

India Cements

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	ICEM IN
Equity Shares (m)	310
M.Cap.(INRb)/(USDb)	66.3 / 0.8
52-Week Range (INR)	277 / 184
1, 6, 12 Rel. Per (%)	-6/-16/-11
12M Avg Val (INR M)	1007

Financial Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	49.4	52.0	54.9
EBITDA	1.1	5.5	6.8
Adj. PAT	-2.3	1.1	2.1
EBITDA Margin (%)	2.2	10.6	12.4
Adj. EPS (INR)	-7.6	3.5	6.7
EPS Gr. (%)	n/m	n/m	92.9
BV/Sh. (INR)	175.2	178.7	185.4

Ratios

Net D:E	0.5	0.5	0.4
RoE (%)	-4.3	2.0	3.7
RoCE (%)	-0.5	3.5	4.6
Payout (%)	0.0	0.0	7.5

Valuations

P/E (x)	n/m	61.5	31.9
P/BV (x)	1.2	1.2	1.2
EV/EBITDA(x)	n/m	16.5	13.1
EV/ton (USD)	70	69	68
Div. Yield (%)	0.0	0.0	0.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	28.4	28.4	28.4
DII	8.5	8.9	9.4
FII	13.3	13.6	13.2
Others	49.8	49.1	49.1

FII Includes depository receipts

CMP: INR214 TP: INR160 (-25%) Sell

EBITDA in line; debt reduction through the sale of non-core assets

Capacity utilization at ~63% vs. 70% in 4QFY23

- India Cements (ICEM) reported an EBITDA of INR469m (est. INR475m) in 4QFY24. Sales volume declined ~13% YoY to 2.4mt (12% miss). Its blended EBITDA/t stood at INR192 (vs. estimated INR171) fueled by lower-than-estimated opex/t. Net loss (adjusted for profit on sale of land) stood at INR435m (vs. estimated INR489m net loss).
- Management highlighted that cement prices corrected sharply in 4QFY24, which resulted in ~7% QoQ decline in NPR. However, sales volume improved QoQ with the infusion of working capital. The company has taken initiatives at a few of its plants for plant efficiency improvement, which has started yielding positive results. Now the company intends to implement these initiatives across its plants to rationalize costs. Further, it is continuing its efforts to dispose of non-core assets to fund plant efficiency improvements.
- We retain our FY25/FY26 estimates. **We reiterate our Sell rating on the stock with a TP of INR160 (premised on 11x FY26E EV/EBITDA).**

Volumes decline 13% YoY, while opex/t was down 9%

- ICEM's revenue declined 15% YoY to INR12.5b in 4QFY24 (~13% below our estimate). Sales volume declined 13% YoY to 2.4mt (~12% below estimate). Blended realization/t was down ~3% YoY and 6% ~QoQ to INR5,112 (in line).
- Opex/t declined 9% YoY, due to a 13%/11%/5% drop in variable costs/freight costs/other expenses. However, employee costs grew 20% YoY to INR979m. OPM stood at 3.8% (vs. est. 3.3%). The company reported an EBITDA of INR469m (est. INR475m) vs. operating loss of INR445m in 4QFY23. Blended EBITDA/t stood at INR192 (est. INR171). ICEM reported a net loss (adjusted for profit on sale of land) of INR435m vs. a net loss of INR1.2b in 4QFY23.
- In FY24, revenue declined 8% YoY to INR49b, due to a 4% decline in volume/realization/t (each). EBITDA stood at INR1.1b vs. an operating loss of INR1.7b in FY23. Net loss stood at INR2.3b vs. INR4.7b in FY23. The company's OCF (before exceptional item) stood at INR2.7b vs. cash outflow of INR1.9b in FY23. Capex was INR1.3b vs. INR1.4b in FY23. Net debt declined INR3.2b to INR26b as of Mar'24.

Highlights from the management commentary

- Cement price remained volatile as it jumped in Apr'24, while declining in May'24. ICEM expects price to improve in Jun'24. Further, it expects demand to improve post-elections due to continued infrastructure spending by the government, private sector housing, and commercial segments.
- Fuel costs stood at INR1.95/Kcal vs. INR2.0/kcal in 3QFY24. The company is taking various initiatives (installation of WHRS, upgradation of coolers/mills etc.) across its plants to rationalize costs (expects cost reduction of INR100-150/t in the next two years). Capex is pegged at INR7.0-7.5b in the next two years (including maintenance capex and working capital infusion).
- For Shipping/Windmill/RMC, revenue stood at INR74m/INR5m/INR270m. It reported EBITDA of INR17m/INR22m in shipping/RMC and operating loss of INR10m in Windmill.

Sanjeev Kumar Singh - Research analyst (Sanjeev.Singh@MotilalOswal.com)

Mudit Agarwal - Research analyst (Mudit.Agarwal@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- We expect ICEM's market share loss in the southern market to continue as new capacities will be commissioned by peers. We would monitor the progress on divestment of non-core assets (land) and efficiency plans. ICEM's current valuation at 13x FY26E EV/EBITDA appears expensive. **We reiterate our Sell rating with a TP of INR160, premised on 11x FY26E EV/EBITDA.**

Standalone quarterly performance

(INR b)

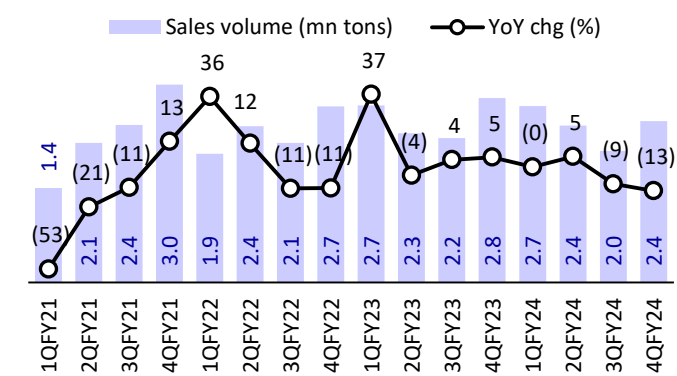
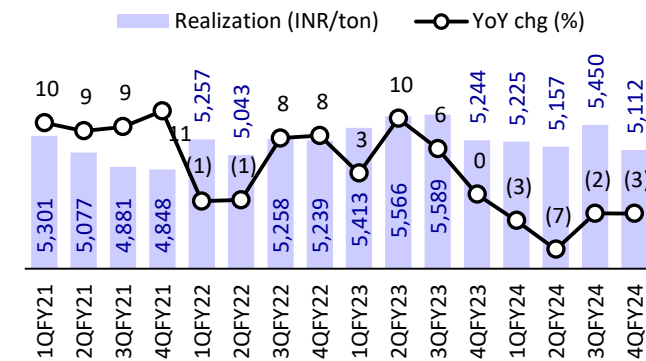
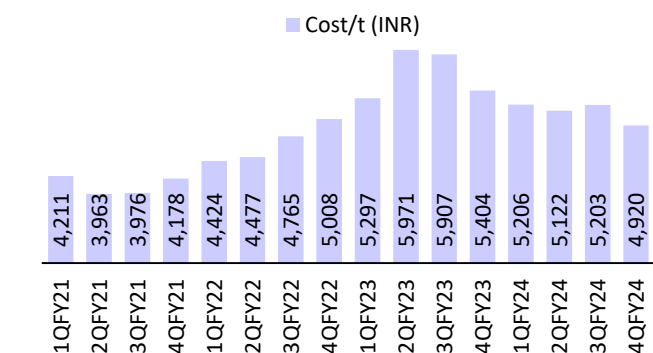
Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Sales Volumes (mt)	2.7	2.3	2.2	2.8	2.7	2.4	2.0	2.4	9.9	9.5	2.8	(12)
Change (YoY %)	37.4	(4.5)	3.5	4.8	(0.2)	5.1	(9.0)	(12.5)	9.1	(4.4)	(0.4)	
Realization (INR/ton)	5,413	5,566	5,589	5,244	5,225	5,157	5,450	5,112	5,439	5,226	5,137	(0)
Change (YoY %)	3.0	10.4	6.3	0.1	(3.5)	(7.4)	(2.5)	(2.5)	4.7	(3.9)	(2.0)	
Change (QoQ %)	3.3	2.8	0.4	(6.2)	(0.4)	(1.3)	5.7	(6.2)			(5.8)	
Net Sales	14.5	12.5	12.2	14.6	13.9	12.2	10.8	12.5	53.8	49.4	14.2	14.5
Change (YoY %)	41.4	5.4	10.0	4.9	(3.7)	(2.6)	(11.3)	(14.7)	14.2	(8.1)	(2.5)	41.4
EBITDA	0.3	(0.9)	(0.7)	(0.4)	0.1	0.1	0.5	0.5	(1.7)	1.1	0.5	0.3
Margin (%)	2.1	(7.3)	(5.7)	(3.0)	0.4	0.7	4.5	3.8	(3.2)	2.2	3.3	2.1
Depreciation	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	2.1	2.2	0.6	0.5
Interest	0.6	0.7	0.6	0.5	0.6	0.6	0.6	0.6	2.3	2.4	0.6	0.6
Other Income	0.1	0.0	0.0	0.2	0.1	0.1	0.2	0.2	0.3	0.5	0.1	0.1
PBT before EO expense	(0.7)	(2.1)	(1.8)	(1.3)	(1.0)	(1.0)	(0.5)	(0.5)	(5.9)	(3.0)	(0.6)	(0.7)
Extra-Ord. expense	-	-	(2.9)	1.1	-	-	(0.3)	(0.2)	(1.8)	(0.4)	-	-
PBT	(0.7)	(2.1)	1.1	(2.4)	(1.0)	(1.0)	(0.2)	(0.3)	(4.1)	(2.5)	(0.6)	(0.7)
Tax	(1.5)	(0.7)	0.2	(0.2)	(0.2)	(0.2)	(0.1)	(0.0)	(2.2)	(0.5)	(0.1)	(1.5)
Rate (%)	205.7	33.5	20.5	10.1	23.9	17.6	31.3	10.9	53.7	20.5	12.4	205.7
Reported PAT	0.8	(1.4)	0.9	(2.2)	(0.8)	(0.8)	(0.2)	(0.3)	(1.9)	(2.0)	(0.5)	0.8
Tax	(1.5)	-	-	(0.2)	-	-	-	-	(1.7)	-	-	(1.5)
Adj. PAT	(0.7)	(1.4)	(1.4)	(1.2)	(0.8)	(0.8)	(0.3)	(0.4)	(4.7)	(2.3)	(0.5)	(0.7)
Change (YoY %)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Margin (%)	(5.0)	(11.0)	(11.7)	(7.9)	(5.4)	(6.7)	(3.2)	(3.5)	(8.7)	(4.7)	(3.4)	(5.0)

Per tonne analysis

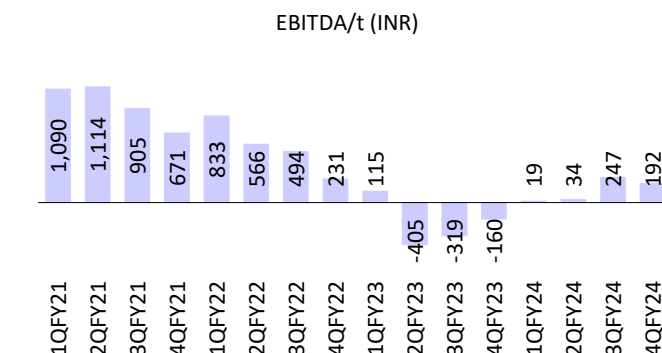
(INR/t)

RM Cost	769	1,042	945	1,043	1,068	918	989	930	947	978	919	1
Employee Expenses	340	394	443	294	345	416	434	402	362	396	391	3
Power, Oil, and Fuel	2,370	2,709	2,602	2,211	2,046	1,942	1,863	1,891	2,454	1,942	1,886	0
Freight cost	1,199	1,145	1,158	1,160	1,104	1,054	1,085	1,034	1,167	1,070	1,093	(5)
Other Expenses	619	681	759	696	643	793	832	663	686	725	676	(2)
Total Expense	5,297	5,971	5,907	5,404	5,206	5,122	5,203	4,920	5,615	5,111	4,965	(1)
EBITDA	115	(405)	(319)	(160)	19	34	247	192	-176	115	171	12
YoY (%)	(86.2)	NM	NM	NM	(83.6)	NM	NM	NM	NM	NM	NM	

Story in charts

Exhibit 1: Sales volume down 13% YoY

Exhibit 2: Blended realization down 3% YoY/6% QoQ

Exhibit 3: Opex/t down 9% YoY


Source: Company, MOFSL

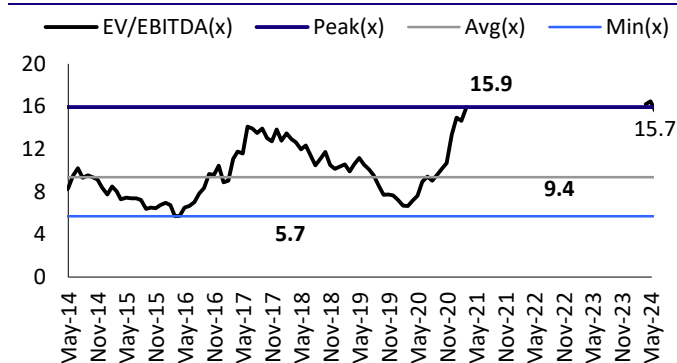
Exhibit 4: Blended EBITDA/t at INR192


Source: Company, MOFSL

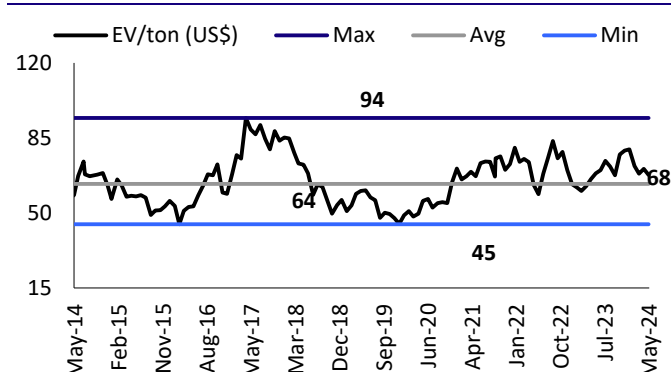
Exhibit 5: Key operating metrics (blended)

INR/t	4QFY24	4QFY23	YoY (%)	1QFY24	QoQ (%)
Blended realization	5,112	5,244	(3)	5,450	(6)
Raw Material Cost	930	1,043	(11)	989	(6)
Staff Cost	402	294	37	434	(7)
Power and fuel	1,891	2,211	(14)	1,863	2
Freight and selling Exp.	1,034	1,160	(11)	1,085	(5)
Other Exp.	663	696	(5)	832	(20)
Total Exp.	4,920	5,404	(9)	5,203	(5)
EBITDA	192	(160)	NM	247	(22)

Source: Company, MOFSL

Exhibit 6: One-year forward EV/EBITDA chart


Source: Company, MOFSL

Exhibit 7: One-year forward EV/t chart


Source: Company, MOFSL

Financials and valuations

Standalone Income Statement

	(INR m)							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	56,280	50,575	44,367	47,131	53,808	49,424	51,993	54,852
Change (%)	8.9	-10.1	-12.3	6.2	14.2	-8.1	5.2	5.5
EBITDA	6,379	5,852	8,061	4,611	-1,745	1,090	5,502	6,805
Margin (%)	11.3	11.6	18.2	9.8	-3.2	2.2	10.6	12.4
Depreciation	2,513	2,469	2,419	2,198	2,130	2,196	2,256	2,299
EBIT	3,866	3,384	5,642	2,413	-3,875	-1,106	3,246	4,506
Int. and Finance Charges	3,242	3,345	2,650	2,040	2,342	2,404	2,295	2,228
Other Income – Rec.	310	277	235	167	343	543	485	496
PBT bef. EO Exp.	934	316	3,227	540	-5,874	-2,968	1,436	2,775
EO Expense/(Income)	0	1,000	0	0	-1,805	-421	0	0
PBT after EO Exp.	934	-684	3,227	540	-4,069	-2,547	1,436	2,775
Current Tax	325	69	1,380	393	0	0	369	713
Deferred Tax	-85	-398	-373	-243	-2,184	-522	0	0
Tax Rate (%)	25.7	48.1	31.2	27.9	53.7	20.5	25.7	25.7
Reported PAT	694	-355	2,220	390	-1,886	-2,025	1,067	2,062
PAT Adj. for EO items	694	212	2,220	390	-4,682	-2,347	1,067	2,062
Change (%)	-31.0	-69.5	947.7	-82.4	n/m	n/m	n/m	93.2
Margin (%)	1.2	0.4	5.0	0.8	-8.7	-4.7	2.1	3.8

Balance Sheet

	(INR m)							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	3,099	3,099	3,099	3,099	3,099	3,099	3,099	3,099
Total Reserves	49,298	51,050	53,081	55,082	52,890	50,891	51,958	54,020
Net Worth	52,397	54,149	56,180	58,181	55,989	53,990	55,057	57,119
Deferred Liabilities	6,308	5,910	5,538	5,295	2,836	2,324	2,324	2,324
Secured Loan	26,433	23,750	19,798	19,287	17,992	14,153	13,053	11,753
Unsecured Loan	7,237	11,581	10,196	11,345	11,193	11,860	11,910	11,710
Total Loans	33,670	35,331	29,995	30,632	29,186	26,012	24,962	23,462
Capital Employed	92,375	95,391	91,712	94,107	88,011	82,326	82,343	82,905
Gross Block	77,438	81,024	81,871	84,244	84,964	87,925	89,625	91,325
Less: Accum. Deprn.	10,308	12,766	15,171	17,369	19,498	21,695	23,950	26,249
Net Fixed Assets	67,130	68,258	66,700	66,876	65,466	66,231	65,675	65,076
Capital WIP	1,770	1,958	1,871	2,715	3,134	1,901	1,701	2,001
Total Investments	6,946	7,369	7,462	7,795	4,938	4,920	4,920	4,920
Curr. Assets, Loans, and Adv.	35,203	36,939	32,708	40,462	38,319	31,400	32,987	34,040
Inventory	8,232	8,263	5,838	8,344	7,748	6,218	6,837	7,213
Account Receivables	7,290	7,163	5,413	9,213	8,141	6,930	7,835	8,265
Cash and Bank Balance	67	66	68	18	157	136	149	346
Loans and Advances	19,614	21,447	21,390	22,887	22,273	18,116	18,166	18,216
Real Estate Projects WIP	0	0	0	0	0	0	0	0
Curr. Liability and Prov.	18,675	19,134	17,028	23,740	23,846	22,125	22,940	23,133
Account Payables	13,163	13,342	10,763	12,875	13,300	12,201	12,820	12,774
Other Current Liabilities	4,106	4,566	5,301	8,580	8,240	7,601	7,996	8,436
Provisions	1,405	1,225	964	2,285	2,306	2,323	2,123	1,923
Net Current Assets	16,528	17,805	15,680	16,722	14,474	9,275	10,047	10,908
Appl. of Funds	92,375	95,391	91,712	94,107	88,011	82,326	82,343	82,905

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
Standalone EPS	2.3	0.7	7.2	1.3	-15.2	(7.6)	3.5	6.7
Cash EPS	10.4	8.7	15.1	8.4	-8.3	(0.5)	10.8	14.2
BV/Share	170	176	182	189	182	175	179	185
DPS	0.8	0.6	1.0	1.0	0.0	-	-	0.5
Payout (%)	43.0	(52.4)	14.0	79.5	-	-	-	7.5
Valuation (x)								
P/E ratio	94.9	310.9	29.7	169.0	n/m	n/m	61.7	32.0
Cash P/E ratio	20.5	24.6	14.2	25.5	n/m	n/m	19.8	15.1
P/BV ratio	1.3	1.2	1.2	1.1	1.2	1.2	1.2	1.2
EV/Sales ratio	1.8	2.0	2.2	2.1	1.8	1.9	1.8	1.6
EV/EBITDA ratio	15.7	17.3	11.9	21.0	n/m	n/m	16.6	13.1
EV/t (USD)	76	77	73	74	73	70	69	68
Dividend Yield (%)	0.4	0.3	0.5	0.5	0.0	-	-	0.2
Return Ratios (%)								
RoIC	3.2	1.9	4.2	1.9	-2.0	(1.1)	3.0	4.2
RoE	1.3	0.4	4.0	0.7	-8.2	(4.3)	2.0	3.7
RoCE	3.7	2.2	4.6	2.1	-1.9	(0.5)	3.5	4.6
Working Capital Ratios								
Asset Turnover ratio (x)	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.7
Inventory (Days)	53.4	59.6	48.0	64.6	52.6	45.9	48.0	48.0
Debtor (Days)	47	52	45	71	55	51	55	55
Leverage Ratio (x)								
Current Ratio	1.9	1.9	1.9	1.7	1.6	1.4	1.4	1.5
Debt/Equity ratio	0.6	0.7	0.5	0.5	0.5	0.5	0.5	0.4

Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	853	282	3,221	540	(5,874)	(2,968)	1,436	2,775
Depreciation	2,513	2,469	2,419	2,198	2,130	2,196	2,256	2,299
Interest and Finance Charges	3,074	3,050	2,591	1,899	2,082	2,264	2,295	2,228
Direct Taxes Paid	(88)	(312)	(507)	(401)	(42)	(63)	(369)	(713)
(Inc.)/Dec. in WC	(3,069)	(1,269)	2,592	(542)	1,319	1,285	(760)	(664)
CF from Operations	3,283	4,220	10,317	3,694	(385)	2,715	4,858	5,924
Others	(119)	(81)	39	4	279	383	-	-
CF from Operations incl. EO	3,164	4,139	10,356	3,699	(106)	3,099	4,858	5,924
(Inc.)/Dec. in FA	(1,712)	(1,365)	(1,256)	(1,296)	(1,112)	(893)	(1,500)	(2,000)
Free Cash Flow	1,452	2,774	9,100	2,402	(1,218)	2,206	3,358	3,924
(Pur.)/Sale of Investments	(923)	(278)	6	(309)	4,666	31	-	-
Others	231	(1,759)	(708)	(460)	741	3,322	-	-
CF from Investments	(2,404)	(3,403)	(1,958)	(2,065)	4,294	2,460	(1,500)	(2,000)
Issue of Shares	18	-	-	-	-	-	-	-
Inc./(Dec.) in Debt	5,424	2,562	(5,401)	637	(1,476)	(3,213)	(1,050)	(1,500)
Interest Paid	(3,136)	(3,000)	(2,809)	(2,011)	(2,264)	(2,366)	(2,295)	(2,228)
Dividend Paid	(336)	(300)	(187)	(309)	(309)	(1)	-	-
Others	(2,746)	-	-	-	-	-	-	-
CF from Fin. Activity	(776)	(738)	(8,396)	(1,683)	(4,049)	(5,580)	(3,345)	(3,728)
Inc./Dec. in Cash	(16)	(1)	1	(49)	139	(22)	13	197
Opening Balance	84	68	67	68	19	158	136	149
Closing Balance	68	67	68	19	158	136	149	346

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

Rajani

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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