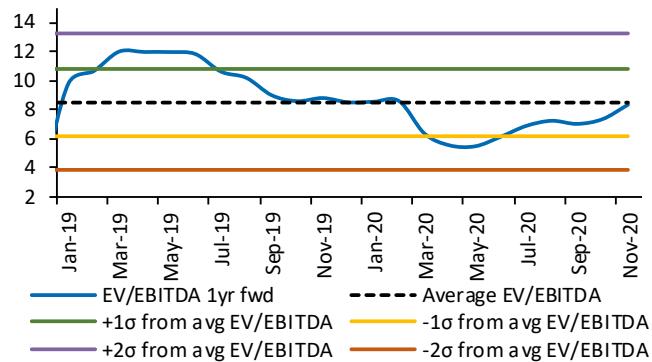
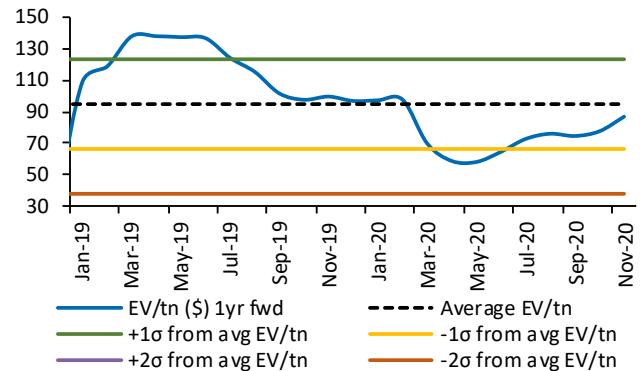


Source: Company, DART

### Exhibit 29: Dalmia Bharat



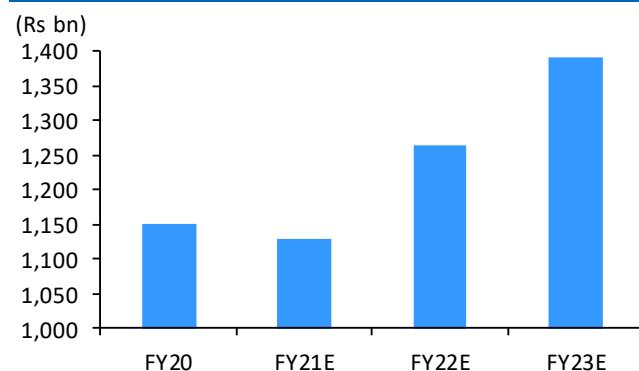
Source: Company, DART

**Exhibit 30: Dalmia – EV/EBITDA 1 yr fwd**

**Exhibit 31: Dalmia – EV/tn (USD) 1 yr fwd**


## Another decade on horizon – Another repeat of history

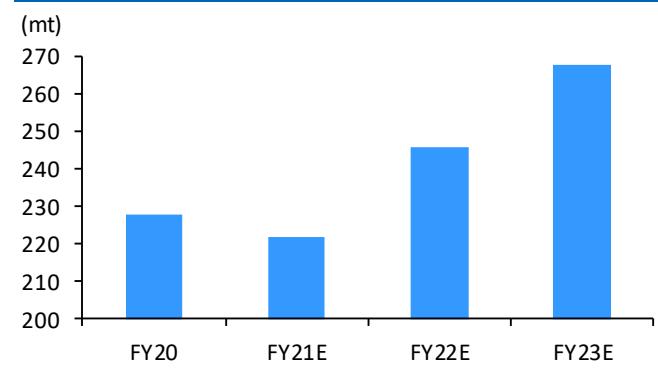
We believe that same trend to persist next decade – the focus on profitability (read EBITDA/tn) shall be the primary driver of producers and investors. We project for our coverage universe (10 companies) based on this as the key hypothesis – revenue growth at 6.6% CAGR (FY20-FY23E) led by 5.5% volume CAGR and 1% realization/tn CAGR. The EBITDA of our coverage universe is expected to grow at higher 9.7% CAGR over FY20-FY23E. The key driver of this trend is the EBITDA/tn (profitability) is expected to grow at 4.0% CAGR with flat opex/tn for the projected period.

**Exhibit 32: 6.6% revenue CAGR over FY20-23E**



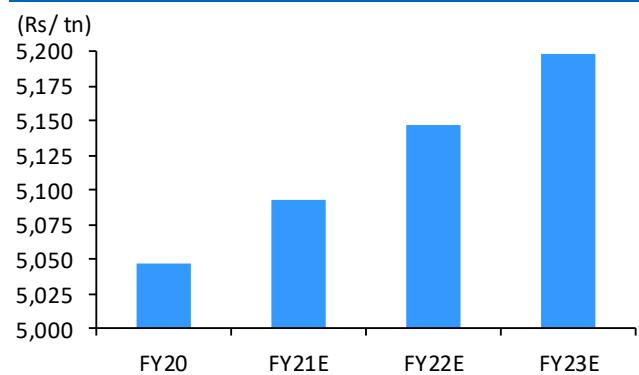
Source: Company, DART

**Exhibit 33: led by 5.5% volume CAGR**



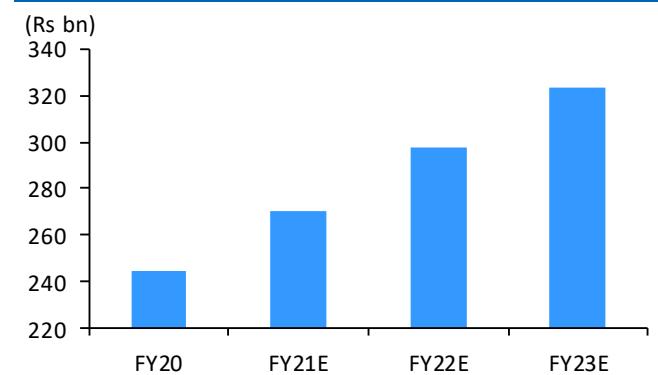
Source: Company, DART

**Exhibit 34: and 1.0% realization/tn CAGR**



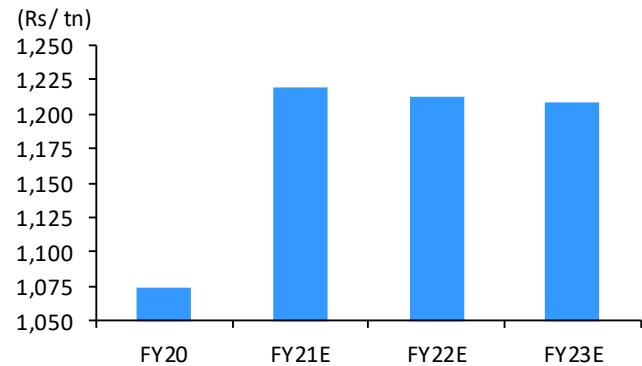
Source: Company, DART

**Exhibit 35: but EBITDA to grow at 9.7% CAGR**

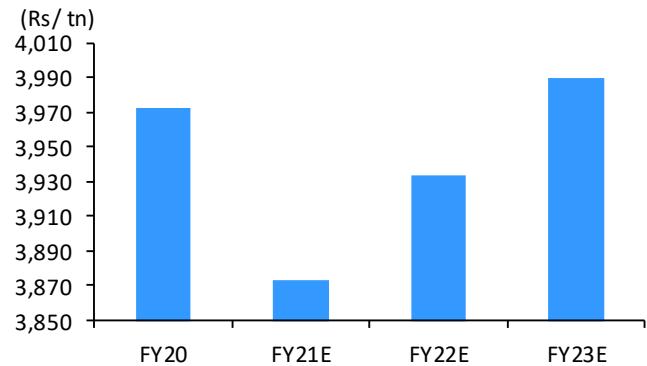


Source: Company, DART

Here, it is important to highlight that EBITDA/tn grew sharply by 23.1% / 56.6% to historic high of Rs. 1,322 in H1FY21 vs. FY20/ FY19 respectively. However, with expected 0.9% decline in realization in H2FY21E vs. H1FY21, EBITDA/tn to cool off from Rs. 1,322 (H1FY21) in H2FY21E, still to grow by 13.6% YoY to Rs1,220 (historic high) in FY21E. We factor stabilization in EBITDA/tn in FY22E and FY23E vs. FY21E (historic high).

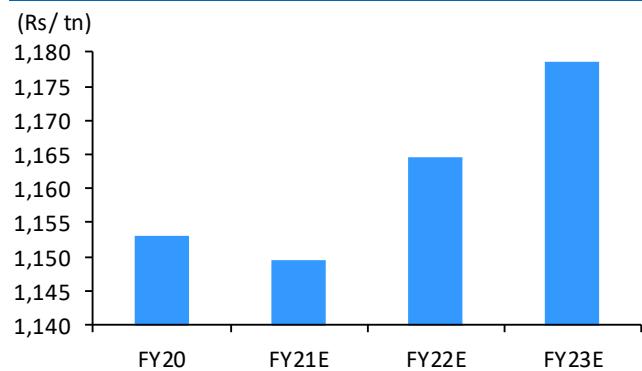
**Exhibit 36: EBITDA/tn to grow at 4.0% CAGR**


Source: Company, DART

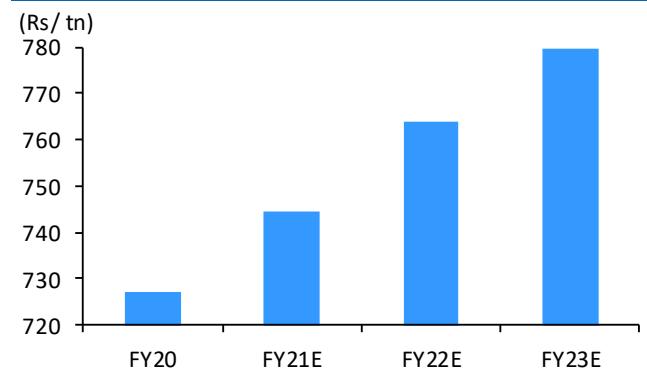
**Exhibit 37: With just 0.1% Opex/tn CAGR**


Source: Company, DART

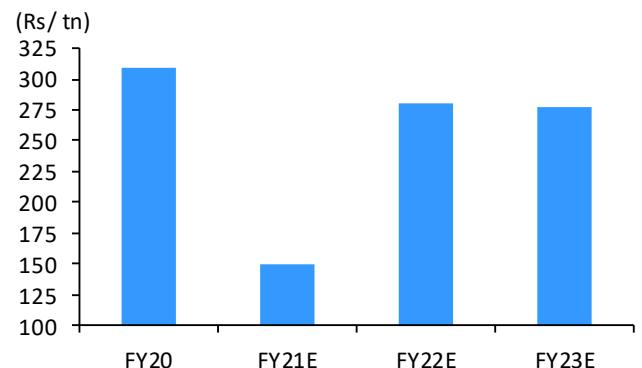
Marginal 0.1% CAGR in Opex/tn of our coverage universe (10 companies) over FY20-23E is due to 0.7%/ 2.4% CAGR in Freight/ RM cost respectively which partially set off by decrease in Power & Fuel (-1.3% CAGR)/ employee (-3.6% CAGR)/ other exp (-0.8% CAGR).

**Exhibit 38: 0.7% CAGR in Freight cost/tn**


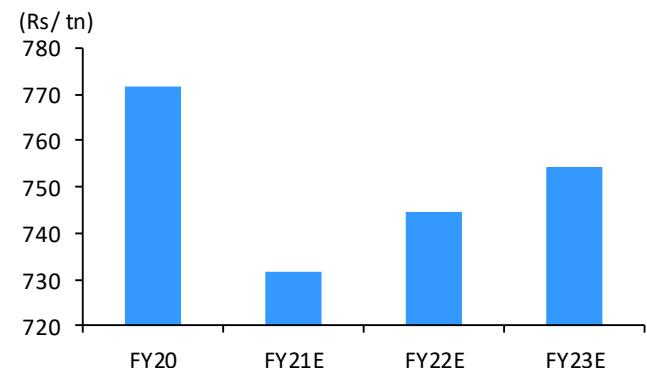
Source: Company, DART

**Exhibit 39: 2.4% CAGR in RM cost/tn**


Source: Company, DART

**Exhibit 40: -3.6% CAGR in Employee cost/tn**


Source: Company, DART

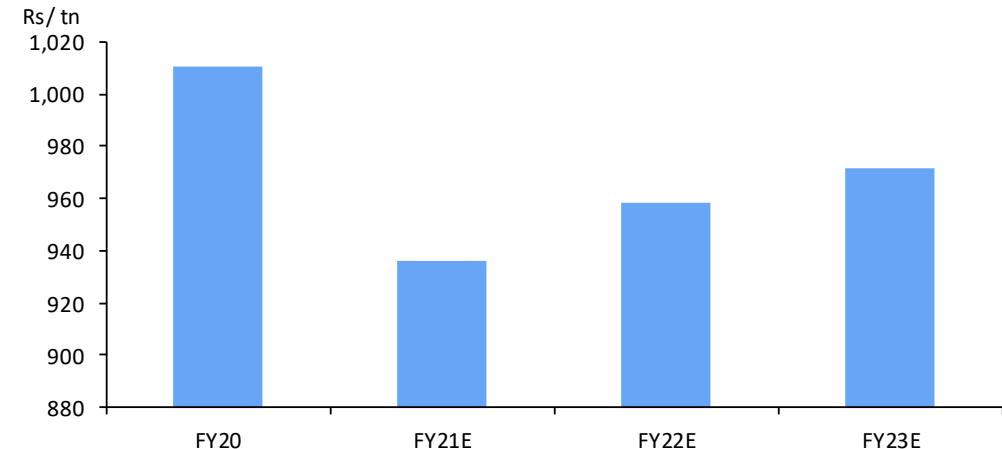
**Exhibit 41: Other expenses/tn fell -0.8% CAGR**


Source: Company, DART

---

**Exhibit 42: P&F (Power & Fuel) cost/tn declined at -1.3% CAGR**


---



Source: Company, DART

### Sensitivity remains in favor of price

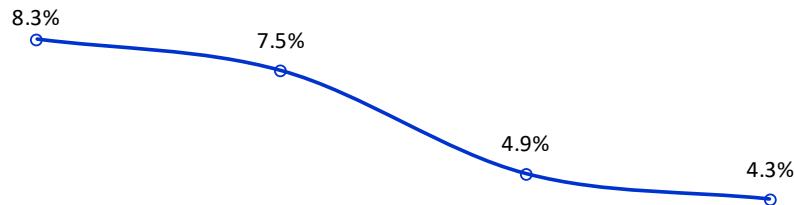
We run sensitivity scenarios for our estimates on price, utilization and volume growth. The highest sensitivity is seen on price realization – a 1.0% realization/tn CAGR translates into incremental growth of 4.0% at EBITDA/tn level. Similarly 1% volume and 1% utilization has NIL sensitivity to EBITDA/tn.

Here, it is important to highlight that EBITDA/tn grew sharply by 23.1% / 56.6% to historic high of Rs1,322 in H1FY21 vs. FY20/ FY19 respectively. However, with expected 0.9% decline in realization in H2FY21E vs. H1FY21, EBITDA/tn to cool off from Rs.1,322 (H1FY21) in H2FY21E, still to grow by 13.6% YoY to Rs1,220 (historic high) in FY21E. We factor stabilization in EBITDA/tn in FY22E and FY23E vs. FY21E (historic high).

### Consecutive decadal CAGR decline in production, capacity addition and utilization

Over the last three decades, cement production has grown 6.9% CAGR with the base effect reflected in slower growth from 8.3% CAGR (FY90-2000) to 7.5% (FY00-2010) to 4.9% (FY10-2020) and further to 4.3% (FY15-2020). At the same time, capacity addition CAGR remained lower at 5.8% (FY10-20) / 6% (FY15-20) vs. 9.4% (FY00-10) / 6.9% (FY90-00). With marginal higher capacity addition CAGR (7.3%) over production CAGR (6.9%) during last three decades, cement capacity utilization has kept on declining from 76%/79% over FY90-00/ FY00-10 to 67% (FY10-20), which further reduced to 65% over FY15-20.

### Exhibit 43: Cement production – Base effect beginning to show up

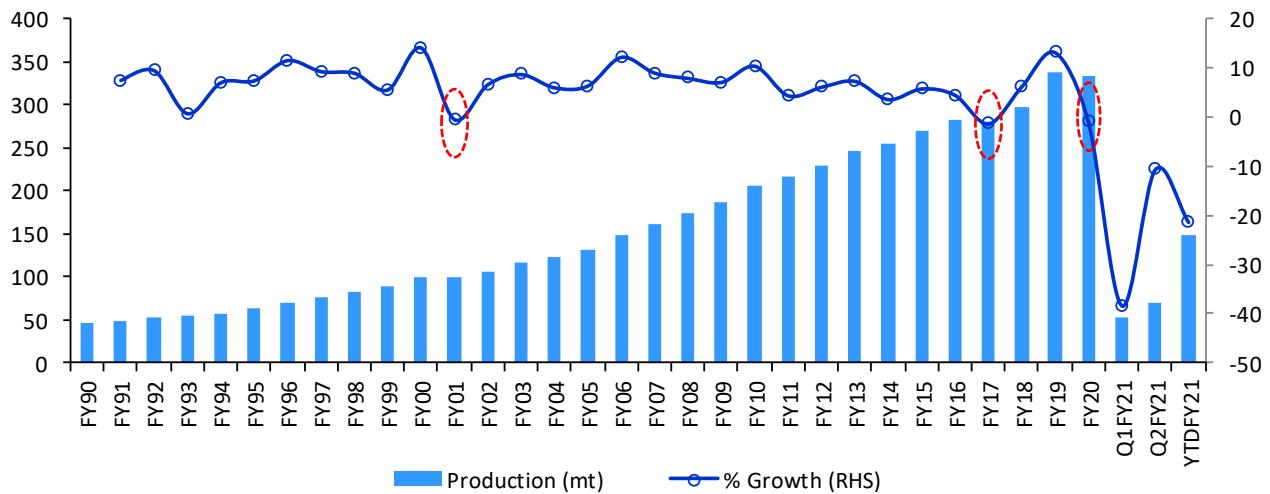


Production CAGR	
Years	CAGR (%)
30	6.9
20	6.2
15	6.4
10	4.9
5	4.3

Source: DIPP, DART

Cement production CAGR in India has kept on declining over last three decades from 8.3% over FY90-00 to 7.5% over FY00-10 to 4.9% over FY10-20, which further reduced to 4.3% over FY15-20. The primary reason for the declining cement production CAGR is rising base of cement consumption, which in absolute terms grew more than seven fold from 45mt in FY90 to 334mt in FY20.

### Exhibit 44: Cement production declined only three times in last 30 years and FY21 will be 4<sup>th</sup> one

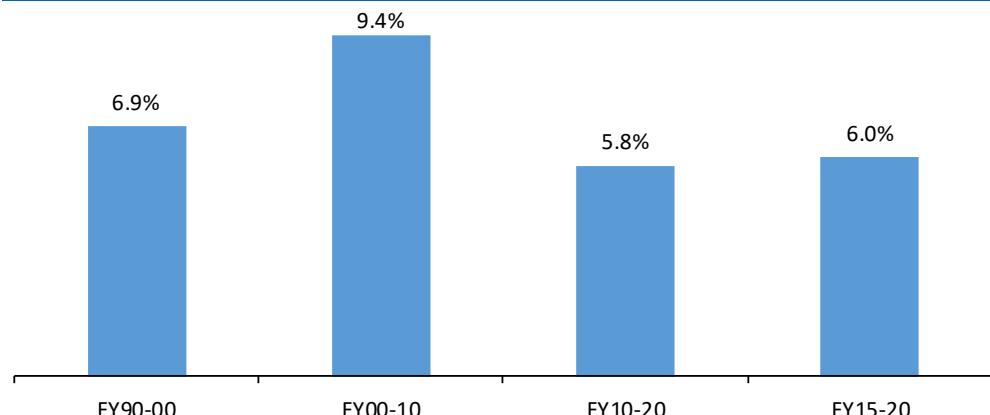


Source: DIPP, DART

Cement production declined only three times in last 30 years with maximum decline was 1.2% (FY17) whereas it grew in double digit five times with FY19 witnessed highest growth of 13.3% in last two decades. The recent COVID-19 pandemic impacted cement production severely which resulted in 38.3%/ 10.6%/ 21.3% YoY decline in Q1FY21/ Q2FY21/ YTDY21 (Apr-Oct'20). However, the pace of decline for Q2FY21 is much lower vs. Q1FY21 with opening up of economy and pick up in construction activities. The recent Oct'20 data showed growth (2.8%) for the first time in last seven month.

Now, with end of monsoon and start of dry construction season, we expect FY21e can see ~8% decline in cement production (demand) and FY22 likely to see ~15% growth, which is expected to normalize to ~5% in FY23.

#### Exhibit 45: Capacity growth is within long period average

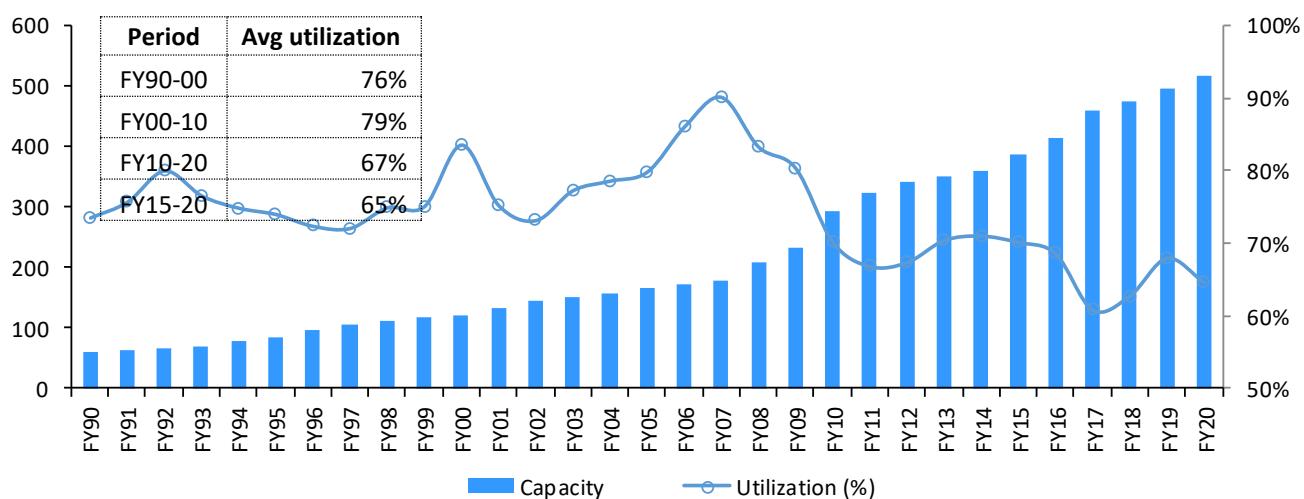


Source: Industry, DART

Years	CAGR (%)
30	7.3
20	7.6
15	7.9
10	5.8
5	6.0

Cement capacity addition CAGR in India over the last three decades particularly the recent decade (FY10-20) had 5.8% much lower than 9.4% (FY00-10) and lower than 6.9% witnessed over FY90-00. Even cement capacity addition CAGR remained at 6% over FY15-20. In absolute terms, India's cement capacity grew more than eight folds from just 62mtpa in FY90 to 517mtpa in FY20 with addition of 58 / 174/ 223mtpa during FY91-00/ FY01-10/ FY11-20. It is estimated that 55-60mtpa likely capacity addition during FY21-23.

#### Exhibit 46: Capacity utilization also declined to more sustainable levels over last three decades



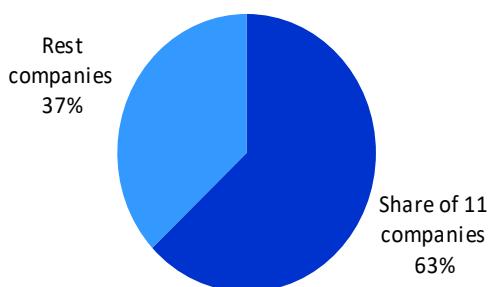
Source: DIPP, Industry, DART

With marginal higher capacity addition CAGR (7.3%) over production CAGR (6.9%) during last three decades, cement capacity utilization has kept on declining from 76%/79% over FY90-00/ FY00-10 to 67% over FY10-20, which further reduced to 65% over FY15-20. India's capacity utilization did not cross 90% in last 30 years whereas minimum stood at 61% (FY17).

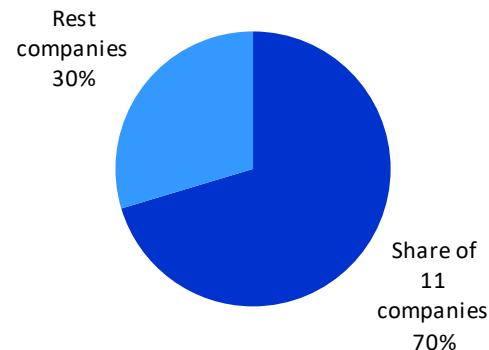
### Profitability of cement players kept on rising primarily led by realization

We took sample of 11 companies for our market share and profitability analysis. These companies account for 63% of India's capacity in FY20 whereas their share in India's cement production stands at 70.3% in FY20.

**Exhibit 47: Sample - 63% share in capacity (FY20)**



**Exhibit 48: Sample - 70% production share (FY20)**

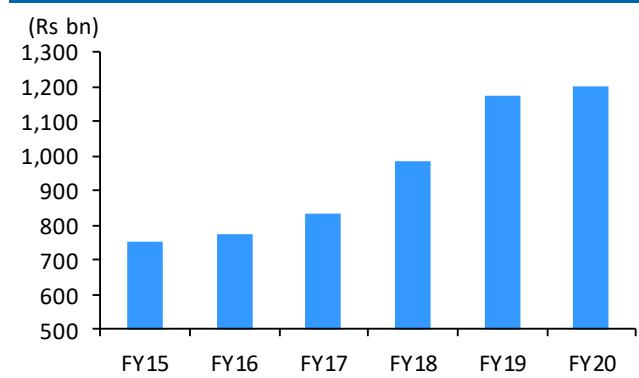


Source: Company, DART, 11 companies are ACC, Ambuja, Birla Corp, Dalmia Bharat, Heidelberg, India Cement, JK Cement, JK Lakshmi, Shree Cement, Ramco Cement, UltraTech

Source: Company, DART

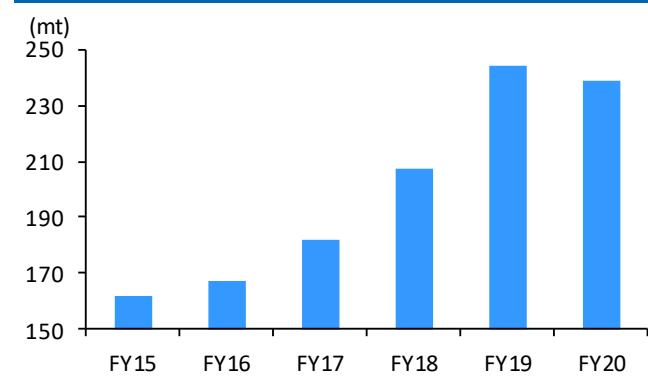
Revenue of our sample universe (11 companies) grew at 9.9% CAGR over FY15-FY20 led by 8.1% volume CAGR and 1.6% realization/tn CAGR.

**Exhibit 49: 9.9% revenue CAGR over FY15-20**

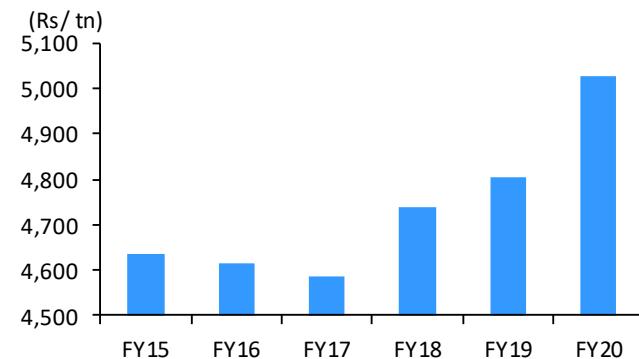


Source: Company, DART

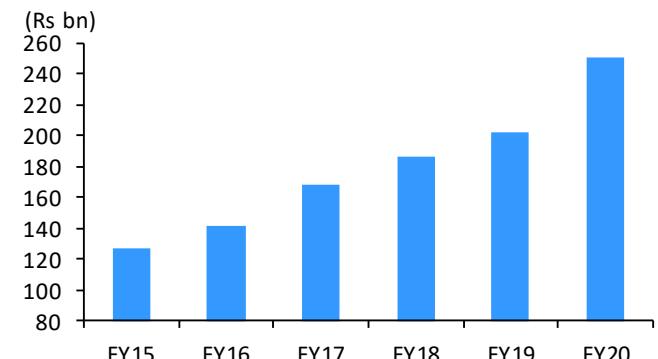
**Exhibit 50: led by 8.1% volume CAGR**



Source: Company, DART

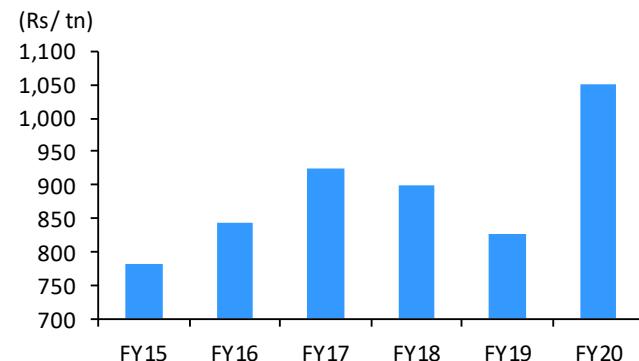
**Exhibit 51: and 1.6% realization/tn CAGR**


Source: Company, DART

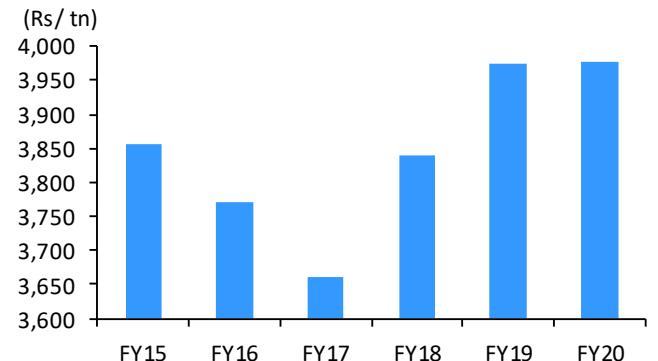
**Exhibit 52: but EBITDA grew at 14.7% CAGR**


Source: Company, DART

EBITDA of our sample universe (11 companies) grew at higher 14.7% CAGR over FY15-FY20 as EBITDA/tn (profitability) grew at faster rate of 6.1% CAGR with opex/tn grew at just 0.6% CAGR. Thus, 1.6% realization/tn CAGR translated into much better profitability growth. Our sample universe reported decade high EBITDA/tn of Rs1,049 in FY20.

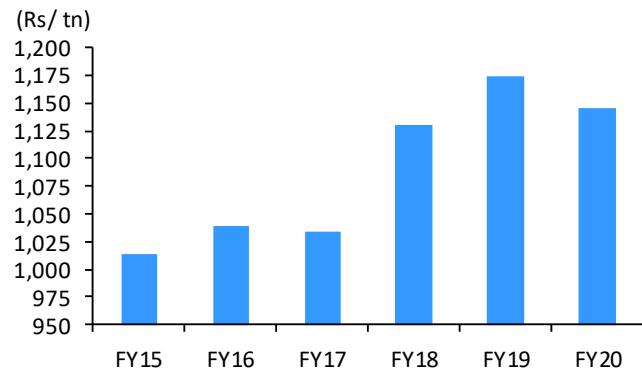
**Exhibit 53: EBITDA/tn grew at higher 6.1% CAGR**


Source: Company, DART

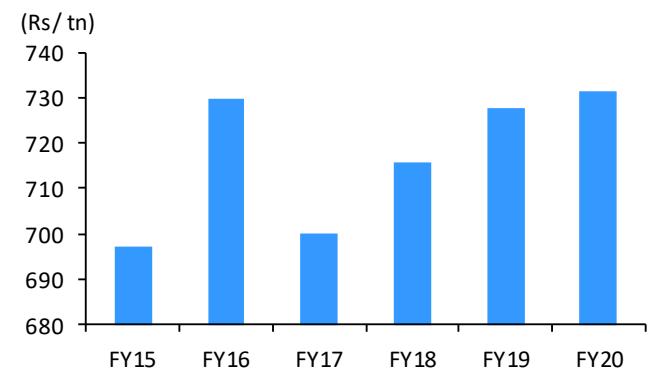
**Exhibit 54: With just 0.6% Opex/tn CAGR**


Source: Company, DART

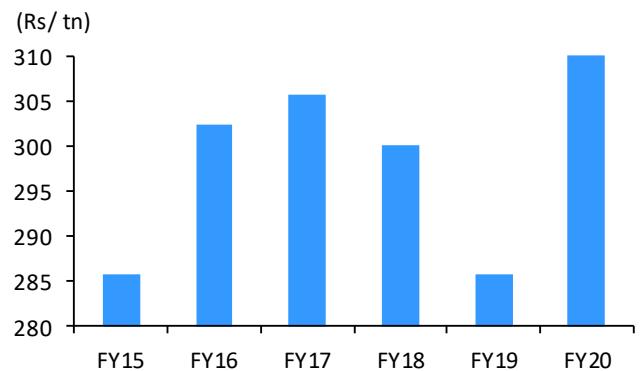
Marginal 0.6% CAGR in Opex/tn of our sample universe (11 companies) over FY15-20 is due to 2.5%/ 1.0%/ 1.7% CAGR in Freight/ RM (Raw Material)/ Employee cost respectively which partially set off by decline in Other expenses (-1.4% CAGR) and P&F (Power & Fuel) (-0.2% CAGR) cost.

**Exhibit 55: 2.5% CAGR in Freight cost/tn**


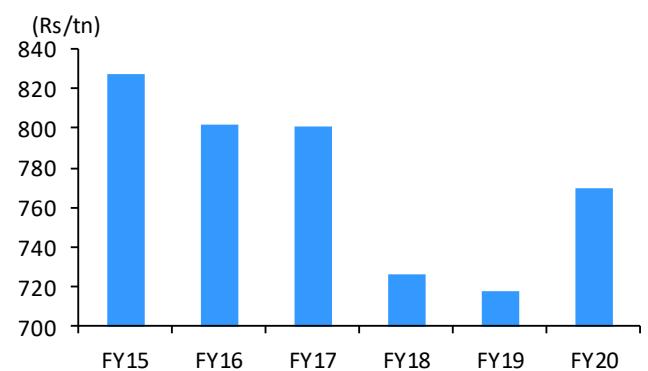
Source: Company, DART

**Exhibit 56: 1% CAGR in RM cost/tn**


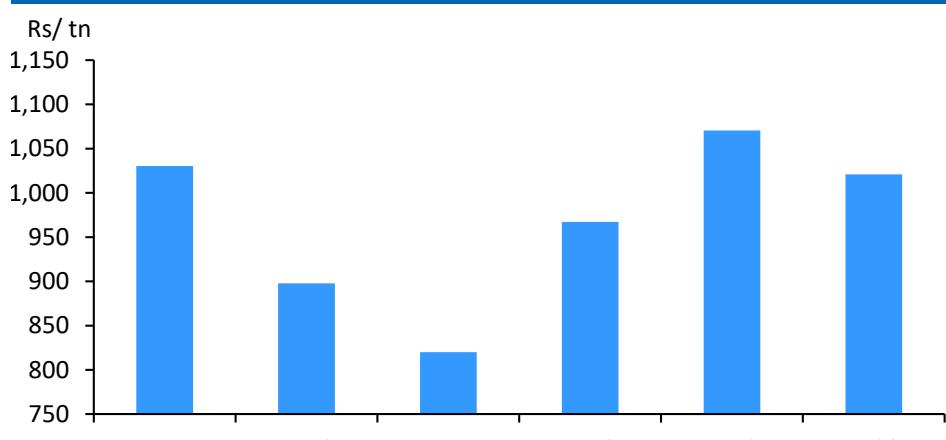
Source: Company, DART

**Exhibit 57: 1.7% CAGR in Employee cost/tn**


Source: Company, DART

**Exhibit 58: Other expenses/tn fell at 1.4% CAGR**


Source: Company, DART

**Exhibit 59: P&F (Power & Fuel) cost/tn declined at marginal 0.2% CAGR**


Source: Company, DART

**Exhibit 60: Company wise ranking based on highest to lowest CAGR over FY15-20 (%)**

Company	Revenue	Company	Volume	Company	Realization
Dalmia	22.4	Ultratech	12.3	Dalmia	9.0
Birla Corp	16.6	Dalmia	12.3	Birla Corp	3.9
Shree	13.0	Birla Corp	12.2	Shree	3.6
JK Lakshmi	11.9	Shree	9.0	JK Cement	3.6
Ultratech	11.6	JK Lakshmi	9.0	Heidelberg	3.5
JK Cement	10.2	Ramco	7.9	JK Lakshmi	2.6
Ramco	8.0	JK Cement	6.4	ACC	2.3
ACC	5.9	ACC	3.6	Ambuja	1.1
Ambuja	3.2	India cement	3.5	Ramco	0.1
India cement	2.7	Ambuja	2.1	Ultratech	(0.7)
Heidelberg	1.2	Heidelberg	(2.2)	India cement	(0.8)

Source: Company, DART

**Exhibit 61: Company wise ranking based on highest to lowest (except Opex/tn) CAGR over FY15-20**

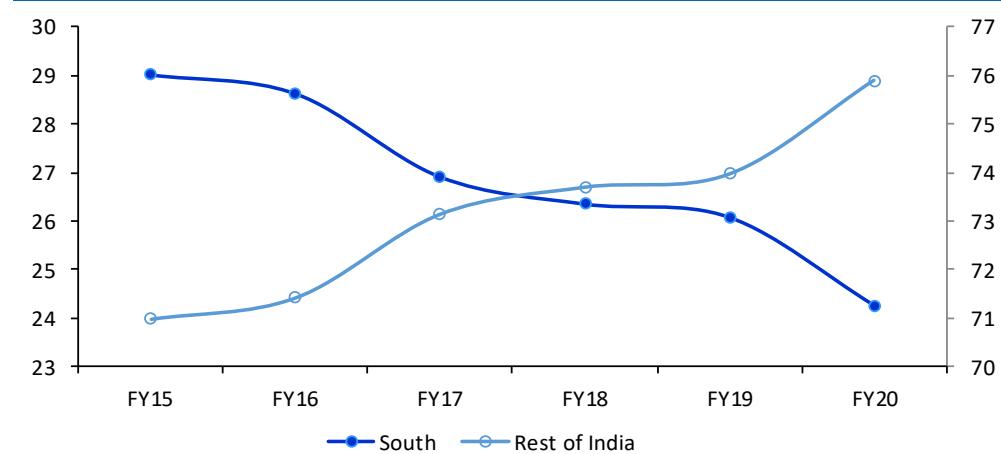
Company	EBITDA	Company	EBITDA/tn	Company	Opex/tn
Birla Corp	34.7	Birla Corp	20.0	Ambuja	(1.6)
Dalmia	28.4	India cement	14.4	ACC	(0.2)
Shree	22.3	Shree	13.3	India cement	0.1
JK Cement	20.6	Ambuja	12.9	JK Lakshmi	0.9
Ultratech	16.0	Ramco	12.1	Ultratech	1.3
JK Lakshmi	14.0	Ultratech	7.0	Birla Corp	1.3
ACC	10.9	JK Lakshmi	4.5	Shree	1.5
Heidelberg	10.4	ACC	3.2	Dalmia	1.6
Ramco	9.5	JK Cement	1.5	JK Cement	1.7
Ambuja	2.2	Dalmia	0.1	Heidelberg	2.3
India cement	(3.0)	Heidelberg	(6.3)	Ramco	7.8

Source: Company, DART

## Cement players gained market share by reducing exposure to South region

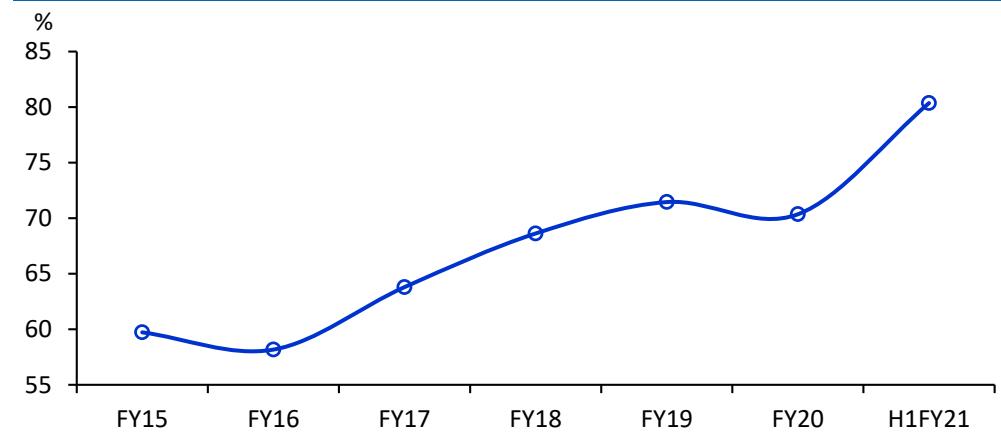
Our sample universe (11 companies) of cement companies reduced their exposure (capacity) to South region from 29% in FY15 to 24.3% (Exhibit 62) in FY20, which helped them to gain market share (volume) from 59.7% in FY15 to 70.3% in FY20, which further increased sharply to 80.4% in H1FY21 (Exhibit 63). The primary reason for reducing South region exposure is lower capacity utilization in South region (average ~55% for FY15-20) vs. India (average ~65% for FY15-20)/ other regions.

### Exhibit 62: Reduced exposure to South region



Source: Company, DART

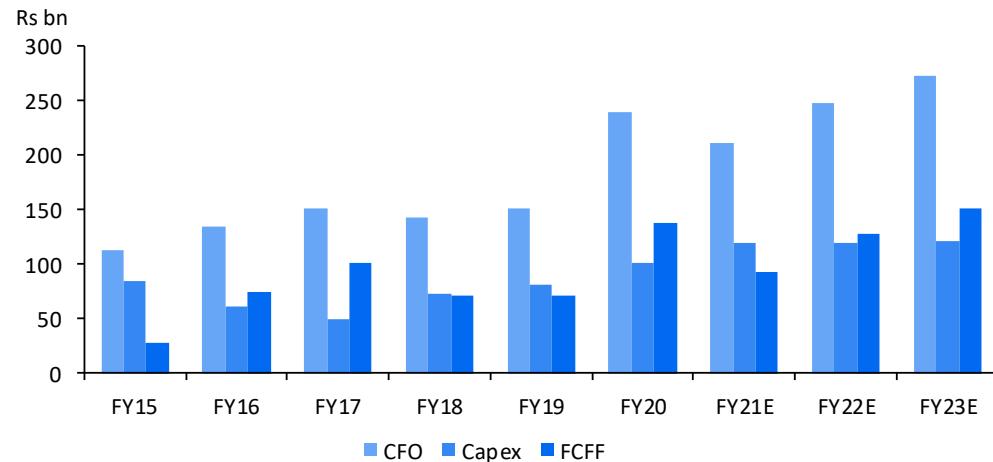
### Exhibit 63: Market share (volume) gain by sample universe (11 companies)



Source: Company, DART

FCFF of our coverage universe has increased from Rs28 bn (FY15) to Rs139 bn (FY20) which will further improve to Rs151 bn (FY23E). This is led by increase in CFO from Rs112 bn (FY15) to Rs239 bn (FY20) which will further improve to Rs272 bn (FY23E). Capex increased from Rs85 bn (FY15) to Rs100 bn (FY20) which will further increase to Rs121 bn (FY23E).

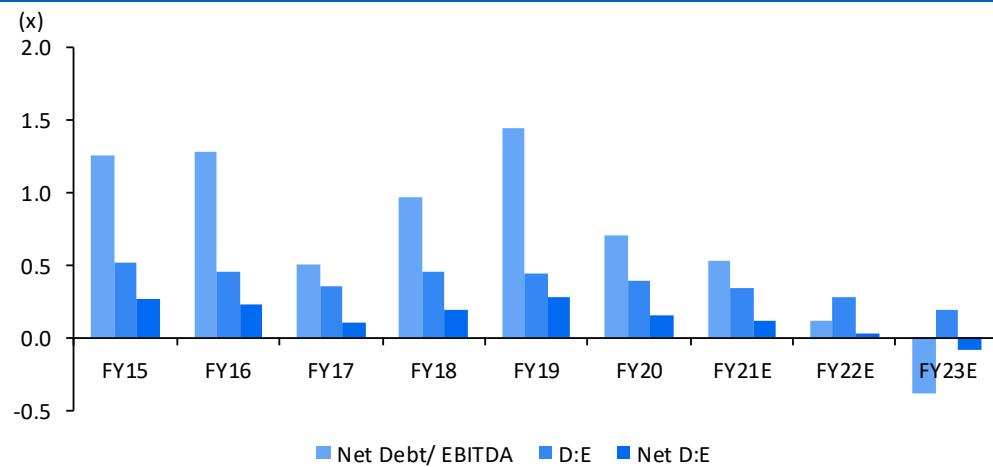
#### Exhibit 64: Increase in FCFF led by CFO despite higher capex



Source: Company, DART

Net Debt/ EBITDA decreased from 1.3x (FY15) to 0.7x (FY20) and is further expected to fall to -0.4x (FY23E). D:E too decreased from 0.5x (FY15) to 0.4x (FY20) and is further expected to fall to 0.2x (FY23E). Similarly, Net D:E too decreased from 0.3x (FY15) to 0.2x (FY20) and is further expected to fall to -0.1x (FY23E).

#### Exhibit 65: Improvement continues in Net Debt/EBITDA, D:E and Net D:E



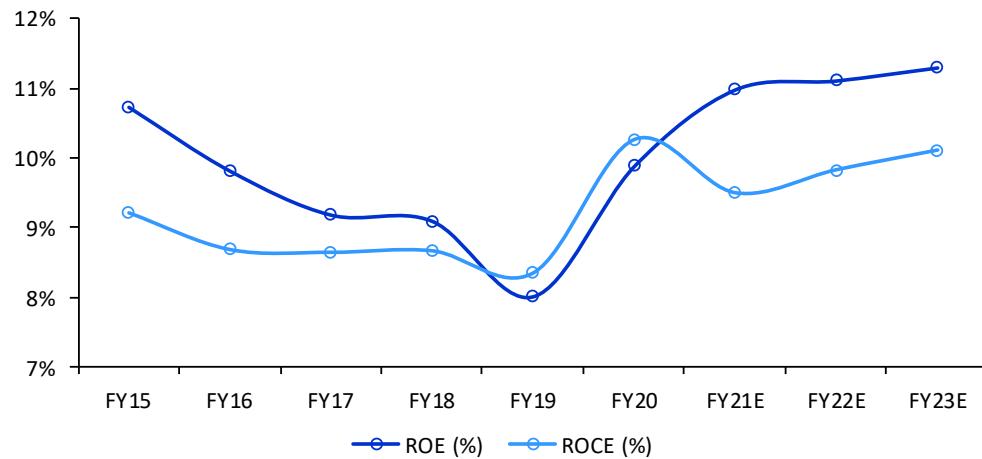
Source: Company, DART

Return ratios (RoE and RoCE) which were on declining trend till FY19 (8.0%/ 8.4%), have started to improve from FY20 (9.9%/ 10.3%) and is further expected to improve to 11.3%/ 10.1% (FY23E).

---

**Exhibit 66: Improvement in RoE/ ROCE started from FY20 to continue**


---



Source: Company, DART

Intentionally Left Blank

# Company Section

Intentionally Left Blank

### View: Better show continues, attractive valuation

ACC, a pan India player, with 33.1mtpa capacity accounts for about 6.4% of India's capacity. ACC has 17 (11 integrated + six grinding units) cement plants spread across the East (8.4mtpa – 25%), West (4mtpa – 12%), North (5.9mtpa – 18%), South (10.4mtpa – 31%), and Central (4.5mtpa – 14%) regions. It also has 90 RMC plants, with ~9mn.m<sup>3</sup> capacity. A strong brand equity in Eastern and Northern India, focus on premium product, continuous effort on optimization of market, and product mix bode well for volume growth in the next few years.

We factor in 5.1%/ 10.5%/ 12.8% revenue/ EBITDA/ APAT CAGR over CY19-22E led by -11.6%/ 12.6%/ 12.2% volume growth and 3.2%/ 1.5%/ 1.0% cement realization growth in CY20E/ CY21E/ CY22E. ACC's healthy cash flow & RoE, net cash position, and 5.9mtpa (17.8% increase) capacity expansion, current valuation of 9.4x/ 7.9x CY21E/ CY22E EV/EBITDA provides comfort which is 15%/ 29%/ 33% discount to 1yr Fwd EV/EBITDA of 3/ 5/ 10 years. We have a BUY rating with a TP of Rs1,966 (10x Sept'22E EV/EBITDA).

### EBITDA/tn up 12.9% YoY in 9MCY20

For Q3CY20, realization/tn of Rs5,148/ tn (+3.8% YoY/ -2.7% QoQ), cement volume of 6.49 mt (+0.8% YoY/ +35.2% QoQ) and operating cost/tn of Rs4,417/ tn (-4.3% YoY/ +2.1% QoQ) helped ACC to report 19.6% YoY growth in EBITDA/tn to Rs1,033 (-5.4% QoQ). For 9MCY20, realization/tn of Rs5,037/ tn (+1.4% YoY), cement volume of 17.85 mt (-15.6% YoY) and operating cost/tn of Rs4,403/ tn (-4.3% YoY) helped ACC to report 12.9% YoY growth in EBITDA/tn to Rs998.

We factor EBITDA/ tn of Rs966/ Rs996/ Rs1,008 for CY20E/ CY21E/ CY22E led by realization/tn growth of 3.2%/ 1.5%/ 1.0% and total cost/tn growth of -2.2%/ 2.0%/ 1.2% for CY20E/ CY21E/ CY22E.

### 5.9MTPA capacity addition plan augurs well

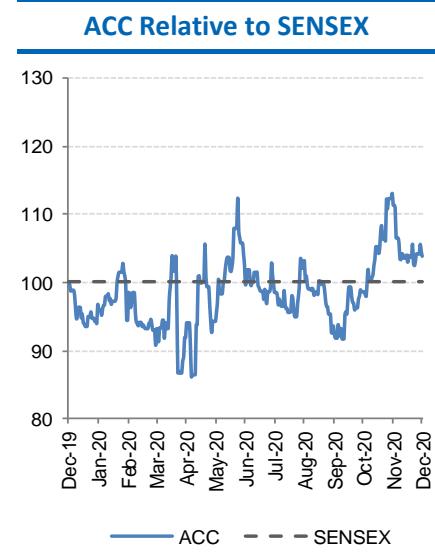
ACC announced 3mtpa clinker/ 5.9mtpa grinding (GU) capacity addition during 4QCY18. The expansion plan includes 3mtpa clinker and 1mtpa GU as part of greenfield integrated plant at Ametha (Katni, MP), expansion of GU at Tikaria, UP (1.6mtpa) and a third GU in UP (2.2mtpa). It also plans to set up additional 1.1mtpa GU at Sindri, Jharkhand. We factor these plants to be operational in CY22E which will support volume growth. ACC plans to spend to Rs30 bn capex on these capacity additions.

### FINANCIALS (Rs Mn)

Particulars	CY18A	CY19A	CY20E	CY21E	CY22E
Revenue	1,48,014	1,56,567	1,39,123	1,60,043	1,81,678
Growth(%)	11.6	5.8	(11.1)	15.0	13.5
EBITDA	20,446	24,095	24,676	28,639	32,513
OPM(%)	13.8	15.4	17.7	17.9	17.9
PAT	10,060	13,589	13,441	16,268	18,084
Growth(%)	9.9	35.1	(1.1)	21.0	11.2
EPS(Rs.)	53.6	72.4	71.6	86.6	96.3
Growth(%)	9.9	35.1	(1.1)	21.0	11.2
EV/EBITDA (x)	16.4	12.8	11.1	9.4	7.9
ROANW(%)	10.1	12.3	11.2	12.3	12.3
ROACE(%)	15.1	12.4	11.0	12.1	12.2

CMP	Rs 1,666		
Target / Upside	Rs 1,966 / 18%		
NIFTY	13,259		
<b>Scrip Details</b>			
Equity / FV	Rs 1,880mn / Rs 10		
Market Cap	Rs 313bn		
	USD 4bn		
52-week High/Low	Rs 1,785/ 895		
Avg. Volume (no)	15,39,370		
Bloom Code	ACC IN		
<b>Price Performance</b>			
1M	3M	12M	
Absolute (%)	(1)	27	10
Rel to NIFTY (%)	(11)	11	1

	Mar'20	Jun'20	Sep'20
Promoters	54.5	54.5	54.5
MF/Banks/FIs	21.0	18.4	25.6
FII	7.8	8.1	6.6
Public / Others	16.6	19.0	13.3



**VP Research: Shravan Shah**

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

**Associate: Maulik Shah**

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com

**Associate: Parth Bhavsar**

Tel: +91 22 40969775

E-mail: parthb@dolatcapital.com

**Exhibit 1: Key Growth Assumptions**

Particulars (%)	CY20E	CY21E	CY22E
Volume	(11.6)	12.6	12.2
Realization/ tn	3.2	1.5	1.0
EBITDA/ tn	33.2	3.1	1.2
Cost/ tn	(2.2)	2.0	1.2

Source: Company, DART

**Exhibit 2: Income statement (Standalone)**

Rs mn	Q3CY20	Q3CY19	YoY (%)	Q2CY20	QoQ (%)	9MCY20	9MCY19	YoY (%)
<b>Revenue from Operations</b>	<b>34,675</b>	<b>34,644</b>	<b>0.1</b>	<b>25,203</b>	<b>37.6</b>	<b>94,208</b>	<b>1,13,733</b>	<b>(17.2)</b>
Other Operating Income	698	631	10.6	805	(13.3)	2,190	2,230	(1.8)
<b>Total Revenue</b>	<b>35,373</b>	<b>35,276</b>	<b>0.3</b>	<b>26,008</b>	<b>36.0</b>	<b>96,399</b>	<b>1,15,964</b>	<b>(16.9)</b>
Raw Material Cost	6,801	3,984	70.7	4,994	36.2	16,549	17,692	(6.5)
Employee Expenses	2,052	2,290	(10.4)	1,762	16.4	5,898	6,315	(6.6)
Power and Fuel	6,295	7,840	(19.7)	4,570	37.7	18,204	23,913	(23.9)
Freight Cost	8,638	9,548	(9.5)	6,034	43.2	24,129	30,606	(21.2)
Other expenses	4,881	6,050	(19.3)	3,404	43.4	13,809	18,749	(26.4)
<b>Total Expenditure</b>	<b>28,666</b>	<b>29,713</b>	<b>(3.5)</b>	<b>20,764</b>	<b>38.1</b>	<b>78,589</b>	<b>97,275</b>	<b>(19.2)</b>
<b>PBIDT (Excl. O.I)</b>	<b>6,707</b>	<b>5,563</b>	<b>20.6</b>	<b>5,244</b>	<b>27.9</b>	<b>17,810</b>	<b>18,689</b>	<b>(4.7)</b>
Other Income	449	508	(11.6)	502	(10.6)	1,498	2,552	(41.3)
Depreciation	1,600	1,504	6.4	1,618	(1.1)	4,788	4,430	8.1
<b>EBIT</b>	<b>5,557</b>	<b>4,568</b>	<b>21.7</b>	<b>4,129</b>	<b>34.6</b>	<b>14,520</b>	<b>16,811</b>	<b>(13.6)</b>
Interest	160	163	(1.5)	131	22.4	397	570	(30.4)
<b>PBT</b>	<b>5,397</b>	<b>4,405</b>	<b>22.5</b>	<b>3,998</b>	<b>35.0</b>	<b>14,123</b>	<b>16,241</b>	<b>(13.0)</b>
Tax	1,766	1,406	25.6	1,318	34.0	4,613	5,344	(13.7)
<b>RPAT</b>	<b>3,631</b>	<b>3,000</b>	<b>21.0</b>	<b>2,680</b>	<b>35.5</b>	<b>9,510</b>	<b>10,897</b>	<b>(12.7)</b>
Adjustment	0	0		0		0	-995	
<b>APAT</b>	<b>3,631</b>	<b>3,000</b>	<b>21.0</b>	<b>2,680</b>	<b>35.5</b>	<b>9,510</b>	<b>9,902</b>	<b>(4.0)</b>
Adj. EPS (Rs)	19.3	16.0	21.0	14.3	35.5	50.6	52.7	(4.0)
				bps	bps			bps
EBIDTA Margin (excl. O.I.)	19.0	15.8	319	20.2	(120)	18.5	16.1	236
Tax Rate (%)	32.7	31.9	82	33.0	(25)	32.7	32.9	(24)
NPM (%)	10.3	8.5	176	10.3	(4)	9.9	8.5	133

Source: DART, Company

**Exhibit 3: Valuation**

Particulars	Rs mn
Assumed EV/EBITDA multiple (x)	10.0
Sept'22E EBITDA	31,545
EV	3,15,446
Less: Sept'22E Net Debt	(53,667)
Mcap	3,69,113
Shares o/s	188
<b>Value/share</b>	<b>1,966</b>
<b>CMP (Rs)</b>	<b>1,666</b>
Upside (%)	18.0

Source: Company, DART

**Profit and Loss Account**

(Rs Mn)	CY19A	CY20E	CY21E	CY22E
<b>Revenue</b>	<b>1,56,567</b>	<b>1,39,123</b>	<b>1,60,043</b>	<b>1,81,678</b>
<b>Total Expense</b>	<b>1,32,472</b>	<b>1,14,447</b>	<b>1,31,404</b>	<b>1,49,165</b>
COGS	27,206	24,525	28,309	32,234
Employees Cost	8,640	8,132	9,158	10,325
Other expenses	96,626	81,791	93,937	1,06,606
<b>EBIDTA</b>	<b>24,095</b>	<b>24,676</b>	<b>28,639</b>	<b>32,513</b>
Depreciation	6,030	6,503	6,742	8,017
<b>EBIT</b>	<b>18,065</b>	<b>18,173</b>	<b>21,897</b>	<b>24,496</b>
Interest	862	543	549	554
Other Income	3,112	1,992	1,892	1,892
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>20,315</b>	<b>19,621</b>	<b>23,240</b>	<b>25,834</b>
Tax	6,726	6,181	6,972	7,750
RPAT	13,589	13,441	16,268	18,084
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>13,589</b>	<b>13,441</b>	<b>16,268</b>	<b>18,084</b>

**Balance Sheet**

(Rs Mn)	CY19A	CY20E	CY21E	CY22E
<b>Sources of Funds</b>				
Equity Capital	1,880	1,880	1,880	1,880
Minority Interest	0	0	0	0
Reserves & Surplus	1,13,333	1,23,605	1,37,241	1,52,693
<b>Net Worth</b>	<b>1,15,213</b>	<b>1,25,485</b>	<b>1,39,121</b>	<b>1,54,573</b>
Total Debt	0	0	0	0
Net Deferred Tax Liability	6,422	6,422	6,422	6,422
<b>Total Capital Employed</b>	<b>1,21,635</b>	<b>1,31,907</b>	<b>1,45,543</b>	<b>1,60,995</b>

**Applications of Funds**

Net Block	<b>69,914</b>	<b>69,411</b>	<b>68,669</b>	<b>91,651</b>
CWIP	4,353	14,353	25,353	5,353
Investments	2,302	2,376	2,733	2,725
<b>Current Assets, Loans &amp; Advances</b>	<b>94,252</b>	<b>89,661</b>	<b>99,965</b>	<b>1,20,109</b>
Inventories	11,410	14,103	15,785	17,421
Receivables	6,284	8,386	8,770	9,955
Cash and Bank Balances	45,381	39,094	43,116	57,184
Loans and Advances	314	463	560	636
Other Current Assets	30,863	27,616	31,734	34,913
<b>Less: Current Liabilities &amp; Provisions</b>	<b>49,186</b>	<b>43,894</b>	<b>51,176</b>	<b>58,844</b>
Payables	14,710	13,071	15,036	17,421
Other Current Liabilities	34,476	30,824	36,140	41,423
<i>sub total</i>				
Net Current Assets	45,066	45,767	48,788	61,265
<b>Total Assets</b>	<b>1,21,635</b>	<b>1,31,907</b>	<b>1,45,543</b>	<b>1,60,995</b>

E – Estimates

**Important Ratios**

Particulars	CY19A	CY20E	CY21E	CY22E
<b>(A) Margins (%)</b>				
Gross Profit Margin	82.6	82.4	82.3	82.3
EBIDTA Margin	15.4	17.7	17.9	17.9
EBIT Margin	11.5	13.1	13.7	13.5
Tax rate	33.1	31.5	30.0	30.0
Net Profit Margin	8.7	9.7	10.2	10.0
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	17.4	17.6	17.7	17.7
Employee	5.5	5.8	5.7	5.7
Other	61.7	58.8	58.7	58.7
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	21.0	33.5	39.9	44.2
Inventory days	27	37	36	35
Debtors days	15	22	20	20
Average Cost of Debt				
Payable days	34	34	34	35
Working Capital days	105	120	111	123
FA T/O	2.2	2.0	2.3	2.0
<b>(D) Measures of Investment</b>				
AEPS (Rs)	72.4	71.6	86.6	96.3
CEPS (Rs)	104.5	106.2	122.5	139.0
DPS (Rs)	15.0	14.0	14.0	14.0
Dividend Payout (%)	20.7	19.6	16.2	14.6
BVPS (Rs)	613.5	668.2	740.8	823.1
RoANW (%)	12.3	11.2	12.3	12.3
RoACE (%)	12.4	11.0	12.1	12.2
RoAIC (%)	22.8	21.5	22.4	23.8
<b>(E) Valuation Ratios</b>				
CMP (Rs)	1666	1666	1666	1666
P/E	23.0	23.3	19.2	17.3
Mcap (Rs Mn)	3,12,844	3,12,844	3,12,844	3,12,844
MCap/ Sales	2.0	2.2	2.0	1.7
EV	2,67,463	2,73,750	2,69,728	2,55,660
EV/Sales	1.7	2.0	1.7	1.4
EV/EBITDA	11.1	11.1	9.4	7.9
P/BV	2.7	2.5	2.2	2.0
Dividend Yield (%)	0.9	0.8	0.8	0.8
<b>(F) Growth Rate (%)</b>				
Revenue	5.8	(11.1)	15.0	13.5
EBITDA	17.8	2.4	16.1	13.5
EBIT	25.0	0.6	20.5	11.9
PBT	35.9	(3.4)	18.4	11.2
APAT	35.1	(1.1)	21.0	11.2
EPS	35.1	(1.1)	21.0	11.2

**Cash Flow**

(Rs Mn)	CY19A	CY20E	CY21E	CY22E
CFO	11,181	22,484	13,749	27,221
CFI	(3,678)	(3,283)	(15,323)	(20,220)
CFF	(4,411)	(3,742)	(4,713)	(2,979)
FCFF	6,004	17,079	(2,251)	10,221
Opening Cash	26,902	30,003	45,381	39,094
Closing Cash	30,003	45,381	39,094	43,116

E – Estimates

## Accumulate

## View: Performing well but Fair Valuation

ACEM with 29.7 mtpa of total capacity accounts for about 5.7% of India's capacity. ACEM's is doing expansion by 3.1mtpa clinker & 1.8mtpa GU with captive power plant and waste heat recovery system in Rajasthan with a capex of Rs23.5bn. This would result as an increase in production and solving clinker shortage issue in the Northern region and it is likely to commission in 2HCY21E. ACEM's network optimization picked up pace due to acceleration of Master supply agreement with ACC which will add to its profitability.

We expect 4.4%/ 11.9%/ 7.9% revenue/ EBITDA/ APAT CAGR over CY19-22E led by -7.2%/ 10.1%/ 5.0% volume growth and 3.0%/ 1.5%/ 1.5% cement realization growth in CY20E/ CY21E/ CY22E.

The full benefit of uptick in volumes from planned expansion (3.1mtpa clinker and 1.8mtpa grinding at Marwar Mundwa in Rajasthan) will come in H2CY21E. We have Accumulate rating with a TP of Rs257 based on (11x standalone Sep'22E EV/EBITDA) and ACEM's 50% stake in ACC at 20% holding discount.

## EBITDA/tn up 30.8% YoY in 9MCY20

For Q3CY20, realization/tn of Rs5,031/ tn (+0.2% YoY/ -3.2% QoQ), cement volume of 5.7 mt (+8.4% YoY/ +35.3% QoQ) and operating cost/tn of Rs3,831/ tn (-8.4% YoY/ +1.5% QoQ) helped Ambuja to report 42.7% YoY growth in EBITDA/tn to Rs1,200 (-15.5% QoQ). For 9MCY20, realization/tn of Rs5,030/ tn (+2.6% YoY), cement volume of 15.6 mt (-10.3% YoY) and operating cost/tn of Rs3,827/ tn (-3.9% YoY) helped Ambuja to report 30.8% YoY growth in EBITDA/tn to Rs1,203.

We factor EBITDA/ tn of Rs1,152/ Rs1,148/ Rs1,172 for CY20E/ CY21E/ CY22E led by realization/tn growth of 3.0%/ 1.5%/ 1.5% and total cost/tn growth of -2.8%/ 2.1%/ 1.3% for CY20E/ CY21E/ CY22E.

## Key highlights from management presentation

ACEM's network optimization gained momentum due to acceleration of MSA with ACC. Management is confident of resurgence in demand across sectors especially led by rural and agriculture as government is assigning highest priority to acceleration of economic growth. Focus on infrastructure development in terms of roads, highways, ports, railways and affordable housing will support cement demand in the mid-term.

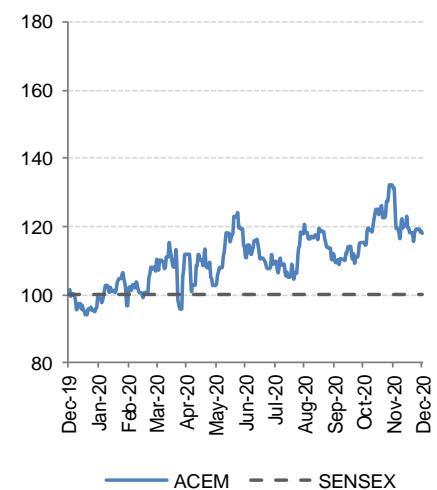
## FINANCIALS (Rs Mn)

Particulars	CY18A	CY19A	CY20E	CY21E	CY22E
Revenue	1,13,568	1,16,679	1,11,479	1,24,569	1,32,775
Growth(%)	8.6	2.7	(4.5)	11.7	6.6
EBITDA	18,915	21,489	25,608	28,089	30,127
OPM(%)	16.7	18.4	23.0	22.5	22.7
PAT	12,000	15,285	16,876	17,502	19,211
Growth(%)	(3.9)	27.4	10.4	3.7	9.8
EPS(Rs.)	6.0	7.7	8.5	8.8	9.7
Growth(%)	(3.9)	27.4	10.4	3.7	9.8
EV/EBITDA (x)	17.9	15.1	14.0	12.3	11.0
ROANW(%)	7.3	7.1	8.0	8.4	8.6
ROACE(%)	8.1	7.3	8.3	8.7	8.9

CMP	Rs 253
Target / Upside	Rs 257 / 2%
NIFTY	13,259
<b>Scrip Details</b>	
Equity / FV	Rs 3,971mn / Rs 2
Market Cap	Rs 501bn
	USD 7bn
52-week High/Low	Rs 272/ 137
Avg. Volume (no)	69,81,220
Bloom Code	ACEM IN
<b>Price Performance</b>	
1M	21
3M	23
12M	14

	Mar'20	Jun'20	Sep'20
Promoters	63.3	63.3	63.3
MF/Banks/FIs	14.2	13.6	13.3
FII	15.7	16.3	16.8
Public / Others	6.9	6.9	6.7

## Ambuja Relative to SENSEX



VP Research: Shravan Shah

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

Associate: Maulik Shah

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com

Associate: Parth Bhavsar

Tel: +91 22 40969775

E-mail: parthb@dolatcapital.com

**Exhibit 1: Key Growth Assumptions**

Particulars (%)	CY20E	CY21E	CY22E
Volume	(7.2)	10.1	5.0
Realization/ tn	3.0	1.5	1.5
EBITDA/ tn	28.5	(0.4)	2.1
Cost/ tn	(2.8)	2.1	1.3

Source: Company, DART

**Exhibit 2: Income statement (standalone)**

Rs mn	Q3CY20	Q3CY19	YoY (%)	Q2CY20	QoQ (%)	9MCY20	9MCY19	YoY (%)
Revenue from operation	28,525	26,261	8.6	21,768	31.0	78,568	85,373	(8.0)
Total Revenue	28,525	26,261	8.6	21,768	31.0	78,568	85,373	(8.0)
Raw Material Cost	2,547	2,138	19.2	2,315	10.0	7,377	7,622	(3.2)
Employee Expenses	1,622	1,678	(3.3)	1,495	8.5	4,838	5,037	(3.9)
Power and Fuel	5,749	5,988	(4.0)	4,139	38.9	15,509	19,172	(19.1)
Freight Cost	7,404	6,794	9.0	5,033	47.1	19,859	22,565	(12.0)
Other expenses	4,400	5,265	(16.4)	2,833	55.3	12,197	14,963	(18.5)
Total Expenditure	21,721	21,863	(0.6)	15,815	37.3	59,780	69,358	(13.8)
PBIDT (Excl. OI)	6,803	4,398	54.7	5,952	14.3	18,788	16,015	17.3
Other Income	523	628	(16.7)	1,922	(72.8)	3,326	3,609	(7.9)
Depreciation	1,287	1,329	(3.2)	1,289	(0.2)	3,955	3,952	0.1
EBIT	6,039	3,697	63.4	6,585	(8.3)	18,159	15,672	15.9
Interest	185	216	(14.5)	183	1.0	598	599	(0.2)
PBT (Excl. Exceptional Items)	5,855	3,481	68.2	6,402	(8.5)	17,561	15,074	16.5
PBT (Incl. Exceptional Items)	5,855	3,481	68.2	6,402	(8.5)	17,561	15,074	16.5
Tax	1,450	1,135	27.7	1,868	(22.4)	4,631	4,337	6.8
RPAT	4,405	2,346	87.8	4,534	(2.8)	12,930	10,736	20.4
Adjustment	0	0	-	0	-	0	0	-
APAT	4,405	2,346	87.8	4,534	(2.8)	12,930	10,736	20.4
Adj. EPS (Rs)	2.22	1.18	87.8	2.28	(2.8)	6.51	5.41	20.4
			<b>bps</b>		<b>bps</b>			<b>bps</b>
EBIDTA Margin (excl. O.I.)	23.9	16.7	710	27.3	(349)	23.9	18.8	515
Tax Rate (%)	24.8	32.6	(784)	29.2	(442)	26.4	28.8	(240)
NPM (%)	15.4	8.9	651	20.8	(539)	16.5	12.6	388

Source: Company, DART

**Exhibit 3: Valuation**

Particulars	(Rs mn)
Assumed EV/EBITDA multiple (x)	11
EBITDA (Sep'22E)	29,617
EV	3,25,792
Less: Net Debt (Sep'22E)	(35,806)
MCap	3,61,597
Shares o/s	1,986
(a) Value/share (Rs)	182
ACC Mcap based on our TP	3,69,113
ACEM's stake (50.05%) value in ACC	1,84,741
Holding company discount (%)	20
ACEM's stake value in ACC post discount	1,47,793
(b) Value/share (Rs)	74
Target price (Rs) (a+b)	256.5
CMP (Rs)	252.6
Up/(down)side (%)	1.6

Source: Company, DART

**Profit and Loss Account**

(Rs Mn)	CY19A	CY20E	CY21E	CY22E
<b>Revenue</b>	<b>1,16,679</b>	<b>1,11,479</b>	<b>1,24,569</b>	<b>1,32,775</b>
<b>Total Expense</b>	<b>95,190</b>	<b>85,871</b>	<b>96,479</b>	<b>1,02,648</b>
COGS	68,061	61,989	70,476	75,141
Employees Cost	6,726	6,659	6,759	6,894
Other expenses	20,403	17,222	19,245	20,614
<b>EBIDTA</b>	<b>21,489</b>	<b>25,608</b>	<b>28,089</b>	<b>30,127</b>
Depreciation	5,438	5,555	6,854	7,395
<b>EBIT</b>	<b>16,050</b>	<b>20,053</b>	<b>21,236</b>	<b>22,732</b>
Interest	835	852	843	835
Other Income	4,265	3,625	2,997	3,775
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>19,480</b>	<b>22,827</b>	<b>23,389</b>	<b>25,672</b>
Tax	4,195	5,951	5,887	6,462
RPAT	15,285	16,876	17,502	19,211
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>15,285</b>	<b>16,876</b>	<b>17,502</b>	<b>19,211</b>

**Balance Sheet**

(Rs Mn)	CY19A	CY20E	CY21E	CY22E
<b>Sources of Funds</b>				
Equity Capital	3,971	3,971	3,971	3,971
Minority Interest	0	0	0	0
Reserves & Surplus	2,18,081	1,98,222	2,11,753	2,26,992
<b>Net Worth</b>	<b>2,22,052</b>	<b>2,02,193</b>	<b>2,15,724</b>	<b>2,30,964</b>
Total Debt	353	353	282	212
Net Deferred Tax Liability	2,161	2,161	2,161	2,161
<b>Total Capital Employed</b>	<b>2,24,565</b>	<b>2,04,707</b>	<b>2,18,167</b>	<b>2,33,336</b>

**Applications of Funds**

Net Block	<b>58,125</b>	<b>60,570</b>	<b>76,716</b>	<b>74,321</b>
CWIP	11,087	20,500	6,000	10,000
Investments	1,17,890	1,17,890	1,17,890	1,17,890
<b>Current Assets, Loans &amp; Advances</b>	<b>82,806</b>	<b>48,618</b>	<b>64,650</b>	<b>80,685</b>
Inventories	9,541	9,182	10,085	10,614
Receivables	5,132	4,939	5,425	5,710
Cash and Bank Balances	46,995	12,962	25,548	39,531
Loans and Advances	45	45	49	52
Other Current Assets	21,093	21,491	23,543	24,779
<b>Less: Current Liabilities &amp; Provisions</b>	<b>45,342</b>	<b>42,871</b>	<b>47,089</b>	<b>49,560</b>
Payables	9,360	9,008	9,894	10,413
Other Current Liabilities	35,982	33,864	37,196	39,147
<i>sub total</i>				
Net Current Assets	37,464	5,747	17,561	31,125
<b>Total Assets</b>	<b>2,24,565</b>	<b>2,04,707</b>	<b>2,18,167</b>	<b>2,33,336</b>

E – Estimates

**Important Ratios**

Particulars	CY19A	CY20E	CY21E	CY22E
<b>(A) Margins (%)</b>				
Gross Profit Margin	41.7	44.4	43.4	43.4
EBIDTA Margin	18.4	23.0	22.5	22.7
EBIT Margin	13.8	18.0	17.0	17.1
Tax rate	21.5	26.1	25.2	25.2
Net Profit Margin	13.1	15.1	14.1	14.5
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	58.3	55.6	56.6	56.6
Employee	5.8	6.0	5.4	5.2
Other	17.5	15.4	15.4	15.5
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	19.2	23.5	25.2	27.2
Inventory days	30	30	30	29
Debtors days	16	16	16	16
Average Cost of Debt	222.8	241.5	265.6	337.9
Payable days	29	29	29	29
Working Capital days	117	19	51	86
FA T/O	2.0	1.8	1.6	1.8
<b>(D) Measures of Investment</b>				
AEPS (Rs)	7.7	8.5	8.8	9.7
CEPS (Rs)	10.4	11.3	12.3	13.4
DPS (Rs)	2.4	18.5	2.0	2.0
Dividend Payout (%)	31.3	217.7	22.7	20.7
BVPS (Rs)	111.8	101.8	108.6	116.3
RoANW (%)	7.1	8.0	8.4	8.6
RoACE (%)	7.3	8.3	8.7	8.9
RoAIC (%)	9.0	10.9	11.0	11.8
<b>(E) Valuation Ratios</b>				
CMP (Rs)	253	253	253	253
P/E	32.8	29.7	28.7	26.1
Mcap (Rs Mn)	5,01,475	5,01,475	5,01,475	5,01,475
MCap/ Sales	4.3	4.5	4.0	3.8
EV	4,54,833	4,88,865	4,76,209	4,62,156
EV/Sales	3.9	4.4	3.8	3.5
EV/EBITDA	21.2	19.1	17.0	15.3
P/BV	2.3	2.5	2.3	2.2
Dividend Yield (%)	1.0	7.3	0.8	0.8
<b>(F) Growth Rate (%)</b>				
Revenue	2.7	(4.5)	11.7	6.6
EBITDA	13.6	19.2	9.7	7.3
EBIT	19.5	24.9	5.9	7.0
PBT	29.3	17.2	2.5	9.8
APAT	27.4	10.4	3.7	9.8
EPS	27.4	10.4	3.7	9.8

**Cash Flow**

(Rs Mn)	CY19A	CY20E	CY21E	CY22E
CFO	24,840	17,934	24,356	24,894
CFI	(7,380)	(13,992)	(6,932)	(6,062)
CFF	(3,868)	(37,975)	(4,838)	(4,849)
FCFF	13,663	521	15,856	15,894
Opening Cash	45,123	12,962	25,548	39,531
Closing Cash	46,995	12,962	25,548	39,531

E – Estimates

### View: Expansion to support decent growth

BCORP has 10 plants at seven locations, with a total capacity of 15.5mtpa. BCORP's capacity is primarily based in the Central region (8.5mtpa – 55%) and the Northern region (4mtpa – 26%) whereas balance 16% (2.4mtpa) and 4% (0.6mtpa) of installed capacity is in the Eastern and Western regions, respectively. We like BCORP's focus on trade segment (82.5% share), increasing share of premium products (46% share in trade), higher share (93.8%) of high margin blended cement and sizable presence in relatively better regions of Central, North and expansion in West. Post-acquisition of 5.6mtpa of Reliance Cement in FY17 at an EV of Rs48 bn, BCORP's 14.5% CAGR in cement volume, 7.2% CAGR in cement realization and 30.6% CAGR in cement EBITDA/tn over FY17-20 are industry leading as well as remarkable.

We expect 10.2%/ 12.6%/ 16.9% revenue/ EBITDA/ APAT CAGR over FY20-23E led by -4.1%/ 17.7%/ 16.0% volume growth and 1.5%/ 0.5%/ 1.0% cement realization growth in FY21E/ FY22E/ FY23E.

We factor 3.9mtpa Mukutban (Maharashtra) expansion to commence by Sept'21 (in line with management guidance) and 1.2 mtpa Kundanganj (UP) by Dec'21. Our 15.3 mt volume estimate for FY22E has decent upside risk as we factor 50% (vs. 87.7% in FY20) utilization for H2FY22E for this 5.1mtpa expansion. These expansions likely to provide decent growth in FY23E also. These expansions will keep its net D:E high till FY22E which will start to decline from FY23E. We have a Buy rating with a TP of Rs1,002 based on 6.5x consolidated Sept'22E EV/EBITDA (Our TP factors EV of USD 76/ tn).

### EBITDA/tn up 7.2% YoY in H1FY21

For Q2FY21, realization/tn of Rs4,880/ tn (+1.1% YoY/ -1.5% QoQ), cement volume of 3.26 mt (+2.2% YoY/ +35.8% QoQ) and operating cost/tn of Rs3,725/ tn (-3.6% YoY/ -6.2% QoQ) helped BCORP to report 20.3% YoY growth in EBITDA/tn to Rs1,154 (+17.1% QoQ). For H1FY21, realization/tn of Rs4,912/ tn (-0.2% YoY), cement volume of 5.66 mt (-16.6% YoY) and operating cost/tn of Rs3,829/ tn (-2.1% YoY) helped BCORP to report 7.2% YoY growth in EBITDA/tn to Rs1,083.

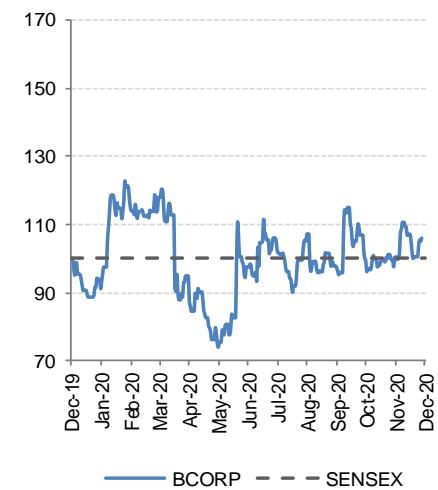
We factor EBITDA/ tn of Rs1,048/ Rs1,058/ Rs1,067 for FY21E/ FY22E/ FY23E led by realization/tn growth of 1.5%/ 0.5%/ 1.0% and cement cost/tn growth of -0.1%/ 0.4%/ 1.1% for FY21E/ FY22E/ FY23E.

### FINANCIALS (Rs Mn)

Particulars	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	65,487	69,157	66,619	78,835	92,451
Growth(%)	14.3	5.6	(3.7)	18.3	17.3
EBITDA	9,486	13,360	13,728	16,329	19,096
OPM(%)	14.5	19.3	20.6	20.7	20.7
PAT	2,351	4,867	4,946	6,100	7,768
Growth(%)	61.5	107.0	1.6	23.3	27.3
EPS(Rs.)	30.5	63.2	64.2	79.2	100.9
Growth(%)	61.5	107.0	1.6	23.3	27.3
EV/EBITDA	9.7	6.9	6.9	5.9	4.8
ROANW(%)	5.4	10.5	9.8	11.1	12.6
ROACE(%)	6.8	9.3	8.6	9.4	10.2

CMP	Rs 773		
Target / Upside	Rs 1,030 / 33%		
NIFTY	13,259		
<b>Scrip Details</b>			
Equity / FV	Rs 770mn / Rs 10		
Market Cap	Rs 59bn		
	USD 805mn		
52-week High/Low	Rs 807/ 372		
Avg. Volume (no)	2,68,509		
Bloom Code	BCORP IN		
<b>Price Performance</b>			
1M	3M	12M	
Absolute (%)	15	31	19
Rel to NIFTY (%)	15	31	25
<b>Shareholding Pattern</b>			
	Mar'20	Jun'20	Sep'20
Promoters	62.9	62.9	62.9
MF/Banks/FIs	15.3	14.6	15.2
FII	4.2	3.6	3.4
Public / Others	17.6	18.9	18.6

### Birla Corp Relative to SENSEX



**VP Research: Shravan Shah**

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

**Associate: Maulik Shah**

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com

**Associate: Parth Bhavsar**

Tel: +91 22 40969775

E-mail: parthb@dolatcapital.com

**Exhibit 1: Key Growth Assumptions**

Particulars (%)	FY21E	FY22E	FY23E
Volume	(4.1)	17.7	16.0
Realization/ tn	1.5	0.5	1.0
EBITDA/ tn	8.0	1.0	0.8
Cost/ tn	(0.1)	0.4	1.1

Source: Company, DART

**Exhibit 2: Income statement (Consolidated)**

Rs (Mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
<b>Total Revenue</b>	<b>16,543</b>	<b>16,269</b>	<b>1.7</b>	<b>12,220</b>	<b>35.4</b>	<b>28,762</b>	<b>35,107</b>	<b>(18.1)</b>
Raw Material Cost	1,653	1,776	(7.0)	2,119	(22.0)	3,771	4,283	(11.9)
Employee Expenses	1,008	1,048	(3.8)	880	14.5	1,888	2,056	(8.2)
Power and Fuel	3,173	3,527	(10.0)	2,086	52.1	5,259	7,347	(28.4)
Freight Cost	3,675	3,830	(4.1)	2,574	42.8	6,249	8,274	(24.5)
Other expenses	3,207	2,966	8.1	2,230	43.8	5,437	6,180	(12.0)
<b>Total Expenditure</b>	<b>12,716</b>	<b>13,148</b>	<b>(3.3)</b>	<b>9,889</b>	<b>28.6</b>	<b>22,604</b>	<b>28,139</b>	<b>(19.7)</b>
<b>PBIDT (Excl. OI)</b>	<b>3,827</b>	<b>3,121</b>	<b>22.6</b>	<b>2,331</b>	<b>64.2</b>	<b>6,158</b>	<b>6,967</b>	<b>(11.6)</b>
Other Income	212	199	6.5	190	11.1	402	367	9.4
Depreciation	918	879	4.4	877	4.7	1,795	1,742	3.0
<b>EBIT</b>	<b>3,121</b>	<b>2,440</b>	<b>27.9</b>	<b>1,645</b>	<b>89.7</b>	<b>4,765</b>	<b>5,593</b>	<b>(14.8)</b>
Interest	760	1,030	(26.2)	800	(5.0)	1,560	1,990	(21.6)
EBT (before EO)	2,361	1,411	67.4	845	179.3	3,206	3,603	(11.0)
Exceptional items	0	0	-	0	-	0	0	-
<b>EBT (after EO)</b>	<b>2,361</b>	<b>1,411</b>	<b>67.4</b>	<b>845</b>	<b>179.3</b>	<b>3,206</b>	<b>3,603</b>	<b>(11.0)</b>
Tax	694	527	31.7	188	270.3	882	1,313	(32.8)
<b>RPAT</b>	<b>1,666</b>	<b>883</b>	<b>88.6</b>	<b>658</b>	<b>153.3</b>	<b>2,324</b>	<b>2,290</b>	<b>1.5</b>
Adjustment	-	-	-	-	-	-	(61)	(100.0)
<b>APAT</b>	<b>1,666</b>	<b>883</b>	<b>88.6</b>	<b>658</b>	<b>153.3</b>	<b>2,324</b>	<b>2,229</b>	<b>4.3</b>
Adj. EPS (Rs)	21.64	11.47	88.6	8.54	153.3	19.75	18.94	4.3
				<b>bps</b>	<b>bps</b>			<b>bps</b>
EBIDTA Margin (excl. O.I.)	23.1	19.2	395	19.1	406	21.4	19.8	156
NPM (%)	10.1	5.43	464	5.4	469	8.1	6.3	173
Tax Rate (%)	29.4	37.4	(795)	22.2	723	27.5	36.5	(894)

Source: DART, Company

**Exhibit 3: Valuation**

Particulars	Rs mn
Assumed EV/EBITDA multiple (x)	6.5
EBITDA (Sept'22E)	17,712
EV	1,15,131
Less: Net Debt (Sept'22E)	35,836
Mcap	79,295
Shares o/s (mn)	77
Target Price	1,029.7
CMP (Rs)	763.7
Upside (%)	34.8

Source: Company, DART

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>69,157</b>	<b>66,619</b>	<b>78,835</b>	<b>92,451</b>
<b>Total Expense</b>	<b>55,797</b>	<b>52,892</b>	<b>62,505</b>	<b>73,355</b>
COGS	39,250	36,744	43,957	52,144
Employees Cost	4,079	3,956	4,273	4,487
Other expenses	12,469	12,191	14,275	16,725
<b>EBIDTA</b>	<b>13,360</b>	<b>13,728</b>	<b>16,329</b>	<b>19,096</b>
Depreciation	3,521	3,731	4,332	4,996
<b>EBIT</b>	<b>9,839</b>	<b>9,996</b>	<b>11,998</b>	<b>14,099</b>
Interest	3,877	3,830	4,166	4,037
Other Income	851	899	883	1,035
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>6,814</b>	<b>7,066</b>	<b>8,715</b>	<b>11,097</b>
Tax	1,763	2,120	2,614	3,329
RPAT	5,050	4,946	6,100	7,768
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>4,867</b>	<b>4,946</b>	<b>6,100</b>	<b>7,768</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	770	770	770	770
Minority Interest	0	0	0	0
Reserves & Surplus	47,291	51,660	57,182	64,373
<b>Net Worth</b>	<b>48,061</b>	<b>52,430</b>	<b>57,953</b>	<b>65,143</b>
Total Debt	42,820	44,226	47,326	44,426
Net Deferred Tax Liability	8,568	8,568	8,568	8,568
<b>Total Capital Employed</b>	<b>99,449</b>	<b>1,05,224</b>	<b>1,13,847</b>	<b>1,18,138</b>

**Applications of Funds**

Net Block	<b>73,254</b>	<b>74,523</b>	<b>1,01,691</b>	<b>98,694</b>
CWIP	16,039	21,539	2,398	8,398
Investments	1,600	1,600	1,600	1,600
<b>Current Assets, Loans &amp; Advances</b>	<b>30,862</b>	<b>29,925</b>	<b>33,820</b>	<b>39,507</b>
Current Investment	6,762	5,862	6,262	6,662
Inventories	7,876	7,848	9,071	10,638
Receivables	2,504	2,738	3,024	3,546
Cash and Bank Balances	2,558	2,580	3,000	4,156
Loans and Advances	11	11	11	11
Other Current Assets	11,151	10,886	12,452	14,494
<b>Less: Current Liabilities &amp; Provisions</b>	<b>22,306</b>	<b>22,362</b>	<b>25,661</b>	<b>30,062</b>
Payables	5,228	5,658	6,480	7,599
Other Current Liabilities	17,078	16,704	19,182	22,463
<i>sub total</i>				
Net Current Assets	8,556	7,563	8,158	9,445
<b>Total Assets</b>	<b>99,449</b>	<b>1,05,224</b>	<b>1,13,847</b>	<b>1,18,138</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	43.2	44.8	44.2	43.6
EBIDTA Margin	19.3	20.6	20.7	20.7
EBIT Margin	14.2	15.0	15.2	15.3
Tax rate	25.9	30.0	30.0	30.0
Net Profit Margin	7.3	7.4	7.7	8.4
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	56.8	55.2	55.8	56.4
Employee	5.9	5.9	5.4	4.9
Other	18.0	18.3	18.1	18.1
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.9	0.8	0.8	0.7
Interest Coverage	2.5	2.6	2.9	3.5
Inventory days	42	43	42	42
Debtors days	13	15	14	14
Average Cost of Debt	9.3	8.8	9.1	8.8
Payable days	28	31	30	30
Working Capital days	45	41	38	37
FA T/O	0.9	0.9	0.8	0.9
<b>(D) Measures of Investment</b>				
AEPS (Rs)	63.2	64.2	79.2	100.9
CEPS (Rs)	108.9	112.7	135.5	165.8
DPS (Rs)	9.0	7.5	7.5	7.5
Dividend Payout (%)	14.3	11.7	9.5	7.4
BVPS (Rs)	624.1	680.9	752.6	846.0
RoANW (%)	10.5	9.8	11.1	12.6
RoACE (%)	9.3	8.6	9.4	10.2
RoAIC (%)	10.4	10.0	11.2	12.5
<b>(E) Valuation Ratios</b>				
CMP (Rs)	773	773	773	773
P/E	12.2	12.0	9.8	7.7
Mcap (Rs Mn)	59,487	59,487	59,487	59,487
MCap/ Sales	0.9	0.9	0.8	0.6
EV	92,986	95,271	97,551	93,095
EV/Sales	1.3	1.4	1.2	1.0
EV/EBITDA	7.0	6.9	6.0	4.9
P/BV	1.2	1.1	1.0	0.9
Dividend Yield (%)	1.2	1.0	1.0	1.0
<b>(F) Growth Rate (%)</b>				
Revenue	5.6	(3.7)	18.3	17.3
EBITDA	40.8	2.8	19.0	16.9
EBIT	61.4	1.6	20.0	17.5
PBT	114.6	3.7	23.3	27.3
APAT	107.0	1.6	23.3	27.3
EPS	107.0	1.6	23.3	27.3

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	13,412	11,146	13,361	15,458
CFI	(11,840)	(8,123)	(11,298)	(6,787)
CFF	(404)	(3,001)	(1,643)	(7,515)
FCFF	3,505	646	1,002	7,458
Opening Cash	1,390	2,558	2,580	3,000
Closing Cash	2,558	2,580	3,000	4,156

E – Estimates

## Buy

### Initiating Coverage

#### View: Initiate coverage with buy

**DALBHARA**, a player with 26.5 mtpa capacity across 13 cement plants in 9 states, accounts for 5.1% of India's cement capacity, spread across South (12.1 mtpa – 45.7%) and East (14.4 mtpa – 54.3%) region. After consolidating capacity for 5 years between FY16-FY20, Dalmia is on a capacity expansion spree where its cement capacity is expected to increase from current 26.5 mtpa to 37.4 mtpa in FY23E spreading across 17 plants in 10 states.

With the acquisition of Murli Industries (3mtpa), the company has gained an entry into West. Further, management aspires to extend their reach to newer and attractive regions of North and Central in the medium to long term. We expect 9.0% / 11.0% / 53.0% revenue/ EBITDA/ APAT CAGR over FY20-23E led by -1.3% / 18.0% / 13.0% volume growth and -0.5% / -1.0% / 0.0% realization growth in FY21E/ FY22E/ FY23E.

DALBHARA has a strong brand presence in its operating markets viz. East, North East and South (TN) market. Dalmia expects to continue market share gains owing to its strong distribution and on-track capacity expansions in the east. DALBHARA also continues to remain upbeat on its cost controls, thus bolstering margin outlook. We initiate coverage on DALBHARA with a Buy rating having a TP of Rs1,384 based on 10x consolidated Sept'22E EV/EBITDA.

#### EBITDA/tn up 23.0% YoY in H1FY21

For Q2FY21, realization/tn of Rs5,021/ tn (+0.4% YoY/ -6.9% QoQ), cement volume of 4.8 mt (+7.4% YoY/ +31.1% QoQ) and operating cost/tn of Rs3,558/ tn (-9.7% YoY/ -4.2% QoQ) helped DALBHARA to report 37.6% YoY growth in EBITDA/tn to Rs1,463 (-12.8% QoQ). For H1FY21, realization/tn of Rs5,182/ tn (-2.1% YoY), cement volume of 8.5 mt (-6.2% YoY) and operating cost/tn of Rs3,626/ tn (-9.9% YoY) helped DALBHARA to report 23.0% YoY growth in EBITDA/tn to Rs1,556. We factor EBITDA/ tn of Rs1,270/ Rs1,174/ Rs1,134 for FY21E/ FY22E/ FY23E led by realization/tn growth of -0.5% / -1.0% / 0.0% and cost/tn growth of -5.2% / 1.3% / 1.1% for FY21E/ FY22E/ FY23E.

#### FINANCIALS (Rs Mn)

Particulars	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	94,840	96,740	94,964	1,10,937	1,25,359
Growth(%)	10.5	2.0	(1.8)	16.8	13.0
EBITDA	19,420	21,060	24,186	26,368	28,781
OPM(%)	20.5	21.8	25.5	23.8	23.0
PAT	3,080	2,240	5,669	6,539	8,072
Growth(%)	5.5	(27.3)	153.1	15.3	23.4
EPS(Rs.)	16.0	11.6	29.4	33.9	41.8
Growth(%)	5.5	(27.3)	153.1	15.3	23.4
EV/EBITDA (x)	12.8	11.6	9.7	8.5	7.3
ROANW(%)	2.9	2.1	5.3	5.9	6.9
ROACE(%)	4.8	3.8	5.4	5.9	6.6

CMP	Rs 1,124
Target / Upside	Rs 1,384 / 23%
NIFTY	13,259

#### Scrip Details

Equity / FV	Rs 374mn / Rs 2
Market Cap	Rs 217bn

USD 3bn

52-week High/Low	Rs 1,198/ 403
------------------	---------------

Avg. Volume (no)	2,26,673
------------------	----------

Bloom Code	DALMIA
------------	--------

Price Performance	1M	3M	12M
-------------------	----	----	-----

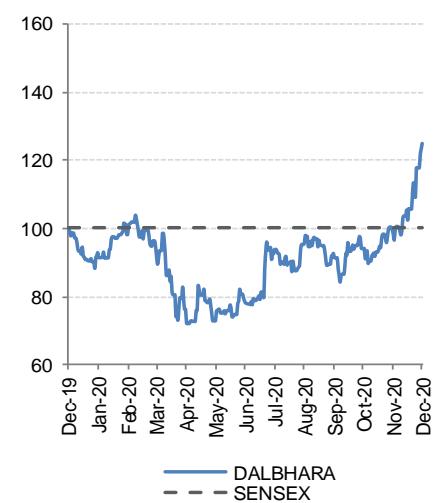
Absolute (%)	35	51	31
--------------	----	----	----

Rel to NIFTY (%)	25	35	22
------------------	----	----	----

#### Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	54.3	55.8	56.1
MF/Banks/FIs	5.5	3.9	3.6
FII	15.3	14.2	14.2
Public / Others	25.0	26.2	26.1

#### Dalmia Bharat Relative to SENSEX



**VP Research: Shravan Shah**

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

**Associate: Maulik Shah**

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com

**Associate: Parth Bhavsar**

Tel: +91 22 40969775

E-mail: parthb@dolatcapital.com

**Exhibit 1: Key Growth Assumptions**

Particulars (%)	FY21E	FY22E	FY23E
Volume	-1.3%	18.0%	13.0%
Realization/ tn	-0.5%	-1.0%	0.0%
EBITDA/ tn	16.4%	-7.6%	-3.4%
Cost/ tn	-5.2%	1.3%	1.1%

Source: Company, DART

**Exhibit 2: Income statement (Consolidated)**

Rs (Mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
<b>Total Revenue</b>	<b>24,100</b>	<b>22,360</b>	<b>7.8</b>	<b>19,740</b>	<b>22.1</b>	<b>43,840</b>	<b>47,730</b>	<b>(8.2)</b>
Raw Material Cost	3,920	3,760	4.3	3,510	11.7	7,430	7,990	(7.0)
Employee Expenses	1,690	1,690	0.0	1,740	(2.9)	3,430	3,420	0.3
Power and Fuel	3,500	4,300	(18.6)	2,550	37.3	6,050	8,940	(32.3)
Freight Cost	4,760	4,130	15.3	3,490	36.4	8,250	8,740	(5.6)
Other expenses	3,210	3,730	(13.9)	2,310	39.0	5,520	7,230	(23.7)
<b>Total Expenditure</b>	<b>17,080</b>	<b>17,610</b>	<b>(3.0)</b>	<b>13,600</b>	<b>25.6</b>	<b>30,680</b>	<b>36,320</b>	<b>(15.5)</b>
<b>PBIDT (Excl. OI)</b>	<b>7,020</b>	<b>4,750</b>	<b>47.8</b>	<b>6,140</b>	<b>14.3</b>	<b>13,160</b>	<b>11,410</b>	<b>15.3</b>
Foreign currency fluctuation	(10)	40	(125.0)	-10	0.0	(20)	10	(300.0)
Other Income	410	490	(16.3)	550	(25.5)	960	930	3.2
Depreciation	3,020	4,060	(25.6)	3,010	0.3	6,030	7,480	(19.4)
<b>EBIT</b>	<b>4,420</b>	<b>1,140</b>	<b>287.7</b>	<b>3,690</b>	<b>19.8</b>	<b>8,110</b>	<b>4,850</b>	<b>67.2</b>
Interest	740	990	(25.3)	740	0.0	1,480	2,180	(32.1)
<b>EBT</b>	<b>3,680</b>	<b>150</b>	<b>2,353.3</b>	<b>2,950</b>	<b>24.7</b>	<b>6,630</b>	<b>2,670</b>	<b>148.3</b>
Tax	1,360	-210	(747.6)	1,070	27.1	2,430	790	207.6
<b>RPAT</b>	<b>2,320</b>	<b>360</b>	<b>544.4</b>	<b>1,880</b>	<b>23.4</b>	<b>4,200</b>	<b>1,880</b>	<b>123.4</b>
Minority Interest	-	90	(100.0)	(20)	(100.0)	-20	140	(114.3)
<b>APAT</b>	<b>2,320</b>	<b>270</b>	<b>759.3</b>	<b>1,900</b>	<b>22.1</b>	<b>4,220</b>	<b>1,740</b>	<b>142.5</b>
<b>Adj. EPS (Rs)</b>	<b>12.02</b>	<b>1.40</b>	<b>759.3</b>	<b>9.85</b>	<b>22.1</b>	<b>21.87</b>	<b>9.02</b>	<b>142.5</b>
				<b>bps</b>		<b>bps</b>		<b>bps</b>
EBIDTA Margin (excl. O.I.)	29.1	21.2	789	31.1	(198)	30.0	23.9	611
NPM (%)	9.6	1.2	842	9.6	0	9.6	3.6	598
Tax Rate (%)	37.0	(140.0)	-	36.3	69	36.7	29.6	706

Source: DART, Company

**Exhibit 3: Valuation**

Particulars	Rs mn
Assumed EV/EBITDA multiple (x)	10
EBITDA (Sept'22E)	27,574
EV	2,75,741
Less: Net Debt (Sept'22E)	17,260
Mcap	2,58,480
Shares o/s (mn)	187
Target Price	1,384
CMP (Rs)	1,124
Upside (%)	23.2

Source: Company, DART

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>96,740</b>	<b>94,964</b>	<b>1,10,937</b>	<b>1,25,359</b>
<b>Total Expense</b>	<b>75,680</b>	<b>70,778</b>	<b>84,569</b>	<b>96,578</b>
COGS	53,790	50,377	61,003	70,348
Employees Cost	6,750	6,953	7,300	7,665
Other expenses	15,140	13,449	16,267	18,565
<b>EBIDTA</b>	<b>21,060</b>	<b>24,186</b>	<b>26,368</b>	<b>28,781</b>
Depreciation	15,280	13,350	16,098	16,972
<b>EBIT</b>	<b>5,780</b>	<b>10,836</b>	<b>10,269</b>	<b>11,808</b>
Interest	4,380	3,833	3,534	3,160
Other Income	2,170	1,994	1,997	2,131
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>3,570</b>	<b>8,998</b>	<b>8,732</b>	<b>10,779</b>
Tax	1,190	3,329	2,194	2,708
RPAT	2,240	5,669	6,539	8,072
Minority Interest	140	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>2,240</b>	<b>5,669</b>	<b>6,539</b>	<b>8,072</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	386	374	374	374
Minority Interest	250	250	250	250
Reserves & Surplus	1,05,224	1,07,251	1,13,416	1,21,114
<b>Net Worth</b>	<b>1,05,610</b>	<b>1,07,625</b>	<b>1,13,790</b>	<b>1,21,488</b>
Total Debt	59,500	50,000	43,000	36,000
Net Deferred Tax Liability	12,770	14,190	12,690	12,690
<b>Total Capital Employed</b>	<b>1,78,130</b>	<b>1,72,065</b>	<b>1,69,730</b>	<b>1,70,428</b>

**Applications of Funds**

Net Block	<b>1,25,930</b>	<b>1,29,580</b>	<b>1,27,482</b>	<b>1,19,510</b>
CWIP	17,020	11,020	3,020	2,020
Investments	1,180	1,180	1,180	1,180
<b>Current Assets, Loans &amp; Advances</b>	<b>64,650</b>	<b>64,332</b>	<b>72,361</b>	<b>84,367</b>
Current Investment	26,989	27,980	27,980	27,980
Inventories	9,740	8,846	10,334	11,677
Receivables	6,640	5,724	6,687	7,556
Cash and Bank Balances	4,030	3,035	6,534	14,465
Loans and Advances	710	923	1,015	1,117
Other Current Assets	16,550	17,824	19,811	21,573
<b>Less: Current Liabilities &amp; Provisions</b>	<b>30,650</b>	<b>34,048</b>	<b>34,313</b>	<b>36,649</b>
Payables	8,320	8,095	9,148	10,333
Other Current Liabilities	22,330	25,952	25,165	26,316
<i>sub total</i>				
Net Current Assets	34,000	30,284	38,048	47,718
<b>Total Assets</b>	<b>1,78,130</b>	<b>1,72,065</b>	<b>1,69,730</b>	<b>1,70,428</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	44.4	47.0	45.0	43.9
EBIDTA Margin	21.8	25.5	23.8	23.0
EBIT Margin	6.0	11.4	9.3	9.4
Tax rate	33.3	37.0	25.1	25.1
Net Profit Margin	2.3	6.0	5.9	6.4
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	55.6	53.0	55.0	56.1
Employee	7.0	7.3	6.6	6.1
Other	15.7	14.2	14.7	14.8
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.6	0.5	0.4	0.3
Interest Coverage	1.3	2.8	2.9	3.7
Inventory days	37	34	34	34
Debtors days	25	22	22	22
Average Cost of Debt	7.4	7.0	7.6	8.0
Payable days	31	31	30	30
Working Capital days	128	116	125	139
FA T/O	0.8	0.7	0.9	1.0
<b>(D) Measures of Investment</b>				
AEPS (Rs)	11.6	29.4	33.9	41.8
CEPS (Rs)	90.8	98.6	117.3	129.8
DPS (Rs)	4.0	1.9	1.9	1.9
Dividend Payout (%)	34.8	6.6	5.7	4.6
BVPS (Rs)	547.3	557.8	589.7	629.6
RoANW (%)	2.1	5.3	5.9	6.9
RoACE (%)	3.8	5.4	5.9	6.6
RoAIC (%)	3.3	6.3	6.2	7.4
<b>(E) Valuation Ratios</b>				
CMP (Rs)	1124	1124	1124	1124
P/E	96.8	38.2	33.2	26.9
Mcap (Rs Mn)	2,16,799	2,16,799	2,16,799	2,16,799
MCap/ Sales	2.2	2.3	2.0	1.7
EV	2,45,289	2,35,783	2,25,284	2,10,354
EV/Sales	2.5	2.5	2.0	1.7
EV/EBITDA	11.6	9.7	8.5	7.3
P/BV	2.1	2.0	1.9	1.8
Dividend Yield (%)	0.4	0.2	0.2	0.2
<b>(F) Growth Rate (%)</b>				
Revenue	2.0	(1.8)	16.8	13.0
EBITDA	8.4	14.8	9.0	9.2
EBIT	(10.5)	87.5	(5.2)	15.0
PBT	5.3	152.0	(3.0)	23.4
APAT	(27.3)	153.1	15.3	23.4
EPS	(27.3)	153.1	15.3	23.4

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	23,380	27,294	19,708	25,718
CFI	(17,600)	(11,302)	(5,301)	(7,254)
CFF	(5,920)	(16,986)	(10,908)	(10,534)
FCFF	9,880	16,294	13,708	17,718
Opening Cash	4,690	4,030	3,035	6,534
Closing Cash	4,030	3,035	6,534	14,465

E – Estimates

## Accumulate

### View: Initiate coverage with Accumulate

HEIM with 6.3 mtpa capacity accounts for about 1.2% of India's capacity. HEIM has 3 (2 integrated + 1 grinding unit) cement plants spread across relatively better Central (5.8 mtpa – 92%) and South (0.5 mtpa – 8%) regions. HEIM has increased its cement manufacturing capacity to 6.26mtpa from 5.4mtpa through de-bottlenecking process in its existing plants in MP and UP. With expanded capacity in the lucrative central region, we expect 5.3% / 7.5% / 7.0% revenue/ EBITDA/ APAT CAGR over FY20-23E led by -7.9% / 15.0% / 6.0% volume growth and 1.5% / 1.3% / 1.3% realization growth in FY21E/ FY22E/ FY23E.

HEIM has built a strong retail franchise in the lucrative central region and has also been improving its operating efficiencies. It has prudently refrained from any significant capex to strengthen its balance sheet. All these have buoyed its RoE to 21.6% in FY20, which in our view is sustainable. We, thus, initiate coverage with a Accumulate rating with a TP of Rs 235 (8.5x Sept'22E EV/EBITDA).

### EBITDA/tn up 1.7% YoY in H1FY21

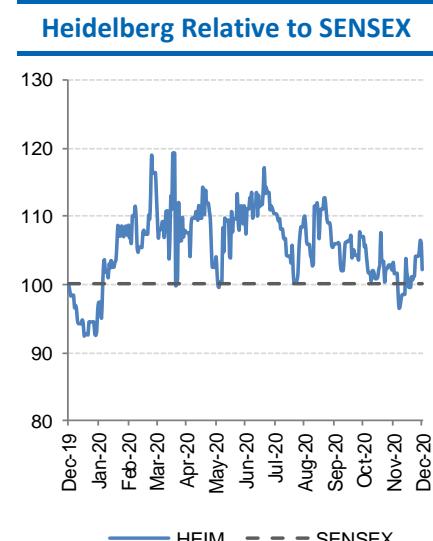
For Q2FY21, realization/tn of Rs4,637/ tn (+0.7% YoY/ -2.5% QoQ), cement volume of 1.1 mt (-2.3% YoY/ +29.3% QoQ) and operating cost/tn of Rs3,500/ tn (-0.6% YoY/ +0.2% QoQ) helped HEIM to report 5.0% YoY growth in EBITDA/tn to Rs1,137 (-10.1% QoQ). For H1FY21, realization/tn of Rs4,689/ tn (+0.9% YoY), cement volume of 2.0 mt (-17.9% YoY) and operating cost/tn of Rs3,497/ tn (+0.7% YoY) helped HEIM to report 1.7% YoY growth in EBITDA/tn to Rs1,192.

We factor EBITDA/ tn of Rs1,168/ Rs1,211/ Rs1,240 for FY21E/ FY22E/ FY23E led by realization/tn growth of 1.5% / 1.3% / 1.3% and cost/tn growth of 0.6% / 0.5% / 0.9% for FY21E/ FY22E/ FY23E.

HEIM debottlenecked its grinding capacity by 20% to 6.3mn MT at the end of FY20. It is further looking to debottleneck its clinker capacity. These will boost volume growth for the next 3-4 years. A net-zero debt balance sheet currently and robust internal accruals generation should strengthen its capability for major capacity expansions, going ahead.

CMP	Rs 209
Target / Upside	Rs 235 / 13%
NIFTY	13,259
<b>Scrip Details</b>	
Equity / FV	Rs 2,266mn / Rs 10
Market Cap	Rs 47bn
	USD 641mn
52-week High/Low	Rs 218/ 122
Avg. Volume (no)	3,76,237
Bloom Code	
<b>Price Performance</b>	
	1M 3M 12M
Absolute (%)	11 13 13
Rel to NIFTY (%)	11 14 20

	Mar'20	Jun'20	Sep'20
Promoters	69.4	69.4	69.4
MF/Banks/FIs	8.3	8.0	6.7
FII	10.4	9.7	8.8
Public / Others	11.9	12.9	15.1



### FINANCIALS (Rs Mn)

Particulars	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	21,334	21,696	20,274	23,618	25,361
Growth(%)	12.9	1.7	(6.6)	16.5	7.4
EBITDA	4,833	5,278	5,061	6,034	6,549
OPM(%)	22.7	24.3	25.0	25.5	25.8
PAT	2,207	2,681	2,445	3,167	3,282
Growth(%)	65.7	21.5	(8.8)	29.6	3.6
EPS(Rs.)	9.7	11.8	10.8	14.0	14.5
Growth(%)	65.7	21.5	(8.8)	29.6	3.6
EV/EBITDA (x)	10.2	8.8	8.9	7.7	7.4
ROANW(%)	19.9	21.6	17.9	20.9	19.3
ROACE(%)	16.6	13.6	9.2	10.4	10.0

**VP Research: Shravan Shah**

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

**Associate: Maulik Shah**

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com

**Associate: Parth Bhavsar**

Tel: +91 22 40969775

E-mail: parthb@dolatcapital.com

**Exhibit 1: Key Growth Assumptions**

Particulars (%)	FY21E	FY22E	FY23E
Volume	(7.9)	15.0	6.0
Realization/ tn	1.5	1.3	1.3
EBITDA/ tn	4.1	3.7	2.4
Cost/ tn	0.6	0.5	0.9

Source: Company, DART

**Exhibit 2: Income statement (Standalone)**

Rs (Mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
<b>Total Revenue</b>	<b>5,138</b>	<b>5,222</b>	<b>(1.6)</b>	<b>4,077</b>	<b>26.0</b>	<b>9,215</b>	<b>11,114</b>	<b>(17.1)</b>
Raw Material Cost	894	1,010	(11.4)	727	23.0	1,622	2,139	(24.2)
Employee Expenses	309	311	(0.6)	269	14.7	578	625	(7.6)
Power and Fuel	1,122	1,145	(2.0)	837	34.2	1,959	2,360	(17.0)
Freight Cost	645	657	(1.9)	552	16.8	1,197	1,454	(17.7)
Other expenses	908	872	4.2	609	49.1	1,517	1,731	(12.4)
<b>Total Expenditure</b>	<b>3,878</b>	<b>3,994</b>	<b>(2.9)</b>	<b>2,994</b>	<b>29.5</b>	<b>6,872</b>	<b>8,309</b>	<b>(17.3)</b>
<b>PBIDT (Excl. OI)</b>	<b>1,260</b>	<b>1,228</b>	<b>2.6</b>	<b>1,083</b>	<b>16.3</b>	<b>2,343</b>	<b>2,805</b>	<b>(16.5)</b>
Other Income	101	125	(18.7)	98	3.6	199	243	(18.0)
Depreciation	281	265	6.2	276	1.7	557	543	2.6
<b>EBIT</b>	<b>1,080</b>	<b>1,088</b>	<b>(0.8)</b>	<b>905</b>	<b>19.3</b>	<b>1,985</b>	<b>2,504</b>	<b>(20.8)</b>
Interest	133	188	(29.2)	160	(16.6)	293	386	(24.1)
<b>EBT (before EO)</b>	<b>947</b>	<b>900</b>	<b>5.2</b>	<b>745</b>	<b>27.1</b>	<b>1,691</b>	<b>2,118</b>	<b>(20.1)</b>
Exceptional items	-	-	-	-	-	-	-	-
<b>EBT (after EO)</b>	<b>947</b>	<b>900</b>	<b>5.2</b>	<b>745</b>	<b>27.1</b>	<b>1,691</b>	<b>2,118</b>	<b>(20.1)</b>
Tax	323	318	1.3	256	26.2	578	746	(22.5)
<b>RPAT</b>	<b>624</b>	<b>582</b>	<b>7.3</b>	<b>489</b>	<b>27.5</b>	<b>1,113</b>	<b>1,372</b>	<b>(18.8)</b>
Adjustment	-	-	-	-	-	-	-	-
<b>APAT</b>	<b>624</b>	<b>582</b>	<b>7.3</b>	<b>489</b>	<b>27.5</b>	<b>1,113</b>	<b>1,372</b>	<b>(18.8)</b>
<b>Adj. EPS (Rs)</b>	<b>2.75</b>	<b>2.57</b>	<b>7.3</b>	<b>2.16</b>	<b>27.5</b>	<b>4.91</b>	<b>6.05</b>	<b>(18.8)</b>
			<b>bps</b>		<b>bps</b>			<b>bps</b>
EBIDTA Margin (excl. O.I.)	24.5	23.5	100	26.6	(206)	25.4	25.2	19
NPM (%)	12.1	11.1	101	12.0	14	12.1	12.3	(26)
Tax Rate (%)	34.1	35.4	(130)	34.3	(23)	34.2	35.2	(106)

Source: DART, Company

**Exhibit 3: Valuation**

Particulars	Rs mn
Assumed EV/EBITDA multiple (x)	8.5
EBITDA (Sept'22E)	6,292
EV	53,478
Less: Net Debt (Sept'22E)	369
Mcap	53,109
Shares o/s (mn)	227
Target Price	235.3
CMP (Rs)	208.9
Upside (%)	12.7

Source: Company, DART

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>21,696</b>	<b>20,274</b>	<b>23,618</b>	<b>25,361</b>
<b>Total Expense</b>	<b>16,418</b>	<b>15,213</b>	<b>17,584</b>	<b>18,811</b>
COGS	11,502	10,598	12,350	13,222
Employees Cost	1,312	1,246	1,321	1,400
Other expenses	3,605	3,369	3,913	4,189
<b>EBIDTA</b>	<b>5,278</b>	<b>5,061</b>	<b>6,034</b>	<b>6,549</b>
Depreciation	1,086	1,129	1,148	1,155
<b>EBIT</b>	<b>4,192</b>	<b>3,931</b>	<b>4,886</b>	<b>5,394</b>
Interest	739	604	560	800
Other Income	527	405	402	304
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>3,981</b>	<b>3,732</b>	<b>4,727</b>	<b>4,898</b>
Tax	1,300	1,288	1,560	1,617
RPAT	2,681	2,445	3,167	3,282
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>2,681</b>	<b>2,445</b>	<b>3,167</b>	<b>3,282</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	2,266	2,266	2,266	2,266
Minority Interest	13,147	14,232	16,039	17,961
Reserves & Surplus	10,880	11,965	13,773	15,695
<b>Net Worth</b>	<b>13,147</b>	<b>14,232</b>	<b>16,039</b>	<b>17,961</b>
Total Debt	4,051	3,501	3,501	6,501
Net Deferred Tax Liability	1,903	1,903	1,903	1,903
<b>Total Capital Employed</b>	<b>32,246</b>	<b>33,866</b>	<b>37,481</b>	<b>44,326</b>

**Applications of Funds**

Net Block	<b>16,930</b>	<b>16,201</b>	<b>15,553</b>	<b>14,898</b>
CWIP	160	210	4,710	9,210
Investments	0	0	0	0
<b>Current Assets, Loans &amp; Advances</b>	<b>10,838</b>	<b>12,140</b>	<b>11,128</b>	<b>12,556</b>
Inventories	1,458	1,389	1,618	1,737
Receivables	257	305	356	382
Cash and Bank Balances	4,706	5,805	4,148	5,115
Loans and Advances	138	136	137	139
Other Current Assets	4,279	4,505	4,870	5,182
<b>Less: Current Liabilities &amp; Provisions</b>	<b>8,752</b>	<b>8,846</b>	<b>9,879</b>	<b>10,230</b>
Payables	2,584	2,888	3,235	3,335
Other Current Liabilities	6,168	5,958	6,644	6,895
<i>sub total</i>				
Net Current Assets	2,086	3,294	1,249	2,326
<b>Total Assets</b>	<b>19,176</b>	<b>19,705</b>	<b>21,512</b>	<b>26,434</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	47.0	47.7	47.7	47.9
EBIDTA Margin	24.3	25.0	25.5	25.8
EBIT Margin	19.3	19.4	20.7	21.3
Tax rate	32.7	34.5	33.0	33.0
Net Profit Margin	12.4	12.1	13.4	12.9
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	53.0	52.3	52.3	52.1
Employee	6.0	6.1	5.6	5.5
Other	16.6	16.6	16.6	16.5
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.3	0.2	0.2	0.4
Interest Coverage	5.7	6.5	8.7	6.7
Inventory days	25	25	25	25
Debtors days	4	6	6	6
Average Cost of Debt	16.0	16.0	16.0	16.0
Payable days	43	52	50	48
Working Capital days	35	59	19	33
FA T/O	1.3	1.3	1.5	1.7
<b>(D) Measures of Investment</b>				
AEPS (Rs)	11.8	10.8	14.0	14.5
CEPS (Rs)	16.6	15.8	19.0	19.6
DPS (Rs)	4.5	6.0	6.0	6.0
Dividend Payout (%)	38.0	55.6	42.9	41.4
BVPS (Rs)	58.0	62.8	70.8	79.3
RoANW (%)	21.6	17.9	20.9	19.3
RoACE (%)	13.6	9.2	10.4	10.0
RoAIC (%)	19.8	14.1	15.9	14.9
<b>(E) Valuation Ratios</b>				
CMP (Rs)	209	209	209	209
P/E	17.7	19.4	14.9	14.4
Mcap (Rs Mn)	47,343	47,343	47,343	47,343
MCap/ Sales	2.2	2.3	2.0	1.9
EV	46,688	45,038	46,696	48,729
EV/Sales	2.2	2.2	2.0	1.9
EV/EBITDA	8.8	8.9	7.7	7.4
P/BV	3.6	3.3	3.0	2.6
Dividend Yield (%)	2.2	2.9	2.9	2.9
<b>(F) Growth Rate (%)</b>				
Revenue	1.7	(6.6)	16.5	7.4
EBITDA	9.2	(4.1)	19.2	8.5
EBIT	9.9	(6.2)	24.3	10.4
PBT	16.5	(6.2)	26.7	3.6
APAT	21.5	(8.8)	29.6	3.6
EPS	21.5	(8.8)	29.6	3.6

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	4,572	4,063	5,263	5,127
CFI	(141)	(450)	(5,000)	(5,000)
CFF	(3,123)	(2,514)	(1,920)	840
FCFF	4,137	3,613	263	127
Opening Cash	3,377	4,706	5,805	4,148
Closing Cash	4,706	5,805	4,148	5,115

E – Estimates

# Buy

## View: Historic quarter, growth to continue

JK Cement with 14 mtpa of grey cement capacity and 1.5 mtpa of white cement & wall putty capacity, together accounts for about ~3% of India's capacity. JK Cement's 78% capacity is in relatively better North and Central region. With completion of 0.7 mtpa expansion at Balasinor, Gujarat, JKCE's 4.2 mtpa grey cement expansion is completed which is likely to support additional volume growth in FY21E/ FY22E. Post expansion, geographical share of Central/ West will increase to 14.4%/ 4.2% in FY22E from 12.3%/ 0.0% in FY20 which bodes well for long term growth of the company. JKCE is also upgrading line 3 at Nimbahera which will add another 1000TPD clinker capacity.

We expect 12.2%/ 13.7%/ 15.2% revenue/ EBITDA/ APAT CAGR over FY20-23E led by 11.9%/ 13.5%/ 10.0% blended volume growth and (1.3%)/ 1.4%/ 0.9% blended cement realization growth in FY21E/ FY22E/ FY23E.

We like JKCE because of its sizable presence in higher EBITDA margin contributing white cement & putty business and healthy cash generation & RoE. Moreover, its recent 4.2 mtpa strategical expansion into strong pricing markets of north/central will benefit it. More, it has plans to expand 3.5-4mtpa at Panna, MP in Central region for growth beyond FY23. We have a BUY rating with TP of Rs2,240 (11x Sep'22E EV/EBITDA + 0.5x Sep'22E CWIP + 1x PB investment in Fujairah, UAE).

## EBITDA/tn up 11.5% YoY in H1FY21

For Q2FY21, blended realization/tn of Rs5,517/ tn (-1.5% YoY/ +1.0% QoQ), blended volume of 2.81 mt (+25.5% YoY/ +59.1% QoQ) and operating cost/tn of Rs4,056/ tn (-9.2% YoY/ -4.4% QoQ) helped JKCE to report 28.8% YoY growth in blended EBITDA/tn to Rs1,461 (+19.9% QoQ). For H1FY21, blended realization/tn of Rs5,496/ tn (-3.2% YoY), blended volume of 4.58 mt (+0.7% YoY) and operating cost/tn of Rs4,128/ tn (-7.3% YoY) helped JKCE to report 11.5% YoY growth in EBITDA/tn to Rs1,367.

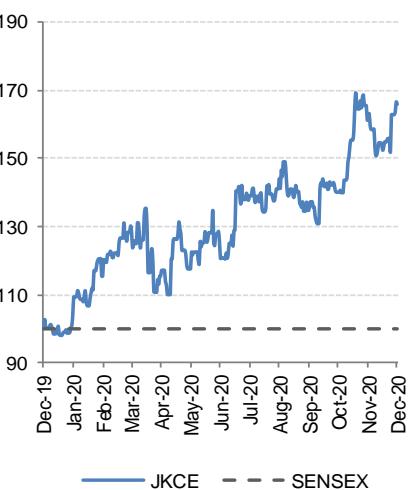
We factor EBITDA/ tn of Rs1,275/ Rs1,268/ Rs1,271 for FY21E/ FY22E/ FY23E led by blended realization/tn growth of 11.9%/ 13.5%/ 10.0% and cost/tn growth of -3.1%/ 1.9%/ 1.1% for FY21E/ FY22E/ FY23E.

## FINANCIALS (Rs Mn)

Particulars	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	49,813	54,638	60,384	69,461	77,119
Growth(%)	8.5	9.7	10.5	15.0	11.0
EBITDA	8,101	11,815	13,952	15,750	17,364
OPM(%)	16.3	21.6	23.1	22.7	22.5
PAT	3,249	9,348	6,651	7,268	8,843
Growth(%)	(9.5)	187.7	(28.9)	9.3	21.7
EPS(Rs.)	42.0	121.0	86.1	94.1	114.5
Growth(%)	(9.5)	187.7	(28.9)	9.3	21.7
EV/EBITDA (x)	22.5	15.7	13.4	12.0	10.9
ROANW(%)	12.9	25.1	19.4	18.0	18.4
ROACE(%)	10.6	13.5	13.6	13.2	13.9

CMP	Rs 2,166
Target / Upside	Rs 2,240 / 3%
NIFTY	13,259
<b>Scrip Details</b>	
Equity / FV	Rs 773mn / Rs 10
Market Cap	Rs 167bn
	USD 2bn
52-week High/Low	Rs 2,110/ 795
Avg. Volume (no)	1,12,904
Bloom Code	JKCE IN
<b>Price Performance</b>	
	1M 3M 12M
Absolute (%)	16 45 83
Rel to NIFTY (%)	6 29 73
<b>Shareholding Pattern</b>	
	Mar'20 Jun'20 Sep'20
Promoters	58.1 58.1 58.1
MF/Banks/FIs	23.8 23.3 23.3
FII	12.4 13.4 14.0
Public / Others	5.7 5.2 4.7

## JK Cement Relative to SENSEX



**VP Research: Shravan Shah**

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

**Associate: Maulik Shah**

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com

**Associate: Parth Bhavsar**

Tel: +91 22 40969775

E-mail: parthb@dolatcapital.com

**Exhibit 1: Key Growth Assumptions**

Particulars (%)	FY21E	FY22E	FY23E
Blended Volume	11.9	13.5	10.0
Blended Realization/ tn	(1.3)	1.4	0.9
EBITDA/ tn	5.5	(0.5)	0.2
Cost/ tn	(3.1)	1.9	1.1

Source: Company, DART

**Exhibit 2: Q2FY21 performance (standalone)**

(Rs mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
<b>Total Revenue</b>	<b>15,507</b>	<b>12,542</b>	<b>23.6</b>	<b>9,650</b>	<b>60.7</b>	<b>25,157</b>	<b>25,822</b>	<b>(2.6)</b>
Raw Material Cost	2,466	2,165	13.9	1,953	26.3	4,419	3,990	10.8
Employee Expenses	976	962	1.5	950	2.7	1,927	1,930	(0.2)
Power and Fuel	2,725	2,244	21.4	1,531	78.0	4,257	4,866	(12.5)
Freight Cost	2,952	2,323	27.1	1,755	68.2	4,707	4,797	(1.9)
Other expenses	2,281	2,307	(1.1)	1,307	74.5	3,589	4,664	(23.1)
<b>Total Expenditure</b>	<b>11,400</b>	<b>10,002</b>	<b>14.0</b>	<b>7,497</b>	<b>52.1</b>	<b>18,897</b>	<b>20,246</b>	<b>(6.7)</b>
<b>PBIDT (Excl. O.I.)</b>	<b>4,107</b>	<b>2,540</b>	<b>61.7</b>	<b>2,153</b>	<b>90.8</b>	<b>6,259</b>	<b>5,575</b>	<b>12.3</b>
Other Income	287	180	59.7	203	41.1	490	352	39.4
Depreciation	597	518	15.2	580	2.9	1,176	1,012	16.3
<b>EBIT</b>	<b>3,797</b>	<b>2,202</b>	<b>72.4</b>	<b>1,776</b>	<b>113.8</b>	<b>5,573</b>	<b>4,915</b>	<b>13.4</b>
Interest	537	561	(4.3)	572	(6.0)	1,109	1,096	1.2
<b>PBT (Excl. E.O.)</b>	<b>3,260</b>	<b>1,641</b>	<b>98.7</b>	<b>1,204</b>	<b>170.7</b>	<b>4,464</b>	<b>3,820</b>	<b>16.9</b>
Exceptional Items	0	0	-	0	-	0	0	-
<b>PBT (Incl. E.O.)</b>	<b>3,260</b>	<b>1,641</b>	<b>98.7</b>	<b>1,204</b>	<b>170.7</b>	<b>4,464</b>	<b>3,820</b>	<b>16.9</b>
Tax	1,025	553	85.3	427	139.8	1,452	1,194	21.7
<b>RPAT</b>	<b>2,235</b>	<b>1,088</b>	<b>105.5</b>	<b>777</b>	<b>187.7</b>	<b>3,012</b>	<b>2,626</b>	<b>14.7</b>
Adjustments	0	0	-	0	-	0	0	-
<b>APAT</b>	<b>2,235</b>	<b>1,088</b>	<b>105.5</b>	<b>777</b>	<b>187.7</b>	<b>3,012</b>	<b>2,626</b>	<b>14.7</b>
<b>Adj. EPS (Rs)</b>	<b>28.93</b>	<b>14.08</b>	<b>105.5</b>	<b>10.05</b>	<b>187.7</b>	<b>38.98</b>	<b>33.99</b>	<b>14.7</b>
				<b>bps</b>	<b>bps</b>			<b>bps</b>
EBIDTA Margin (excl. O.I.)	26.5	20.3	623	22.3	418	24.9	21.6	329
NPM (%)	14.4	8.7	574	8.1	636	12.0	10.2	180
Tax Rate (%)	31.4	33.7	(226)	35.5	(406)	32.5	31.3	128

Source: DART, Company

**Exhibit 3: Valuation**

Particulars	(Rs mn)
Assumed EV/EBITDA multiple (x)	11.0
EBITDA (Sep'22E)	16,557
(a) EV	1,82,131
(b) Less: Net Debt (Sep'22E)	21,823
(c) 50 % of Sep'22E Capital WIP	8,625
1x P/B - Investment in J. K. (d) Cement (Fujairah) FZC, UAE	4,128
Mcap (a-b+c+d)	1,73,061
Shares o/s (mn)	77
Target price (Rs)	2,240
CMP (Rs)	2,166
Up/(down)side (%)	3.4

Source: Company, DART

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>54,638</b>	<b>60,384</b>	<b>69,461</b>	<b>77,119</b>
<b>Total Expense</b>	<b>42,822</b>	<b>46,433</b>	<b>53,710</b>	<b>59,755</b>
COGS	29,019	32,366	37,497	41,791
Employees Cost	3,909	3,987	4,545	5,000
Other expenses	9,894	10,079	11,668	12,963
<b>EBIDTA</b>	<b>11,815</b>	<b>13,952</b>	<b>15,750</b>	<b>17,364</b>
Depreciation	2,144	2,663	3,114	3,328
<b>EBIT</b>	<b>9,671</b>	<b>11,288</b>	<b>12,636</b>	<b>14,036</b>
Interest	2,229	2,692	2,948	2,921
Other Income	859	906	695	771
Exc. / E.O. items	1,782	0	0	0
<b>EBT</b>	<b>10,083</b>	<b>9,502</b>	<b>10,383</b>	<b>11,886</b>
Tax	2,516	2,850	3,115	3,043
RPAT	7,567	6,651	7,268	8,843
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>9,348</b>	<b>6,651</b>	<b>7,268</b>	<b>8,843</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	773	773	773	773
Minority Interest	0	0	0	0
Reserves & Surplus	30,516	36,395	42,890	51,734
<b>Net Worth</b>	<b>31,289</b>	<b>37,167</b>	<b>43,663</b>	<b>52,506</b>
Total Debt	27,602	32,902	32,602	32,302
Net Deferred Tax Liability	4,181	4,181	4,181	4,181
<b>Total Capital Employed</b>	<b>63,072</b>	<b>74,250</b>	<b>80,446</b>	<b>88,989</b>

**Applications of Funds**

Net Block	<b>44,681</b>	<b>53,610</b>	<b>51,995</b>	<b>50,167</b>
CWIP	5,092	2,500	12,000	22,500
Investments	5,652	5,652	5,652	5,652
<b>Current Assets, Loans &amp; Advances</b>	<b>23,126</b>	<b>28,170</b>	<b>27,745</b>	<b>29,467</b>
Current Investment	10	10	10	10
Inventories	6,272	6,931	7,973	8,852
Receivables	2,234	2,978	3,045	3,381
Cash and Bank Balances	6,311	9,958	7,642	7,594
Loans and Advances	0	0	0	0
Other Current Assets	8,298	8,292	9,074	9,630
<b>Less: Current Liabilities &amp; Provisions</b>	<b>15,479</b>	<b>15,681</b>	<b>16,947</b>	<b>18,797</b>
Payables	4,526	4,467	4,704	5,222
Other Current Liabilities	10,953	11,215	12,243	13,574
<i>sub total</i>				
Net Current Assets	7,647	12,489	10,798	10,670
<b>Total Assets</b>	<b>63,072</b>	<b>74,250</b>	<b>80,446</b>	<b>88,989</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	46.9	46.4	46.0	45.8
EBIDTA Margin	21.6	23.1	22.7	22.5
EBIT Margin	17.7	18.7	18.2	18.2
Tax rate	25.0	30.0	30.0	25.6
Net Profit Margin	13.8	11.0	10.5	11.5
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	53.1	53.6	54.0	54.2
Employee	7.2	6.6	6.5	6.5
Other	18.1	16.7	16.8	16.8
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.9	0.9	0.7	0.6
Interest Coverage	4.3	4.2	4.3	4.8
Inventory days	42	42	42	42
Debtors days	15	18	16	16
Average Cost of Debt	8.7	8.9	9.0	9.0
Payable days	30	27	25	25
Working Capital days	51	75	57	51
FA T/O	1.2	1.1	1.3	1.5
<b>(D) Measures of Investment</b>				
AEPS (Rs)	121.0	86.1	94.1	114.5
CEPS (Rs)	148.7	120.5	134.4	157.5
DPS (Rs)	17.5	10.0	10.0	0.0
Dividend Payout (%)	14.5	11.6	10.6	0.0
BVPS (Rs)	404.9	481.0	565.1	679.5
RoANW (%)	25.1	19.4	18.0	18.4
RoACE (%)	13.5	13.6	13.2	13.9
RoAIC (%)	17.9	18.7	18.4	18.2
<b>(E) Valuation Ratios</b>				
CMP (Rs)	2166	2166	2166	2166
P/E	17.9	25.2	23.0	18.9
Mcap (Rs Mn)	1,67,336	1,67,336	1,67,336	1,67,336
MCap/ Sales	3.1	2.8	2.4	2.2
EV	1,88,616	1,90,269	1,92,285	1,92,033
EV/Sales	3.5	3.2	2.8	2.5
EV/EBITDA	16.0	13.6	12.2	11.1
P/BV	5.3	4.5	3.8	3.2
Dividend Yield (%)	0.8	0.5	0.5	0.0
<b>(F) Growth Rate (%)</b>				
Revenue	9.7	10.5	15.0	11.0
EBITDA	45.8	18.1	12.9	10.2
EBIT	57.1	16.7	11.9	11.1
PBT	112.9	(5.8)	9.3	14.5
APAT	187.7	(28.9)	9.3	21.7
EPS	187.7	(28.9)	9.3	21.7

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	10,925	10,121	11,909	14,099
CFI	(9,086)	(8,460)	(10,657)	(11,420)
CFF	176	1,986	(3,568)	(2,726)
FCFF	1,035	1,121	909	2,099
Opening Cash	4,297	6,312	9,958	7,642
Closing Cash	6,312	9,958	7,642	7,594

E – Estimates

## Buy

### View: Recently performed well, attractive valuation

JKLC has 6 (2 integrated + four grinding units) cement plants spread across North (6mtpa – 51%), East (3.5mtpa – 30%), and West (2.3mtpa – 19%) regions.

We expect 4.4%/ 4.4%/ 5.3% revenue/ EBITDA/ APAT CAGR over FY20-23E led by 1.9%/ 4.4%/ 4.2% volume growth and -0.5%/ 2.0%/ 1.0% cement realization growth in FY21E/ FY22E/ FY23E.

JKLC has announced 2.5mtpa including 1.5 mtpa clinker (to be commissioned in Q3FY24E) greenfield expansion with a capex of Rs14 bn to be done at its subsidiary UCWL to capture growth in demand. We have assumed the same capex of UCWL (to be completed in FY24E) in standalone numbers. Considering, strong performance on volume front in Q2FY21 and strong guidance given by management for FY21E, we have a Buy rating with SOTP of Rs393 based on (6.5x standalone Sep'22E EV/EBITDA, 50% of FY23E Capital WIP and JKLC's 72.5% stake in Udaipur Cement Works at 30% holding discount).

### EBITDA/tn up 6.1% YoY in H1FY21

For Q2FY21, realization/tn of Rs4,381/ tn (-3.5% YoY/ +1.1% QoQ), cement volume of 2.39 mt (+15.8% YoY/ +25.2% QoQ) and operating cost/tn of Rs3,598/ tn (-5.8% YoY/ +0.5% QoQ) helped JKLC to report 8.5% YoY growth in EBITDA/tn to Rs783 (+4.0% QoQ). For H1FY21, realization/tn of Rs4,359/ tn (-3.2% YoY), cement volume of 4.29 mt (-2.3% YoY) and operating cost/tn of Rs3,589/ tn (-5.0% YoY) helped JKLC to report 6.1% YoY growth in EBITDA/tn to Rs769.

We factor EBITDA/ tn of Rs719/ Rs743/ Rs751 for FY21E/ FY22E/ FY23E led by realization/tn growth of -0.5%/ 2.0%/ 1.0% and cost/tn growth of -0.2%/ 1.7%/ 1.0% for FY21E/ FY22E/ FY23E.

### Other update

Demand was strong led by rural market and infra is witnessing pick up. JKLC guided for volume growth of 6-7% for FY21E. After a seasonal fall in cement prices in Q2FY21, Q3FY21 is witnessing minor price hikes. The management has plans to eventually merge JK Lakshmi and UCWL post 2 years. Net Debt of JKLC/ UCWL stood at Rs7 bn/ Rs4.75 bn.

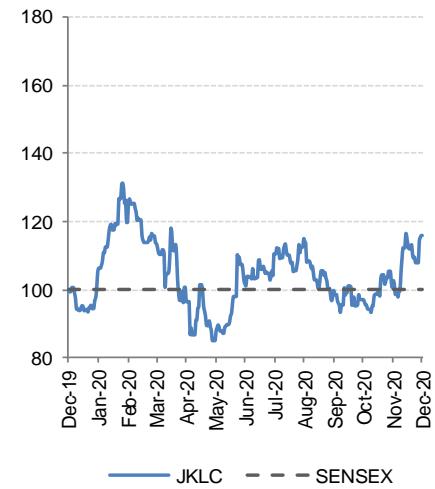
### FINANCIALS (Rs Mn)

Particulars	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	38,823	40,435	41,013	43,663	45,948
Growth(%)	13.8	4.2	1.4	6.5	5.2
EBITDA	4,150	6,724	6,732	7,261	7,649
OPM(%)	10.7	16.6	16.4	16.6	16.6
PAT	796	2,636	2,523	2,780	3,081
Growth(%)	(8.7)	231.1	(4.3)	10.2	10.8
EPS(Rs.)	6.8	22.4	21.4	23.6	26.2
Growth(%)	(8.7)	231.1	(4.3)	10.2	10.8
EV/EBITDA (x)	13.3	7.9	7.7	7.3	7.1
ROANW(%)	5.4	16.3	13.8	13.5	13.3
ROACE(%)	8.1	13.6	12.2	12.2	12.2

CMP	Rs 363
Target / Upside	Rs 393 / 8%
NIFTY	13,259
<b>Scrip Details</b>	
Equity / FV	Rs 589mn / Rs 5
Market Cap	Rs 43bn
	USD 580mn
52-week High/Low	Rs 388/ 180
Avg. Volume (no)	3,83,464
Bloom Code	JKLC IN
<b>Price Performance</b>	
1M	25
3M	38
12M	29
Absolute (%)	25
Rel to NIFTY (%)	15 22 19

	Mar'20	Jun'20	Sep'20
Promoters	46.2	46.2	46.2
MF/Banks/FIs	19.0	20.0	23.6
FII	10.6	10.4	9.9
Public / Others	24.2	23.4	20.3

### JK Lakshmi Relative to SENSEX



**VP Research: Shravan Shah**

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

**Associate: Maulik Shah**

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com

**Associate: Parth Bhavsar**

Tel: +91 22 40969775

E-mail: parthb@dolatcapital.com

**Exhibit 1: Key Growth Assumptions**

Particulars (%)	FY21E	FY22E	FY23E
Volume	1.9%	4.4%	4.2%
Realization/ tn	-0.5%	2.0%	1.0%
EBITDA/ tn	-1.8%	3.3%	1.1%
Cost/ tn	-0.2%	1.7%	1.0%

Source: Company, DART

**Exhibit 2: Income statement (Standalone)**

Rs (Mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
<b>Total Revenue</b>	<b>10,448</b>	<b>9,355</b>	<b>11.7</b>	<b>8,252</b>	<b>26.6</b>	<b>18,699</b>	<b>19,774</b>	<b>(5.4)</b>
Raw Material Cost	2,505	1,900	31.8	2,136	17.3	4,641	3,899	19.0
Employee Expenses	799	772	3.5	808	(1.1)	1,607	1,572	2.2
Power and Fuel	2,059	2,090	(1.5)	1,315	56.5	3,374	4,323	(22.0)
Freight Cost	2,031	1,843	10.2	1,658	22.5	3,689	3,973	(7.2)
Other expenses	1,187	1,263	(6.0)	901	31.7	2,088	2,821	(26.0)
<b>Total Expenditure</b>	<b>8,581</b>	<b>7,868</b>	<b>9.1</b>	<b>6,818</b>	<b>25.8</b>	<b>15,399</b>	<b>16,589</b>	<b>(7.2)</b>
PBIDT (Excl. O.I)	1,867	1,487	25.6	1,433	30.3	3,301	3,185	3.6
<b>Other Income</b>	<b>183</b>	<b>68</b>	<b>170.8</b>	<b>82</b>	<b>124.4</b>	<b>265</b>	<b>129</b>	<b>105.4</b>
Depreciation	493	437	13.0	484	1.9	977	889	9.9
<b>EBIT</b>	<b>1,557</b>	<b>1,118</b>	<b>39.3</b>	<b>1,031</b>	<b>51.0</b>	<b>2,588</b>	<b>2,424</b>	<b>6.8</b>
Interest	381	390	(2.3)	378	0.8	759	792	(4.1)
EBT (before EO)	1,176	728	61.6	653	80.1	1,829	1,633	12.0
Exceptional items	0	0	-	0	-	0	-302	-
EBT (after EO)	1,176	728	61.6	653	80.1	1,829	1,330	37.5
Tax	370	268	38.0	209	77.3	579	477	21.4
<b>RPAT</b>	<b>806</b>	<b>459</b>	<b>75.4</b>	<b>444</b>	<b>81.4</b>	<b>1,250</b>	<b>853</b>	<b>46.5</b>
Adjustment	0	0	-	0	-	0	302	-
<b>APAT</b>	<b>806</b>	<b>459</b>	<b>75.4</b>	<b>444</b>	<b>81.4</b>	<b>1,250</b>	<b>1,156</b>	<b>8.2</b>
Adj. EPS (Rs)	6.85	3.90	75.4	3.77	81.4	10.62	9.82	8.2
				<b>bps</b>	<b>bps</b>			<b>bps</b>
EBIDTA Margin (excl. O.I.)	17.9	15.9	198	17.4	50	17.7	16.1	155
NPM (%)	7.7	4.91	280	5.4	233	6.7	5.8	84
Tax Rate (%)	31.5	36.9	(540)	32.0	(49)	31.7	35.9	(420)

Source: DART, Company

**Exhibit 3: Valuation**

Particulars	(Rs mn)
Assumed EV/EBITDA multiple (x)	6.5
EBITDA (FY22E)	7,455
EV	48,458
Less: Net Debt (FY22E)	11,010
Mcap	37,448
Shares o/s (mn)	118
(a) Value/share (Rs)	318
Udaipur Cement Works Mcap	4,530
JKLC's stake (72.54%) value in Udaipur Cement Works	3,286
Holding company discount (%)	30
JKLC's stake value in Udaipur Cement Works post discount	2,300
(b) Value/share (Rs)	19.5
50% of FY22E Capital WIP	6,509
(c) Value/share (Rs)	55.3
Target price (Rs) (a+b)	393.1
CMP (Rs)	362.9
Up/(down)side (%)	8.3

Source: DART, Company ]

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>40,435</b>	<b>41,013</b>	<b>43,663</b>	<b>45,948</b>
<b>Total Expense</b>	<b>33,711</b>	<b>34,281</b>	<b>36,402</b>	<b>38,299</b>
COGS	25,127	26,055	27,569	29,012
Employees Cost	3,120	3,213	3,470	3,644
Other expenses	5,464	5,013	5,363	5,644
<b>EBIDTA</b>	<b>6,724</b>	<b>6,732</b>	<b>7,261</b>	<b>7,649</b>
Depreciation	1,883	1,997	2,064	2,131
<b>EBIT</b>	<b>4,841</b>	<b>4,735</b>	<b>5,197</b>	<b>5,518</b>
Interest	1,644	1,571	1,662	1,576
Other Income	501	492	437	459
Exc. / E.O. items	(302)	0	0	0
<b>EBT</b>	<b>3,395</b>	<b>3,656</b>	<b>3,972</b>	<b>4,401</b>
Tax	1,042	1,133	1,192	1,320
RPAT	2,353	2,523	2,780	3,081
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>2,636</b>	<b>2,523</b>	<b>2,780</b>	<b>3,081</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	589	589	589	589
Minority Interest	0	0	1	1
Reserves & Surplus	16,538	18,767	21,253	24,040
<b>Net Worth</b>	<b>17,127</b>	<b>19,355</b>	<b>21,841</b>	<b>24,628</b>
Total Debt	14,667	15,430	15,630	13,830
Net Deferred Tax Liability	205	205	205	205
<b>Total Capital Employed</b>	<b>31,999</b>	<b>34,990</b>	<b>37,677</b>	<b>38,663</b>

**Applications of Funds**

Net Block	<b>28,032</b>	<b>27,035</b>	<b>26,471</b>	<b>25,340</b>
CWIP	1,519	3,519	8,019	13,019
Investments	3,673	3,673	3,673	3,673
<b>Current Assets, Loans &amp; Advances</b>	<b>12,275</b>	<b>13,742</b>	<b>13,114</b>	<b>10,944</b>
Current Investment	4,169	3,919	2,819	2,819
Inventories	4,128	3,820	4,067	4,280
Receivables	882	1,011	1,077	1,133
Cash and Bank Balances	314	2,179	2,185	(385)
Loans and Advances	433	433	433	433
Other Current Assets	2,347	2,379	2,532	2,663
<b>Less: Current Liabilities &amp; Provisions</b>	<b>13,500</b>	<b>12,980</b>	<b>13,601</b>	<b>14,313</b>
Payables	4,685	4,719	5,024	5,287
Other Current Liabilities	8,815	8,260	8,577	9,026
<i>sub total</i>				
Net Current Assets	(1,225)	763	(487)	(3,369)
<b>Total Assets</b>	<b>31,999</b>	<b>34,990</b>	<b>37,676</b>	<b>38,662</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	37.9	36.5	36.9	36.9
EBIDTA Margin	16.6	16.4	16.6	16.6
EBIT Margin	12.0	11.5	11.9	12.0
Tax rate	30.7	31.0	30.0	30.0
Net Profit Margin	5.8	6.2	6.4	6.7
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	62.1	63.5	63.1	63.1
Employee	7.7	7.8	7.9	7.9
Other	13.5	12.2	12.3	12.3
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.9	0.8	0.7	0.6
Interest Coverage	2.9	3.0	3.1	3.5
Inventory days	37	34	34	34
Debtors days	8	9	9	9
Average Cost of Debt	10.7	10.4	10.7	10.7
Payable days	42	42	42	42
Working Capital days	(11)	7	(4)	(27)
FA T/O	1.4	1.5	1.6	1.8
<b>(D) Measures of Investment</b>				
AEPS (Rs)	22.4	21.4	23.6	26.2
CEPS (Rs)	38.4	38.4	41.2	44.3
DPS (Rs)	0.9	2.5	2.5	2.5
Dividend Payout (%)	4.0	11.7	10.6	9.5
BVPS (Rs)	145.5	164.5	185.6	209.3
RoANW (%)	16.3	13.8	13.5	13.3
RoACE (%)	13.6	12.2	12.2	12.2
RoAIC (%)	15.4	14.7	15.2	14.8
<b>(E) Valuation Ratios</b>				
CMP (Rs)	363	363	363	363
P/E	16.2	16.9	15.4	13.9
Mcap (Rs Mn)	42,697	42,697	42,697	42,697
MCap/ Sales	1.1	1.0	1.0	0.9
EV	52,880	52,028	53,322	54,092
EV/Sales	1.3	1.3	1.2	1.2
EV/EBITDA	7.9	7.7	7.3	7.1
P/BV	2.5	2.2	2.0	1.7
Dividend Yield (%)	0.2	0.7	0.7	0.7
<b>(F) Growth Rate (%)</b>				
Revenue	4.2	1.4	6.5	5.2
EBITDA	62.0	0.1	7.9	5.3
EBIT	105.4	(2.2)	9.8	6.2
PBT	225.0	7.7	8.6	10.8
APAT	231.1	(4.3)	10.2	10.8
EPS	231.1	(4.3)	10.2	10.8

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	5,413	6,204	6,496	6,956
CFI	(1,586)	(2,764)	(4,966)	(6,056)
CFF	(3,693)	(1,576)	(1,523)	(3,470)
FCFF	4,489	3,204	496	956
Opening Cash	180	314	2,179	2,185
Closing Cash	314	2,179	2,185	(385)

E – Estimates

## Accumulate

## View: Growth to continue, rich valuation

Shree cement, a player with 40.4 mtpa of total capacity, accounts for 7.8% of India's capacity, spread across North (60.1%), East (27.5%), South (7.5%), and Central (5%) region. SRCM has one of the lowest cost structures in the industry thus giving an edge over its peers. We expect 6.8%/ 6.9%/ 6.0% revenue/ EBITDA/ APAT CAGR over FY20-23E led by 4.0%/ 8.0%/ 9.0% volume growth and -2.5%/ 1.0%/ 1.0% blended realization growth in FY21E/ FY22E/ FY23E.

We believe SRCM is on the right track by adding capacity at regular intervals to improve its dominance on the market. The company has long term plan to double its capacity to 80 MTPA over next 6-7 years with medium term plan to increase to 57 MTPA over 3 years. To achieve this, SRCM announced 3.3-4 MTPA clinker addition in Chhattisgarh over next 18-20 months and its ongoing 6 MTPA GU (3 MTPA each in Odisha and Pune, Maharashtra) to be operational by Dec'20. This is helping it to increase its market share with robust profitability without much stress on balance sheet.

SRCM's size, its industry leadership in cost and healthy cash position are its advantages. Hence, its premium multiple is going to sustain. We have an Accumulate rating with a TP of Rs26,403 based on 20x Sep'22E EV/EBITDA and valuing investment in UAE subsidiary at 1x P/B. Our TP factors EV of USD 249/tn.

## Blended EBITDA/tn down 0.6% YoY in H1FY21

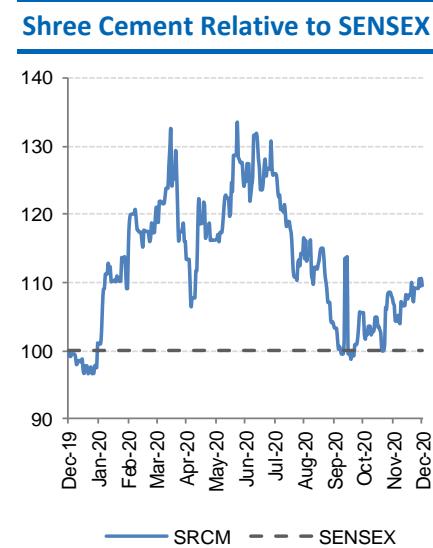
For Q2FY21, realization/tn of Rs4,628/ tn (-5.5% YoY/ -1.9% QoQ), cement volume of 6.5 mt (+14.1% YoY/ +32.4% QoQ) and operating cost/tn of Rs3,115/ tn (-8.9% YoY/ -5.5% QoQ) helped SRCM to report 2.6% YoY growth in EBITDA/tn to Rs1,513 (+6.5% QoQ). For H1FY21, realization/tn of Rs4,666/ tn (-5.9% YoY), cement volume of 11.5 mt (-2.7% YoY) and operating cost/tn of Rs3,193/ tn (-8.1% YoY) helped SRCM to report 0.6% YoY de-growth in EBITDA/tn to Rs1,473.

We factor blended EBITDA/ tn of Rs1,472/ Rs1,471/ Rs1,471 for FY21E/ FY22E/ FY23E led by blended realization/tn growth of -2.5%/ 1.0%/ 1.0% and blended cost/tn growth of -3.5%/ +1.5%/ +1.4% for FY21E/ FY22E/ FY23E.

## FINANCIALS (Rs Mn)

Particulars	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	1,17,220	1,19,040	1,20,707	1,31,667	1,44,952
Growth(%)	19.2	1.6	1.4	9.1	10.1
EBITDA	26,528	36,745	38,156	41,171	44,887
OPM(%)	22.6	30.9	31.6	31.3	31.0
PAT	11,319	15,755	19,711	18,110	18,772
Growth(%)	(18.2)	39.2	25.1	(8.1)	3.7
EPS(Rs.)	313.7	436.7	546.3	501.9	520.3
Growth(%)	(18.2)	39.2	25.1	(8.1)	3.7
EV/EBITDA (x)	32.8	23.6	22.2	20.3	18.3
ROANW(%)	12.2	14.0	14.3	11.9	11.2
ROACE(%)	11.1	13.0	13.6	11.6	11.1

CMP	Rs 24,913
Target / Upside	Rs 26,403 / 6%
NIFTY	13,259
<b>Scrip Details</b>	
Equity / FV	Rs 361mn / Rs 10
Market Cap	Rs 899bn
	USD 12bn
52-week High/Low	Rs 25,656/ 15,410
Avg. Volume (no)	74,418
Bloom Code	SRCM IN
<b>Price Performance</b>	
1M	14
3M	24
12M	22
Rel to NIFTY (%)	3 7 12
<b>Shareholding Pattern</b>	
	Mar'20 Jun'20 Sep'20
Promoters	62.6 62.6 62.6
MF/Banks/FIs	11.2 11.7 8.9
FII	11.9 11.6 11.4
Public / Others	14.3 14.3 17.2



**VP Research: Shravan Shah**

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

**Associate: Maulik Shah**

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com

**Associate: Parth Bhavsar**

Tel: +91 22 40969775

E-mail: parthb@dolatcapital.com

**Exhibit 1: Key Growth Assumptions**

Particulars (%)	FY21E	FY22E	FY23E
Volume	4.0	8.0	9.0
Realization/ tn	(2.5)	1.0	1.0
EBITDA/ tn	(0.2)	(0.1)	0.0
Cost/ tn	(3.5)	1.5	1.4

Source: Company, DART

**Exhibit 2: Income statement (Standalone)**

Rs mn	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
<b>Total Revenue</b>	<b>30,224</b>	<b>28,017</b>	<b>7.9</b>	<b>23,258</b>	<b>29.9</b>	<b>53,482</b>	<b>58,381</b>	<b>(8.4)</b>
Raw Material Cost	1,981	1,508	31.4	1,612	22.9	3,593	3,363	6.8
Employee Expenses	1,732	1,850	(6.4)	1,731	0.1	3,462	3,763	(8.0)
Power and Fuel	4,754	5,984	(20.6)	3,831	24.1	8,585	12,466	(31.1)
Freight Cost	7,096	5,797	22.4	5,602	26.7	12,698	12,479	1.8
Other expenses	4,782	4,437	7.8	3,476	37.6	8,257	8,846	(6.7)
<b>Total Expenditure</b>	<b>20,344</b>	<b>19,576</b>	<b>3.9</b>	<b>16,252</b>	<b>25.2</b>	<b>36,595</b>	<b>40,918</b>	<b>(10.6)</b>
<b>PBIDT (Excl. OI)</b>	<b>9,880</b>	<b>8,442</b>	<b>17.0</b>	<b>7,006</b>	<b>41.0</b>	<b>16,886</b>	<b>17,463</b>	<b>(3.3)</b>
Other Income	1,024	578	77.3	1,244	(17.7)	2,268	1,089	108.3
Depreciation	2,786	4,283	(34.9)	2,714	2.7	5,500	8,310	(33.8)
<b>EBIT</b>	<b>8,118</b>	<b>4,736</b>	<b>71.4</b>	<b>5,537</b>	<b>46.6</b>	<b>13,655</b>	<b>10,242</b>	<b>33.3</b>
Interest	627	717	(12.5)	706	(11.1)	1,333	1,398	(4.6)
<b>PBT (before exceptional item)</b>	<b>7,490</b>	<b>4,018</b>	<b>86.4</b>	<b>4,831</b>	<b>55.0</b>	<b>12,322</b>	<b>8,844</b>	<b>39.3</b>
Exceptional items	-	-	#DIV/0!	-	#DIV/0!	-	-	#DIV/0!
PBT (after exceptional item)	7,490	4,018	86	4,831	55.0	12,322	8,844	39.3
Tax	2,018	928	117.5	1,123	79.6	3,141	2,124	47.9
<b>RPAT</b>	<b>5,473</b>	<b>3,091</b>	<b>77.1</b>	<b>3,708</b>	<b>47.6</b>	<b>9,181</b>	<b>6,721</b>	<b>36.6</b>
Adjustment	-	-	-	-	-	-	-	-
<b>APAT</b>	<b>5,473</b>	<b>3,091</b>	<b>77.1</b>	<b>3,708</b>	<b>47.6</b>	<b>9,181</b>	<b>6,721</b>	<b>36.6</b>
<b>Adj. EPS (Rs)</b>	<b>151.7</b>	<b>85.7</b>	<b>77.1</b>	<b>102.8</b>	<b>47.6</b>	<b>254.4</b>	<b>186.3</b>	<b>36.6</b>
			<b>bps</b>		<b>bps</b>			<b>bps</b>
EBIDTA Margin (excl. O.I.)	32.7	30.1	256	30.1	257	31.6	29.9	166
NPM (%)	18.1	11.0	708	15.9	216	17.2	11.5	565
Tax Rate (%)	26.9	23.1	385	23.3	369	25.5	24.0	148

Source: DART, Company

**Exhibit 3: Valuation**

Particulars	Rs mn
Assumed EV/EBITDA multiple (x)	20
EBITDA (Sep'22E)	43,029
EV	8,60,572
Less: Net Debt (Sep'22E)	(71,210)
Mcap	9,31,782
Shares o/s (mn)	36
Value/share (Rs) – A	25,825
Investments in UAE subsidiary	20,868
P/B (x)	1
Value/share (Rs) – B	578
Target Price (A+B)	26,403
CMP (Rs)	24,913
Upside (%)	6.0

Source: Company, DART

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>1,19,040</b>	<b>1,20,707</b>	<b>1,31,667</b>	<b>1,44,952</b>
<b>Total Expense</b>	<b>82,295</b>	<b>82,550</b>	<b>90,496</b>	<b>1,00,065</b>
COGS	57,220	56,799	62,413	69,155
Employees Cost	7,310	7,091	7,729	8,502
Other expenses	17,765	18,660	20,354	22,408
<b>EBIDTA</b>	<b>36,745</b>	<b>38,156</b>	<b>41,171</b>	<b>44,887</b>
Depreciation	16,994	13,433	18,013	21,186
<b>EBIT</b>	<b>19,751</b>	<b>24,723</b>	<b>23,157</b>	<b>23,701</b>
Interest	2,865	2,697	2,239	2,239
Other Income	2,716	4,466	3,423	3,769
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>19,602</b>	<b>26,493</b>	<b>24,342</b>	<b>25,231</b>
Tax	3,900	6,782	6,231	6,459
RPAT	15,702	19,711	18,110	18,772
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>15,755</b>	<b>19,711</b>	<b>18,110</b>	<b>18,772</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	361	361	361	361
Minority Interest	0	0	0	0
Reserves & Surplus	1,29,003	1,45,106	1,59,608	1,74,772
<b>Net Worth</b>	<b>1,29,364</b>	<b>1,45,467</b>	<b>1,59,969</b>	<b>1,75,132</b>
Total Debt	31,546	22,387	22,387	22,387
Net Deferred Tax Liability	0	0	0	0
<b>Total Capital Employed</b>	<b>1,60,910</b>	<b>1,67,854</b>	<b>1,82,356</b>	<b>1,97,519</b>

**Applications of Funds**

Net Block	<b>43,189</b>	<b>46,377</b>	<b>43,363</b>	<b>52,177</b>
CWIP	9,621	8,000	15,000	8,000
Investments	25,579	25,579	25,579	25,579
<b>Current Assets, Loans &amp; Advances</b>	<b>1,14,990</b>	<b>1,25,084</b>	<b>1,40,428</b>	<b>1,57,340</b>
Current Investment	63,575	72,575	85,575	98,075
Inventories	14,279	15,212	15,872	17,474
Receivables	8,285	7,275	7,575	8,340
Cash and Bank Balances	1,082	1,792	1,811	1,733
Loans and Advances	76	110	116	128
Other Current Assets	27,693	28,119	29,479	31,591
<b>Less: Current Liabilities &amp; Provisions</b>	<b>32,469</b>	<b>37,186</b>	<b>42,015</b>	<b>45,577</b>
Payables	5,280	5,622	6,493	7,148
Other Current Liabilities	27,189	31,564	35,522	38,429
<i>sub total</i>				
Net Current Assets	82,521	87,898	98,413	1,11,763
<b>Total Assets</b>	<b>1,60,910</b>	<b>1,67,854</b>	<b>1,82,356</b>	<b>1,97,519</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	51.9	52.9	52.6	52.3
EBIDTA Margin	30.9	31.6	31.3	31.0
EBIT Margin	16.6	20.5	17.6	16.4
Tax rate	19.9	25.6	25.6	25.6
Net Profit Margin	13.2	16.3	13.8	13.0
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	48.1	47.1	47.4	47.7
Employee	6.1	5.9	5.9	5.9
Other	14.9	15.5	15.5	15.5
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	(0.3)	(0.4)	(0.4)	(0.4)
Interest Coverage	6.9	9.2	10.3	10.6
Inventory days	44	46	44	44
Debtors days	25	22	21	21
Average Cost of Debt	9.6	10.0	10.0	10.0
Payable days	16	17	18	18
Working Capital days	253	266	273	281
FA T/O	2.8	2.6	3.0	2.8
<b>(D) Measures of Investment</b>				
AEPS (Rs)	436.7	546.3	501.9	520.3
CEPS (Rs)	907.7	918.6	1001.2	1107.5
DPS (Rs)	110.0	100.0	100.0	100.0
Dividend Payout (%)	25.2	18.3	19.9	19.2
BVPS (Rs)	3585.4	4031.7	4433.6	4853.9
RoANW (%)	14.0	14.3	11.9	11.2
RoACE (%)	13.0	13.6	11.6	11.1
RoAIC (%)	14.1	15.2	13.4	12.6
<b>(E) Valuation Ratios</b>				
CMP (Rs)	24913	24913	24913	24913
P/E	57.1	45.6	49.6	47.9
Mcap (Rs Mn)	8,98,872	8,98,872	8,98,872	8,98,872
MCap/ Sales	7.6	7.4	6.8	6.2
EV	8,65,761	8,46,892	8,33,873	8,21,451
EV/Sales	7.3	7.0	6.3	5.7
EV/EBITDA	23.6	22.2	20.3	18.3
P/BV	6.9	6.2	5.6	5.1
Dividend Yield (%)	0.4	0.4	0.4	0.4
<b>(F) Growth Rate (%)</b>				
Revenue	1.6	1.4	9.1	10.1
EBITDA	38.5	3.8	7.9	9.0
EBIT	56.6	25.2	(6.3)	2.3
PBT	81.3	35.2	(8.1)	3.7
APAT	39.2	25.1	(8.1)	3.7
EPS	39.2	25.1	(8.1)	3.7

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	37,514	37,047	38,469	38,631
CFI	(55,353)	(20,874)	(32,604)	(32,862)
CFF	15,910	(15,463)	(5,847)	(5,847)
FCFF	24,663	22,047	16,469	15,631
Opening Cash	3,078	1,082	1,792	1,811
Closing Cash	1,082	1,792	1,811	1,733

E – Estimates

## Accumulate

## View: Robust H1FY21, fair valuation

The Ramco Cement, a player with 18.8 mtpa capacity, accounts for 3.6% of India's cement capacity, spread across South (16.6 mtpa - 88.3%) and East (2.2 mtpa - 11.7%) region. With the ongoing capex, dependence on south region will decrease to 84.6% in FY22E from 88.3% in FY20 thereby reducing geographical risk. With the ongoing capacity expansion projects, we expect 9.3% / 16.2% / 15.8% revenue / EBITDA / PAT CAGR over FY20-23E led by -8.8% / 17.0% / 10.0% volume growth and 11.2% / 0.0% / 0.5% realization growth in FY21E / FY22E / FY23E.

We like TRCL for its strong distribution (supports its industry leading volume growth) and healthy profitability metrics (despite turbulent south markets). We have an Accumulate rating with a TP of Rs926 based on 14x (5-year average) Sept'22E EV/EBITDA.

## EBITDA/tn up 40.2% YoY in H1FY21

For Q2FY21, realization/tn of Rs5,498/ tn (+16.8% YoY / +4.1% QoQ), cement volume of 2.21 mt (-18.8% YoY / +14.2% QoQ) and operating cost/tn of Rs3,683/ tn (-1.8% YoY / -8.8% QoQ) helped TRCL to report 84.3% YoY growth in EBITDA/tn to Rs1,997 (+48.8% QoQ). For H1FY21, realization/tn of Rs5,539/ tn (+11.3% YoY), cement volume of 4.15 mt (-23.5% YoY) and operating cost/tn of Rs3,848/ tn (+2.1% YoY) helped TRCL to report 40.2% YoY growth in EBITDA/tn to Rs1,691.

We factor EBITDA/ tn of Rs1,450/ Rs1,403/ Rs1,357 for FY21E / FY22E / FY23E led by realization/tn growth of +11.2% / 0.0% / 0.5% and cost/tn growth of +2.3% / 1.1% / 1.7% for FY21E / FY22E / FY23E.

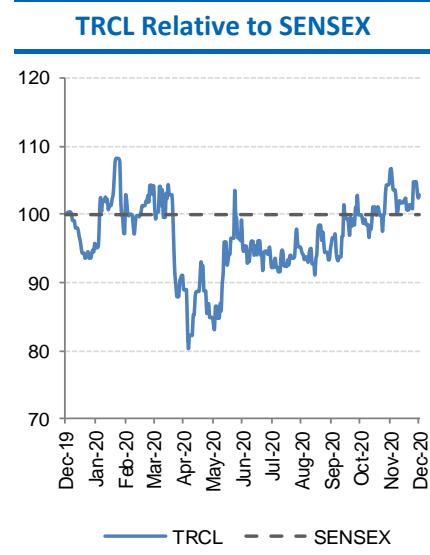
## 4MTPA capacity expansion to support future volume growth

TRCL commissioned 3mtpa (1mtpa at Vizag, AP in Mar'20 + 1mtpa at Kolaghat, WB in Sep'19 + 1mtpa at Haridaspur, Odisha in Sept'20) grinding unit out of 4mtpa. The balance 1mtpa at Kurnool, AP with 18MW of TPP, 12MW of WHRS and railway siding are expected to be operational in FY22. This will increase its capacity from 16.7mtpa (FY19) to 20.8mtpa (FY22). Clinker addition of 1.5mtpa at Jayanthipuram, AP / 2.25mtpa at Kurnool, AP is expected to operational by Mar'21. TRCL spent Rs26.05 bn (Rs6.85 in H1FY21) capex for the above expansion and Rs8.8 bn is to be spent. In Jayanthipuram, out of 27MW of WHRS, balance 2 units of 9MW each are expected to be commissioned by Dec'20 / Mar'21, respectively.

## FINANCIALS (Rs Mn)

Particulars	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	51,463	53,684	54,299	63,462	70,078
Growth(%)	16.8	4.3	1.1	16.9	10.4
EBITDA	10,365	11,366	14,818	16,778	17,846
OPM(%)	20.1	21.2	27.3	26.4	25.5
PAT	5,059	6,011	7,798	8,969	9,330
Growth(%)	(9.0)	18.8	29.7	15.0	4.0
EPS(Rs.)	21.5	25.5	33.1	38.0	39.6
Growth(%)	(9.0)	18.8	29.7	15.0	4.0
EV/EBITDA (x)	21.7	21.0	16.2	14.0	13.0
ROANW(%)	11.9	12.8	14.8	14.8	13.6
ROACE(%)	8.6	8.5	9.6	10.0	9.8

CMP	Rs 889
Target / Upside	Rs 926 / 5%
NIFTY	13,259
<b>Scrip Details</b>	
Equity / FV	Rs 236mn / Rs 1
Market Cap	Rs 209bn
	USD 3bn
52-week High/Low	Rs 900 / 455
Avg. Volume (no)	7,95,029
Bloom Code	TRCL IN
<b>Price Performance</b>	
1M	24
3M	12
Absolute (%)	6
Rel to NIFTY (%)	(5) 6 2
<b>Shareholding Pattern</b>	
	Mar'20 Jun'20 Sep'20
Promoters	42.7 42.7 42.6
MF/Banks/FIs	24.5 24.5 23.7
FII	8.9 8.9 7.6
Public / Others	24.0 24.0 26.2



VP Research: Shravan Shah

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

Associate: Maulik Shah

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com

Associate: Parth Bhavsar

Tel: +91 22 40969775

E-mail: parthb@dolatcapital.com

**Exhibit 1: Key Growth Assumptions**

Particulars (%)	FY21E	FY22E	FY23E
Volume	(8.8)	17.0	10.0
Realization/ tn	11.2	0.0	0.5
EBITDA/ tn	42.9	(3.2)	(3.3)
Cost/ tn	2.3	1.1	1.7

Source: Company, DART

**Exhibit 2: Income statement (Standalone)**

Particulars (Rs mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
<b>Total Revenue</b>	<b>12,570</b>	<b>13,167</b>	<b>(4.5)</b>	<b>10,418</b>	<b>20.7</b>	<b>22,988</b>	<b>27,006</b>	<b>(14.9)</b>
Raw Material Cost	1,615	1,997	(19.1)	1,886	(14.4)	3,501	4,005	(12.6)
Employee Expenses	1,102	987	11.6	975	13.0	2,076	1,871	11.0
Power and Fuel	1,822	2,713	(32.8)	1,511	20.6	3,333	5,373	(38.0)
Freight Cost	2,162	2,698	(19.8)	2,018	7.2	4,180	5,508	(24.1)
Other expenses	1,449	1,821	(20.4)	1,430	1.4	2,879	3,703	(22.3)
<b>Total Expenditure</b>	<b>8,150</b>	<b>10,215</b>	<b>(20.2)</b>	<b>7,818</b>	<b>4.2</b>	<b>15,968</b>	<b>20,460</b>	<b>(22.0)</b>
<b>PBIDT (Excl. OI)</b>	<b>4,420</b>	<b>2,952</b>	<b>49.7</b>	<b>2,600</b>	<b>70.0</b>	<b>7,020</b>	<b>6,545</b>	<b>7.2</b>
Other Income	83	92	(9.8)	101	(17.5)	184	174	5.9
Depreciation	855	765	11.6	844	1.2	1,699	1,523	11.5
<b>EBIT</b>	<b>3,649</b>	<b>2,279</b>	<b>60.1</b>	<b>1,856</b>	<b>96.5</b>	<b>5,505</b>	<b>5,196</b>	<b>5.9</b>
Interest	265	147	80.0	299	(11.4)	565	283	99.8
<b>EBT (before EO)</b>	<b>3,383</b>	<b>2,132</b>	<b>58.7</b>	<b>1,557</b>	<b>117.3</b>	<b>4,940</b>	<b>4,913</b>	<b>0.6</b>
Exceptional items	-	-	#DIV/0!	-	#DIV/0!	-	-	#DIV/0!
<b>EBT (after EO)</b>	<b>3,383</b>	<b>2,132</b>	<b>58.7</b>	<b>1,557</b>	<b>117.3</b>	<b>4,940</b>	<b>4,913</b>	<b>0.6</b>
Tax	1,026	450	127.9	461	122.4	1,487	1,312	13.3
<b>RPAT</b>	<b>2,358</b>	<b>1,682</b>	<b>40.2</b>	<b>1,096</b>	<b>115.1</b>	<b>3,454</b>	<b>3,601</b>	<b>(4.1)</b>
Adjustment	-	-	#DIV/0!	-	#DIV/0!	-	-	#DIV/0!
<b>APAT</b>	<b>2,358</b>	<b>1,682</b>	<b>40.2</b>	<b>1,096</b>	<b>115.1</b>	<b>3,454</b>	<b>3,601</b>	<b>(4.1)</b>
<b>Adj. EPS (Rs)</b>	<b>10.0</b>	<b>7.1</b>	<b>40.2</b>	<b>4.7</b>	<b>115.1</b>	<b>14.7</b>	<b>15.3</b>	<b>(4.1)</b>
			<b>bps</b>		<b>bps</b>			<b>bps</b>
EBIDTA Margin (excl. O.I.)	35.2	22.4	1,274	25.0	1,021	30.5	24.2	630
NPM (%)	18.8	12.8	599	10.5	824	15.0	13.3	169
Tax Rate (%)	30.3	21.1	920	29.6	70	30.1	26.7	339

Source: DART, Company

**Exhibit 3: Valuation**

Particulars	Rs mn
Assumed EV/EBITDA multiple (x)	14
EBITDA (Sep'22E)	17,312
EV	2,42,368
Less: Net Debt (Sep'22E)	23,954
Mcap	2,18,413
Shares o/s (mn)	236
Target Price	926
CMP (Rs)	889
Upside (%)	4.1

Source: Company, DART

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>53,684</b>	<b>54,299</b>	<b>63,462</b>	<b>70,078</b>
<b>Total Expense</b>	<b>42,318</b>	<b>39,482</b>	<b>46,683</b>	<b>52,232</b>
COGS	30,625	27,830	33,213	37,265
Employees Cost	3,682	4,197	4,575	4,987
Other expenses	8,011	7,454	8,895	9,980
<b>EBIDTA</b>	<b>11,366</b>	<b>14,818</b>	<b>16,778</b>	<b>17,846</b>
Depreciation	3,153	3,698	4,302	4,559
<b>EBIT</b>	<b>8,214</b>	<b>11,120</b>	<b>12,476</b>	<b>13,287</b>
Interest	714	1,079	934	819
Other Income	372	380	444	0
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>7,872</b>	<b>10,420</b>	<b>11,986</b>	<b>12,468</b>
Tax	1,861	2,623	3,017	3,138
RPAT	6,011	7,798	8,969	9,330
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>6,011</b>	<b>7,798</b>	<b>8,969</b>	<b>9,330</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	236	236	236	236
Minority Interest	0	0	0	0
Reserves & Surplus	48,950	56,040	64,302	72,924
<b>Net Worth</b>	<b>49,186</b>	<b>56,276</b>	<b>64,538</b>	<b>73,160</b>
Total Debt	30,241	31,441	26,941	24,241
Net Deferred Tax Liability	9,172	9,172	9,172	9,172
<b>Total Capital Employed</b>	<b>88,599</b>	<b>96,889</b>	<b>1,00,651</b>	<b>1,06,573</b>

**Applications of Funds**

Net Block	<b>57,883</b>	<b>75,828</b>	<b>84,026</b>	<b>81,467</b>
CWIP	20,035	9,442	3,942	10,942
Investments	2,644	2,630	2,630	2,630
<b>Current Assets, Loans &amp; Advances</b>	<b>19,908</b>	<b>20,969</b>	<b>23,503</b>	<b>26,360</b>
Inventories	6,453	6,546	7,476	8,256
Receivables	5,269	5,207	6,085	6,720
Cash and Bank Balances	914	1,396	1,590	1,683
Loans and Advances	298	328	360	397
Other Current Assets	6,975	7,493	7,990	9,304
<b>Less: Current Liabilities &amp; Provisions</b>	<b>11,871</b>	<b>11,980</b>	<b>13,449</b>	<b>14,825</b>
Payables	3,414	3,570	3,825	4,224
Other Current Liabilities	8,457	8,410	9,624	10,601
<i>sub total</i>				
Net Current Assets	8,037	8,989	10,053	11,535
<b>Total Assets</b>	<b>88,599</b>	<b>96,889</b>	<b>1,00,651</b>	<b>1,06,573</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	43.0	48.7	47.7	46.8
EBIDTA Margin	21.2	27.3	26.4	25.5
EBIT Margin	15.3	20.5	19.7	19.0
Tax rate	23.6	25.2	25.2	25.2
Net Profit Margin	11.2	14.4	14.1	13.3
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	57.0	51.3	52.3	53.2
Employee	6.9	7.7	7.2	7.1
Other	14.9	13.7	14.0	14.2
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.6	0.6	0.4	0.3
Interest Coverage	11.5	10.3	13.4	16.2
Inventory days	44	44	43	43
Debtors days	36	35	35	35
Average Cost of Debt	3.1	3.5	3.2	3.2
Payable days	23	24	22	22
Working Capital days	55	60	58	60
FA T/O	0.9	0.7	0.8	0.9
<b>(D) Measures of Investment</b>				
AEPS (Rs)	25.5	33.1	38.0	39.6
CEPS (Rs)	38.9	48.8	56.3	58.9
DPS (Rs)	0.0	3.0	3.0	3.0
Dividend Payout (%)	0.0	9.1	7.9	7.6
BVPS (Rs)	208.6	238.7	273.7	310.3
RoANW (%)	12.8	14.8	14.8	13.6
RoACE (%)	8.5	9.6	10.0	9.8
RoAIC (%)	10.5	12.1	12.8	13.0
<b>(E) Valuation Ratios</b>				
CMP (Rs)	886	886	886	886
P/E	34.7	26.8	23.3	22.4
Mcap (Rs Mn)	2,08,812	2,08,812	2,08,812	2,08,812
MCap/ Sales	3.9	3.8	3.3	3.0
EV	2,38,139	2,38,857	2,34,163	2,31,370
EV/Sales	4.4	4.4	3.7	3.3
EV/EBITDA	21.0	16.1	14.0	13.0
P/BV	4.2	3.7	3.2	2.9
Dividend Yield (%)	0.0	0.3	0.3	0.3
<b>(F) Growth Rate (%)</b>				
Revenue	4.3	1.1	16.9	10.4
EBITDA	9.7	30.4	13.2	6.4
EBIT	11.3	35.4	12.2	6.5
PBT	10.0	32.4	15.0	4.0
APAT	18.8	29.7	15.0	4.0
EPS	18.8	29.7	15.0	4.0

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	7,400	12,193	13,728	13,783
CFI	(19,540)	(11,151)	(7,419)	(9,492)
CFF	12,127	(560)	(6,115)	(4,197)
FCFF	(11,800)	1,192	6,728	4,783
Opening Cash	928	914	1,396	1,590
Closing Cash	914	1,396	1,590	1,683

E – Estimates

#### View: Better show continues, attractive valuation

Ultratech Cement, a Pan India giant with 111.4mtpa of total capacity in India, accounts for 21.5% of India's capacity, spread across West (27.7 mtpa - 25%), North (23.8 mtpa - 21%), Central (23.3 mtpa - 21%), South (20.5 mtpa - 18%) and East (16.1 mtpa - 14%) regions.

Recent capacity expansion plan of 19.5 mtpa will take its India cement capacity to 130.9 mtpa (FY23) which consists of 6.7mtpa ongoing expansion and 12.8mtpa proposed expansion with a capex of Rs10.5 bn and Rs54.8 bn respectively totaling to Rs65.3 bn. This capex is spread across East and Central and minor in North/ West region. The average cost of these projects is less than \$60/ tn thus strengthening overall ROCE. UTCEM plans to commission 2.0/ 4.7/ 12.8mtpa capacity in FY21/ FY22/ FY23. UTCEM is also to add 11.4mtpa clinker capacity, out of which 2.3mtpa (Dalla) to commission by FY22 and rest 9.1 mtpa in FY23.

Ultratech cement has strong presence across India and the company maintains average utilization above 70% which places them perfectly to take the incremental share of the growing market while maintaining profitability. We expect 5.6%/ 9.1%/ 17.1% revenue/ EBITDA/ APAT CAGR over FY20-23E led by -1.5%/ 8.0%/ 7.0% volume growth and 1.3%/ 1.0%/ 1.0% realization growth in FY21E/ FY22E/ FY23E.

UTCEM will continue to witness healthy operating cash flow (average Rs85.9 bn/year) and free cash flow (average Rs59.2 bn/year) leading to further deleveraging (Net D:E of 0.06x in FY23E vs. 0.42x FY20). UTCEM, being the largest player in Indian cement industry is its biggest advantage. We have a Buy rating with an upward revised TP of Rs5,834 based on 15x (14% discount to 5-year average) consolidated Sept'22E EV/EBITDA.

#### EBITDA/tn up 0.7% YoY in H1FY21

For H1FY21, realization/tn of Rs5,181/ tn (-12.0% YoY), cement volume of 34.7 mt (-2.7% YoY) and operating cost/tn of Rs3,807/ tn (-15.9% YoY) helped UTCEM to report 0.7% YoY growth in EBITDA/tn to Rs1,374.

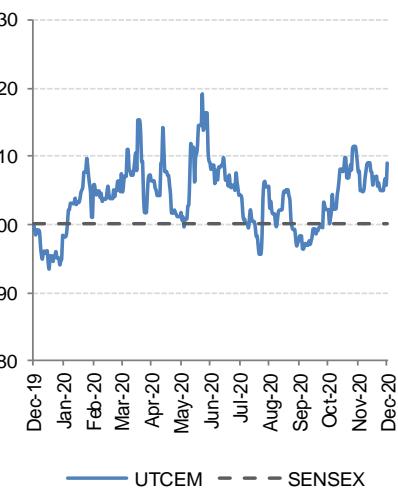
We factor EBITDA/ tn of Rs1,276/ Rs1,273/ Rs1,287 for FY21E/ FY22E/ FY23E led by realization/tn growth of +1.3%/ +1.0%/ +1.0% and cost/tn growth of -2.1%/ +1.4%/ +1.0% for FY21E/ FY22E/ FY23E.

#### FINANCIALS (Rs Mn)

Particulars	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	4,16,088	4,21,248	4,20,425	4,58,583	4,95,448
Growth(%)	34.3	1.2	(0.2)	9.1	8.0
EBITDA	73,469	92,836	1,03,581	1,11,633	1,20,690
OPM(%)	17.7	22.0	24.6	24.3	24.4
PAT	25,174	37,054	46,936	52,232	59,429
Growth(%)	(2.0)	47.2	26.7	11.3	13.8
EPS(Rs.)	87.2	128.4	162.6	181.0	205.9
Growth(%)	(2.0)	47.2	26.7	11.3	13.8
EV/EBITDA (x)	22.0	17.6	15.5	13.9	12.4
ROANW(%)	8.4	10.2	11.4	11.5	11.8
ROACE(%)	7.5	11.8	9.2	9.8	10.1

CMP	Rs 5,091		
Target / Upside	Rs 5,834 / 15%		
NIFTY	13,259		
<b>Scrip Details</b>			
Equity / FV	Rs 2,886mn / Rs		
Market Cap	Rs 1,470bn		
	USD 20bn		
52-week High/Low	Rs 4,997 / 2,910		
Avg. Volume (no)	6,38,601		
Bloom Code	UTCEM IN		
<b>Price Performance</b>			
1M	3M	12M	
Absolute (%)	12	30	21
Rel to NIFTY (%)	1	13	11
<b>Shareholding Pattern</b>			
	Mar'20	Jun'20	Sep'20
Promoters	60.0	60.0	59.9
MF/Banks/FIs	14.2	14.6	15.4
FII	16.5	16.1	15.3
Public / Others	9.3	9.3	9.4

#### UTCEM Relative to SENSEX



**VP Research: Shravan Shah**

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

**Associate: Maulik Shah**

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com

**Associate: Parth Bhavsar**

Tel: +91 22 40969775

E-mail: parthb@dolatcapital.com

**Exhibit 1: Key Growth Assumptions**

Particulars (%)	FY21E	FY22E	FY23E
Volume	(1.5)	8.0	7.0
Realization/ tn	1.3	1.0	1.0
EBITDA/ tn	13.2	(0.2)	1.1
Cost/ tn	(2.1)	1.4	1.0

Source: Company, DART

**Exhibit 2: Income statement (Consolidated)**

Particulars (Rs mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
<b>Total Revenue</b>	<b>1,03,542</b>	<b>96,151</b>	<b>7.7</b>	<b>76,338</b>	<b>35.6</b>	<b>1,79,880</b>	<b>2,10,254</b>	<b>(14.4)</b>
Raw Material Cost	16,609	14,977	10.9	11,873	39.9	28,481	30,709	(7.3)
<b>Employee Expenses</b>	<b>5,636</b>	<b>6,384</b>	<b>(11.7)</b>	<b>5,604</b>	<b>0.6</b>	<b>11,240</b>	<b>12,344</b>	<b>(8.9)</b>
Power and Fuel	18,372	19,671	(6.6)	13,708	34.0	32,080	43,103	(25.6)
Freight Cost	22,983	21,341	7.7	16,059	43.1	39,041	47,030	(17.0)
Other expenses	12,994	14,592	(10.9)	8,348	55.7	21,342	28,388	(24.8)
<b>Total Expenditure</b>	<b>76,593</b>	<b>76,965</b>	<b>(0.5)</b>	<b>55,592</b>	<b>37.8</b>	<b>1,32,185</b>	<b>1,61,575</b>	<b>(18.2)</b>
PBIDT (Excl. OI)	26,949	19,186	40.5	20,746	29.9	47,695	48,679	(2.0)
Other Income	1,349	1,470	(8.2)	2,788	(51.6)	4,137	2,817	46.9
Depreciation	6,724	6,684	0.6	6,462	4.1	13,186	13,568	(2.8)
<b>EBIT</b>	<b>21,574</b>	<b>13,972</b>	<b>54.4</b>	<b>17,072</b>	<b>26.4</b>	<b>38,646</b>	<b>37,928</b>	<b>1.9</b>
Interest	3,568	5,071	(29.6)	3,930	(9.2)	7,498	10,100	(25.8)
<b>EBT (before EO)</b>	<b>18,006</b>	<b>8,901</b>	<b>102.3</b>	<b>13,142</b>	<b>37.0</b>	<b>31,148</b>	<b>27,828</b>	<b>11.9</b>
Exceptional items	(3,357)	-	-	(1,574)	113.3	(4,931)	-	-
<b>EBT (after EO)</b>	<b>14,648</b>	<b>8,901</b>	<b>64.6</b>	<b>11,568</b>	<b>26.6</b>	<b>26,217</b>	<b>27,828</b>	<b>(5.8)</b>
Tax	5,662	3,113	81.9	3,603	57.1	9,265	9,231	0.4
Share of P/L of associate and JV (net of tax)	2	(2)	(166.7)	(2)	(169.6)	(1)	1	(163.6)
Minority interest	7	(6)	(232.7)	(11)	(165.2)	(4)	(3)	18.2
<b>RPAT</b>	<b>8,981</b>	<b>5,791</b>	<b>55.1</b>	<b>7,974</b>	<b>12.6</b>	<b>16,955</b>	<b>18,602</b>	<b>(8.8)</b>
Adjustment	3,357	-	-	1,083	209.9	4,441	-	-
<b>APAT</b>	<b>12,338</b>	<b>5,791</b>	<b>113.1</b>	<b>9,058</b>	<b>36.2</b>	<b>21,396</b>	<b>18,602</b>	<b>15.0</b>
Adj. EPS (Rs)	42.7	20.1	113.1	31.4	36.2	74.1	64.4	15.0
				<b>bps</b>	<b>bps</b>			<b>bps</b>
EBIDTA Margin (excl. O.I.)	26.0	20.0	607	27.2	(115)	26.5	23.2	336
NPM (%)	11.9	6.0	589	11.9	5	11.9	8.8	305
Tax Rate (%)	38.6	35.0	368	31.1	750	35.3	33.2	217

Source: DART, Company

**Exhibit 3: Valuation**

Particulars	Rs mn
Assumed EV/EBITDA multiple (x)	15
EBITDA (Sep'22E)	1,16,162
EV	17,42,426
Less: Net Debt (Sep'22E)	58,562
Mcap	0
Shares o/s (mn)	16,83,864
Target Price	289
CMP (Rs)	5,834
Upside (%)	5,091

Source: Company, DART

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>4,21,248</b>	<b>4,20,425</b>	<b>4,58,583</b>	<b>4,95,448</b>
<b>Total Expense</b>	<b>3,28,413</b>	<b>3,16,845</b>	<b>3,46,949</b>	<b>3,74,758</b>
COGS	2,45,064	2,38,731	2,61,941	2,83,369
Employees Cost	25,094	23,589	25,240	26,880
Other expenses	58,255	54,525	59,768	64,509
<b>EBIDTA</b>	<b>92,836</b>	<b>1,03,581</b>	<b>1,11,633</b>	<b>1,20,690</b>
Depreciation	27,022	28,038	29,250	30,927
<b>EBIT</b>	<b>65,814</b>	<b>75,543</b>	<b>82,383</b>	<b>89,763</b>
Interest	19,857	15,294	15,591	13,080
Other Income	6,478	7,449	7,822	8,213
Exc. / E.O. items	0	(4,931)	0	0
<b>EBT</b>	<b>52,423</b>	<b>62,770</b>	<b>74,616</b>	<b>84,898</b>
Tax	(5,682)	20,275	22,385	25,469
RPAT	58,148	42,495	52,232	59,429
Minority Interest	(44)	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>37,054</b>	<b>46,936</b>	<b>52,232</b>	<b>59,429</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	2,886	2,886	2,886	2,886
Minority Interest	75	75	75	75
Reserves & Surplus	3,88,269	4,27,011	4,74,914	5,30,013
<b>Net Worth</b>	<b>3,91,155</b>	<b>4,29,898</b>	<b>4,77,800</b>	<b>5,32,899</b>
Total Debt	2,28,979	2,07,979	1,76,979	1,45,979
Net Deferred Tax Liability	49,120	49,120	49,120	49,120
<b>Total Capital Employed</b>	<b>6,69,329</b>	<b>6,87,072</b>	<b>7,03,974</b>	<b>7,28,074</b>

**Applications of Funds**

Net Block	<b>5,07,299</b>	<b>4,96,261</b>	<b>4,87,011</b>	<b>4,96,084</b>
CWIP	71,721	79,721	84,721	74,721
Investments	16,850	16,850	16,850	16,850
<b>Current Assets, Loans &amp; Advances</b>	<b>1,97,502</b>	<b>2,10,258</b>	<b>2,33,023</b>	<b>2,65,962</b>
Current Investment	42,437	40,000	42,000	42,000
Inventories	41,483	41,467	43,974	47,509
Receivables	22,383	25,341	26,384	28,505
Cash and Bank Balances	5,392	18,628	32,317	55,818
Loans and Advances	14,294	13,344	12,394	11,444
Other Current Assets	71,513	71,479	75,954	80,686
<b>Less: Current Liabilities &amp; Provisions</b>	<b>1,24,042</b>	<b>1,16,018</b>	<b>1,17,631</b>	<b>1,25,544</b>
Payables	35,014	31,100	30,153	32,577
Other Current Liabilities	89,028	84,918	87,477	92,966
<i>sub total</i>				
Net Current Assets	73,459	94,240	1,15,392	1,40,419
<b>Total Assets</b>	<b>6,69,329</b>	<b>6,87,072</b>	<b>7,03,974</b>	<b>7,28,074</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	41.8	43.2	42.9	42.8
EBIDTA Margin	22.0	24.6	24.3	24.4
EBIT Margin	15.6	18.0	18.0	18.1
Tax rate	(10.8)	32.3	30.0	30.0
Net Profit Margin	8.8	11.2	11.4	12.0
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	58.2	56.8	57.1	57.2
Employee	6.0	5.6	5.5	5.4
Other	13.8	13.0	13.0	13.0
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.6	0.5	0.4	0.3
Interest Coverage	3.3	4.9	5.3	6.9
Inventory days	36	36	35	35
Debtors days	19	22	21	21
Average Cost of Debt	8.2	7.0	8.1	8.1
Payable days	30	27	24	24
Working Capital days	64	82	92	103
FA T/O	0.8	0.8	0.9	1.0
<b>(D) Measures of Investment</b>				
AEPS (Rs)	128.4	162.6	181.0	205.9
CEPS (Rs)	222.0	259.8	282.3	313.1
DPS (Rs)	13.2	13.0	15.0	15.0
Dividend Payout (%)	10.3	8.0	8.3	7.3
BVPS (Rs)	1355.2	1489.5	1655.4	1846.3
RoANW (%)	10.2	11.4	11.5	11.8
RoACE (%)	11.8	9.2	9.8	10.1
RoAIC (%)	10.0	11.3	12.3	13.4
<b>(E) Valuation Ratios</b>				
CMP (Rs)	5091	5091	5091	5091
P/E	39.7	31.3	28.1	24.7
Mcap (Rs Mn)	14,69,506	14,69,506	14,69,506	14,69,506
MCap/ Sales	3.5	3.5	3.2	3.0
EV	16,50,656	16,18,858	15,72,168	15,17,667
EV/Sales	3.9	3.9	3.4	3.1
EV/EBITDA	17.8	15.6	14.1	12.6
P/BV	3.8	3.4	3.1	2.8
Dividend Yield (%)	0.3	0.3	0.3	0.3
<b>(F) Growth Rate (%)</b>				
Revenue	1.2	(0.2)	9.1	8.0
EBITDA	26.4	11.6	7.8	8.1
EBIT	34.4	14.8	9.1	9.0
PBT	51.1	19.7	18.9	13.8
APAT	47.2	26.7	11.3	13.8
EPS	47.2	26.7	11.3	13.8

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	89,020	72,120	87,699	97,804
CFI	(41,151)	(18,838)	(23,089)	(25,894)
CFF	(49,911)	(40,046)	(50,920)	(48,409)
FCFF	71,958	47,120	62,699	67,804
Opening Cash	7,397	5,392	18,628	32,317
Closing Cash	5,392	18,628	32,317	55,818

E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	> 20%
<b>Accumulate</b>	10 to 20%
<b>Reduce</b>	0 to 10%
<b>Sell</b>	< 0%

### DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
-------------	-------------------	-------------------------	-----------------

Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
-------------------	------------------	-----------------------	-----------------

#### CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhana@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

---

**Analyst(s) Certification**

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

---

**I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)****II. Disclaimer:**

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. 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 Dolat Capital Market Private Limited. and/or its affiliated company(ies) 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 a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

**For U.S. Entity/ persons only:** This research report is a product of Dolat Capital Market Private Limited., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Dolat Capital Market Private Limited. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.

---

---

**Dolat Capital Market Private Limited.**

---

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INB010710052 & INFO10710052, NSE - INB230710031& INF230710031, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: [research@dolatcapital.com](mailto:research@dolatcapital.com) | [www.dolatresearch.com](http://www.dolatresearch.com)

---