Rating matrix		
Rating	:	Buy
Target	:	₹ 4800
Target Period	:	9-12 months
Potential Upside	:	24%

What's changed?	
Target Price	Changed from ₹ 5,000 to ₹ 4800
EPS FY19E	Changed from ₹ 130.9 to ₹ 116.4
EPS FY20E	Changed from ₹ 164.5 to ₹ 160.2
Rating	Unchanged

Quarterly performance

	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)
Revenue	8,655.0	6,626.5	30.6	9,002.5	-3.9
EBITDA	1,623.8	1,560.1	4.1	1,702.8	-4.6
EBITDA (%)	18.8	23.5	-478 bps	18.9	-15 bps
PAT	598.4	890.6	-32.8	487.9	22.6

Key financials

₹ Crore ^	FY17	FY18	FY19E	FY20E
Net Sales	23891.4	29790.1	35472.0	41411.3
EBITDA	4969.0	5883.3	7452.4	9189.1
Net Profit	2627.7	2231.3	3193.7	4395.5
EPS (₹)	95.8	81.3	116.4	160.2

^ Century will take 6-9 months to consumate hence we have not factored in the same

Valuation summary

	FY17	FY18	FY19E	FY20E
PE (x)	40.3	47.5	33.2	24.1
EV to EBITDA (x)	21.1	20.3	15.9	12.7
EV/Tonne(US$)	244	224	210	198
Price to book (x)	4.5	4.1	3.7	3.2
RoNW (%)	11.2	9.5	11.1	13.4
RoCE (%)	13.1	10.0	12.2	14.9

Stock data

Particular	Amount
Mcap	₹ 105946 crore
Consolidated Debt (FY18)	₹ 19480 crore
Cash & Invest (FY18)	₹ 5418 crore
EV	₹ 120008 crore
52 week H/L	₹ 4594 / ₹ 3566
Equity cap	₹ 274.2 crore
Face value	₹ 10

Price performance

	1M	3M	6M	12M
ACC	-2.7	-19.6	-31.5	-27.8
UltraTech Cement	4.7	-1.4	-15.0	-8.5
Ramco Cement	-12.7	-23.6	-18.8	-10.2

Research Analyst

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UltraTech Cement (ULTCEM)

₹ 3,861

Volumes up but margin a dampener…

- UltraTech Cement reported volume growth of 32.6% YoY to 17.5 MT (above I-direct estimate of 17.1 MT) mainly led by an increase in utilisation of Jaypee assets to 70%, better sand availability and higher infra demand. Consequently, revenues increased 30.6% YoY to ₹ 8,655.0 crore (vs. I-direct estimate of ₹ 8,752.2 crore)
- However, 35.0% YoY increase in pet coke prices and 20% increase in diesel prices adversely impacted EBITDA/t (down 21.5% YoY to ₹ 928/t)
- The company will commission its 4 MT grinding unit at Bara Uttar Pradesh by March 2019. Further, acquisition of Century's cement business will take the total capacity to 111.1 MT

Higher rural demand to perk up cement volumes…

The company witnessed healthy growth in volumes in Q1FY19 mainly led by improving demand from the infra sector. Going forward, better monsoons, hike in minimum support prices and pre-election spending are expected to lead to better demand from rural regions (that has remained a laggard till now). This, coupled with higher infra spend, is expected to drive cement demand. As a result, we expect cement demand to reach 343 MT by FY20E (i.e. at 8.0% CAGR) vs. (3.9% CAGR in the last five years) resulting in improving utilisation to 74% by FY20E from 67% in FY18. Out of the total 22 MT capacity expansions by cement industry by FY20, 9 MT will be added by UltraTech. Hence, UltraTech will continue to have a substantial market share in the industry. In addition, acquisition of Century Cement will further boost its leadership position. However, the acquisition will take six to nine months to be consummated. Hence, we have not factored in the same.

Higher WHR capacity, cost rationalisation in acquired assets to drive margins

Over the past year, power cost has increased more than 30%. However, UltraTech has been able to mitigate the rising power cost by increasing the share of waste heat recovery (WHR) plant (8% of total capacity) and reduce power consumption on a per tonne basis. Going forward, the company is planning to further increase its WHR capacity by 62 MW and increase use of alternative fuel to 5.0% from 3.0%. Apart from this, the company has set up various grinding units, which will help reduce freight cost. Further, cost reduction of acquired assets (Jaypee) will boost EBITDA/t.

Jaypee to be PBT break-even by Q1FY20E

Jaypee's assets had a cash breakeven in Q4FY18 (a quarter earlier than what management guided). We believe it will be EPS accretive by Q1FY20E. The various initiatives taken by the company like bringing Jaypee's cement at par with UltraTech realisation, higher pet coke usage and higher utilisation are expected to positively impact the topline and bottomline of acquired assets.

Higher demand, price improvement, peaking input cost key positives; BUY!

Higher infra spend along with a revival in the rural economy is expected to boost cement demand by 8% in FY18-20E. This, coupled with limited supply (3% CAGR in FY18-20E) is expected to drive utilisation and pricing. Further, the increase in load carrying capacity by truckers is expected to lower logistic cost (accounts for 30% of overall cost). This coupled with various cost efficiencies like higher WHR share (from 7% to 15%), cost optimisation of Jaypee plants (₹ 50/t) and use of alternative fuel is expected to keep UltraTech ahead of its peers in terms of profitability. Consequently, we maintain our **BUY** recommendation on the stock with a revised target price of ₹ 4,800/share (i.e. at 16x FY20E EV/EBITDA).

Variance analysis

	Q1FY19	Q1FY19E	Q1FY18	YoY (%)	Q4FY18	QoQ (%)	Comments
Net Sales	8,655.0	8,752.2	6,626.5	30.6	9,002.5	-3.9	Increase in volumes (up 32.6% YoY) led to an increase in utilisation of Jaypee asset and robust organic volume growth
Other Incomes	73.1	162.5	165.2	-55.7	105.9	-31.0	
Raw Material Expenses	1,364.2	1,396.3	954.7	42.9	1,478.6	-7.7	Higher additive cost and additional royalty cost led to higher RM cost
Employee Expenses	468.4	407.8	380.3	23.2	419.2	11.8	
Power and fuel	1,867.6	1,843.5	1,217.4	53.4	1,898.0	-1.6	The increase in power & fuel cost was mainly due to higher pet coke prices (up 35% YoY to US$114/t) and substitution of coal from pet coke in thermal power plants
Freight	2,229.5	2,253.8	1,588.0	40.4	2,275.0	-2.0	Rise in diesel prices (up 20% YoY impact of ₹ 30/t) and changes in sales pattern (from ex-works to FOR post-GST impact of 75/t) led to higher freight cost during the quarter
Others	1,101.6	1,173.6	926.1	18.9	1,228.9	-10.4	
EBITDA	1,623.8	1,677.4	1,560.1	4.1	1,702.8	-4.6	
EBITDA Margin (%)	18.8	19.2	23.5	-478 bps	18.9	-15 bps	Increase in power and freight cost dented margins
Depreciation	486.0	482.0	309.8	56.9	480.6	1.1	
Interest	335.6	334.8	128.5	161.2	334.8	0.2	Acquisition of Jaypee led to higher interest cost
PBT	875.3	1,023.0	1,287.0	-32.0	767.1	14.1	
Total Tax	276.9	331.5	396.3	-30.1	279.1	-0.8	
PAT	598.4	691.6	890.6	-32.8	487.9	22.6	Higher depreciation and interest expenses led to fall in PAT
Key Metrics							
Volume (MT)	17.50	17.13	13.20	32.6	18.47	-5.3	Increased demand from infra across regions led to rise in cement volumes
Realisation (₹)	4,946	5,109	5,020	-1.5	4,874	1.5	
EBITDA per Tonne (₹)	928	979	1,182	-21.5	922	0.6	EBITDA/t declined mainly led by increase in power and freight cost/t

Source: Company, ICICI Direct Research

Change in estimates

	FY19E			FY20E			
(₹ Crore)	Old*	New	% Change	Old*	Introduced	% Change	Comments
Revenue	36,292.4	35,472.0	-2.3	41,374.4	41,411.3	0.1	Capacity expansion and strong infra demand to drive growth
EBITDA	7,824.8	7,452.4	-4.8	9,162.9	9,189.1	0.3	
EBITDA Margin (%)	21.6	21.0	-55 bps	22.1	22.2	4 bps	We believe operational efficiency and ramp up in Jaypee assets will boost margins
PAT	3,593.1	3,193.7	-11.1	4,514.3	4,395.5	-2.6	
EPS (₹)	130.9	116.4	-11.1	164.5	160.2	-2.6	

Source: Company, ICICI Direct Research

Assumptions

	Current						Earlier		Comments
	FY15	FY16	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Volume (MT)	45.3	48.4	48.9	59.9	70.4	77.6	69.8	77.5	Better monsoon, hike in minimum support prices and pre-election spending are expected to lead to better demand from rural regions
Realisation (₹)	4,995	4,894	4,883	4,972	5,036	5,340	5,196	5,337	
EBITDA per Tonne (₹)	863	952	1,015	982	1,058	1,185	1,120	1,182	Cost rationalisation to drive EBITDA/t

Source: Company, I ICICI Direct Research

Annual Report Analysis

The acquisition of Jaiprakash Associates (JAL) and Jaypee Cement Corporation (JCCL) drove volume in FY18: With the acquisition of the cement plants of JAL and JCCL of 17.1 MT and capacity expansion of 2.5 MT at Madhya Pradesh, the company's total capacity increased 28.0% YoY to 85 MT in FY18 from 66.3 MT in FY17. This led to domestic volume growth of 21.0% YoY to 57.8 MT. The acquired capacities operated at an average capacity utilisation of ~ 53% implying that the company's organic volume growth was 2.2% YoY. As a result, overall utilisation has remained flat at 71.0%. Going forward, the company guided 8.0% YoY growth in FY19 for the cement industry mainly led by higher government spending and improving economic growth.

Expansion plans: Going forward. the company plans to add 1.75 MT grinding unit as well as a 13 MW waste heat recovery system (WHRMS) at Dhar by September 2018. In addition, the company is planning to add 3.5 MT at Pali, Rajasthan for ₹ 1,850 crore. The company expects the plant to start commercial production by June 2020. Further, UltraTech has highlighted that its long term strategy is to expand, grow and consolidate its position in an economically efficient manner in the Rajasthan and Gujarat markets.

Cost headwinds partly offset by cost efficiency: In FY18, the company faced various cost headwinds in the form of higher pet coke, coal prices ban on petcoke usage in thermal power plants in Rajasthan, Uttar Pradesh and Haryana, acquisition of JAL & JCCL, increase in slag & fly ash cost and higher diesel prices. However, to offset these cost headwinds, the company undertook various cost saving measures. It has reduced power consumption at cement plants by 3%, lowered auxiliary consumption power by 10% at thermal power plants, enhanced usage of waste heat recovery power to 8%, usage of low cost fuels viz. industrial waste and lignite increased from 2% in the previous year to 5%, and reduced average lead distance by 3% as a result of improved utilisation of new cement grinding capacities and integration of acquired capacities.

Capacity expansion drives depreciation expenses in FY18: Depreciation in FY18 increased by ₹ 496 crore mainly on account of the acquired assets and capitalisation of new assets commissioned.

Higher working capital dents operating cash flow: Operating cash flow declined due to working capital infusion for the acquired assets including the upfront royalty payment for transfer of mines. The company incurred a capex of ₹ 1,900 crore for greenfield project at Manavar district Dhar in Madhya Pradesh, Bara grinding unit in Uttar Pradesh, waste heat recovery system (WHRS) in Chhattisgarh and capex related to modernisation.

WHRMS capacity and share

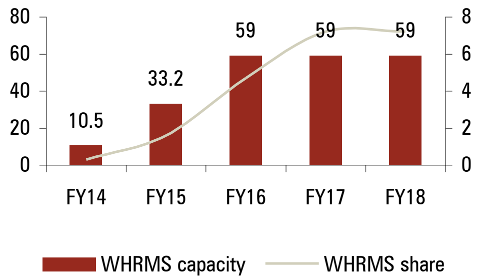


Exhibit 1: Fuel mix trend

Fuel mix	FY13	FY14	FY15	FY16	FY17	FY18
Petcoke (%)	38	48	52	70	74	72
Imported coal (%)	35	26	26	20	14	14
Indigenous coal and others (%)	27	26	22	10	12	14
Total	100	100	100	100	100	100

Source: Company, ICICI Direct Research

Exhibit 2: Transport mix trend

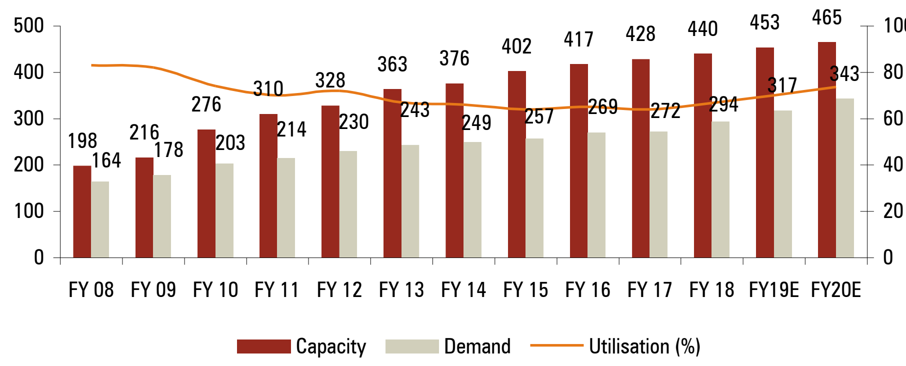
Transport mix	FY13	FY14	FY15	FY16	FY17	FY18
Rail (%)	34	34	29	28	25	24
Road (%)	63	63	67	69	72	72
Sea (%)	3	3	4	3	4	3
Total	100	100	100	100	100	100

Source: Company, ICICI Direct Research

Improving industry dynamics indicate long term up cycle in cement

Over FY08-18, utilisation in the cement sector witnessed a decline from 83% in FY08 to 67% in FY18 mainly due to capacity addition (incremental supply of 242 MT) outpacing demand (incremental demand of 130 MT). As a result, industry capacity doubled from 198 MT in FY08 to 440 MT in FY18 vs. demand, which increased from 164 MT in FY08 to 294 MT in FY18. However, we expect the demand-supply balance to improve in the next few years with slower pace of capacity addition and likely improvement in demand positively impacting utilisation levels. Cement sector utilisation is expected to improve from 67% in FY18 to 74% in FY20E leading to higher margins for cement players (driven by operating leverage benefits).

Exhibit 3: Demand supply scenario



Source: ICICI Direct Research

Demand expected to register strong growth in FY18-20E

The company has indicated that demand could grow 8-10% in FY18-20E on the back of infrastructure spends and a revival in the rural economy. Further, with limited capacity addition and higher capacity utilisation, the company expects pricing recovery in coming years.

Key takeaways in Q1FY19 from conference call

- Increased infra spend has enabled the company to post double digit volume growth in Q1FY19
- The company has guided capacity addition of 40 MT over the next three years of which UltraTech is expected to add 4 MT grinding unit at Bara UP by Q1FY20 and 3.5 MT at Pali, Rajasthan by FY20
- The capacity utilisation of company region wise was north 80%, west 70%, east 95%, south 60% and central 70%
- During Q4FY18, average utilisation of Jaypee assets was 70%. Jaypee assets are now cash breakeven. The management expects PBT breakeven by Q1FY20. The cost/t difference between UltraTech and Jaypee is ₹ 160/t of which ₹ 50/t will be bridged in the coming quarters. However, ₹ 110/t cost difference will remain due to higher royalty and logistics cost
- Current petcoke prices have increased from US$114/t to US$119/t. This is expected to lead to a shift towards domestic coal. On a per kcal basis, petcoke is ₹ 1.3/kcal while coal is ₹ 1.4/kcal
- The company is expected to incur a capex of ₹ 2,130 crore in FY19E and ₹ 2,000 crore in FY20E
- Q2FY19E is expected to see weak margins due to higher maintenance cost

- The company will add 62 MW of WHR
- The company has repaid ₹ 200 crore debt in the current year
- The new truck axle load increase will save logistic cost

Exhibit 4: Region wise demand trend

State/Region	Vol. Gr.	I	LCH	RH	UH	C	Key drivers
Haryana	↑	🟢	🟢	🟢	🟠	🟢	IHB segment
Delhi + NCR	↑	🟢	🟠	🟢	🟢	🟢	Infrastructure spends
Punjab	↑	🟢	🟢	🟢	🟠	🟢	Infrastructure spends
Himachal Pradesh	↑	🟢	🟠	🟠	🟠	🟠	Infrastructure and Institutional
Rajasthan	↑	🟢	🟠	🟠	🟠	🟠	Rural pick-up
North	↑	🟢	🟢	🟢	🟠	🟢	**Infrastructure**
Madhya Pradesh	↑	🟢	🟢	🟢	🟠	🟢	PMAY and Rural demand
Uttar Pradesh	↑	🟢	🟢	🟢	🟢	🟠	Rural Housing and Infrastructure
Central	↑	🟢	🟢	🟢	🟠	🟠	**PMAY and Rural Housing**
Maharashtra	↑	🟢	🟢	🟢	🟠	🟠	Infrastructure and Affordable Housing
Gujarat	↑	🟢	🟢	🟢	🟠	🟠	PMAY and IHB
West	↑	🟢	🟢	🟢	🟠	🟠	**Infrastructure and PMAY**
West Bengal	↑	🟠	🟢	🟢	🟢	🟠	Poor rakes availability
Bihar	↑	🟢	🟢	🟢	🟠	🟢	Improved sand supplies
Jharkhand	↑	🟢	🟢	🟢	🟠	🟢	PMAY and PMGSY
Odisha	↑	🟢	🟢	🟢	🟠	🟠	PMAY and Infrastructure
Chhattisgarh	↑	🟢	🟠	🟢	🟠	🟠	Infrastructure
East	↑	🟢	🟢	🟢	🟠	🟠	**Infrastructure and PMAY**

Source: Company, ICICI Direct Research

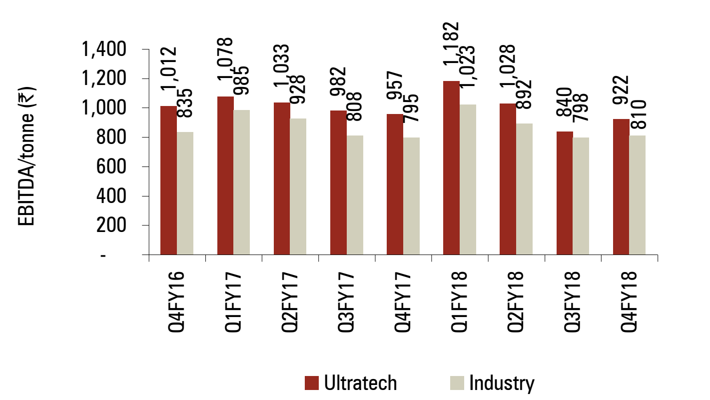
Operate at healthy EBITDA/tonne vis-à-vis industry

Exhibit 5: Gradual reduction in power requirement

Power mix	FY13	FY14	FY15	FY16	FY17	FY18
TPP	79.0	81.0	82.0	82.0	80.0	78.0
WHRS	0.3	0.3	2.0	5.0	7.0	7.0
Others	21.0	19.0	16.0	13.0	13.0	15.0
Total	100.3	100.3	100.0	100.0	100.0	100.0

*Source: Company, ICICI Direct Research, *FY14,FY16 figures provisional*

Exhibit 6: Higher EBITDA/tonne vis-à-vis peer group

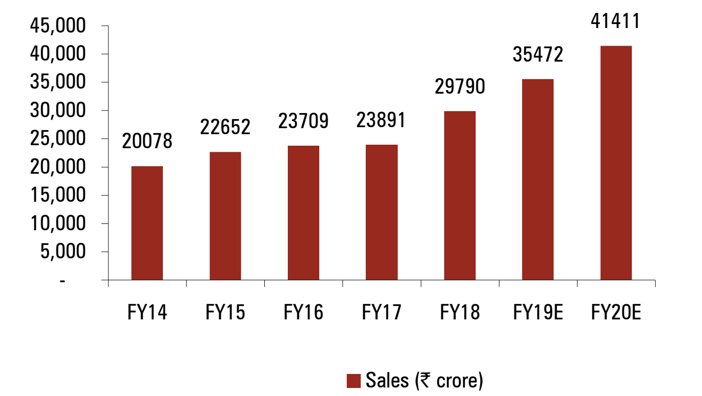


Source: Company, ICICI Direct Research
Peer set includes ACC, Ambuja, Shree cement and India cement

Expect revenue CAGR of 18% in FY18-20E

Revenues have grown at a CAGR of 8.3% in FY13-18 mainly led by growth in volumes of 7.2% CAGR and realisation growth of 1.0% CAGR in FY13-18. However, in FY18-20E, we expect volume CAGR of 13.8% in FY18-20E mainly led by higher infra spend by the government and acquisition of Jaypee Assets. Further, we expect realisation to increase at 3.6% CAGR in FY18-20E led by a pick-up in demand. Consequently, revenues are expected to grow at 18% CAGR in the next two years.

Exhibit 7: Expect volume led revenue CAGR of 18% in FY18-20E



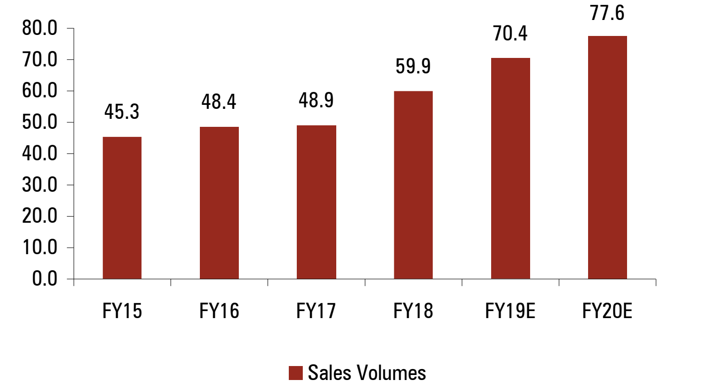
Source: Company, ICICI Direct Research

Exhibit 8: Capacity addition plans

Zone (in mt)	Capacity (Q1FY19)	Capacity additions	Total
North	17.6		17.6
Central	21.1*	4.2	25.3
East	11.7	4.4	16.1
West	21.7	4.8	26.5
South	20.5		20.5
All India	92.5	13.4	106.0
Overseas	4		4
Total	96.5		110.0

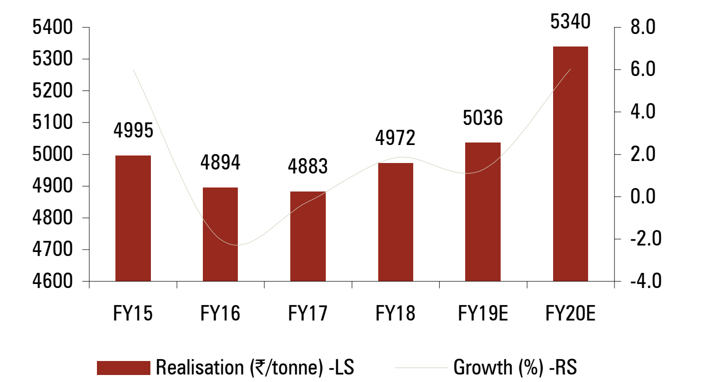
*Source: Company, ICICI Direct Research, **including 13.4 MTPA of century cement and excludes 1.2 MT of grinding unit pending clearance,* *Including 5.7 MTPA under commissioning by March 2019*

Exhibit 9: Volume to grow at CAGR of 13.8% in FY18-20E



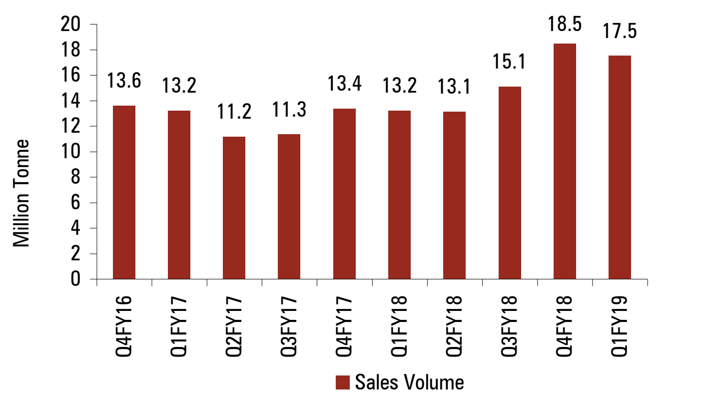
Source: Company, ICICI Direct Research

Exhibit 10: Realisation to pick up led by uptick in demand



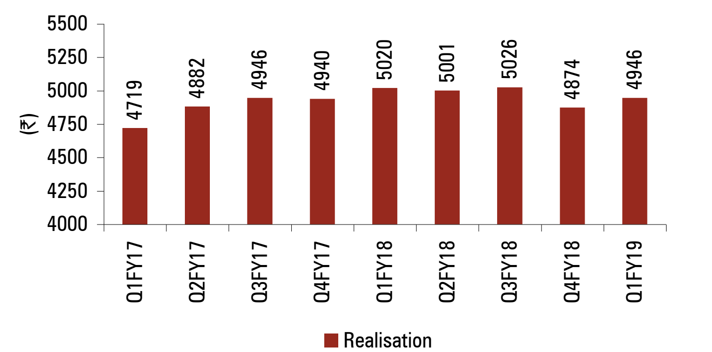
Source: Company, ICICI Direct Research

Exhibit 11: Volume was up 33% in Q1FY19…



Source: Company, ICICI Direct Research

Exhibit 12: Quarterly realisation trend

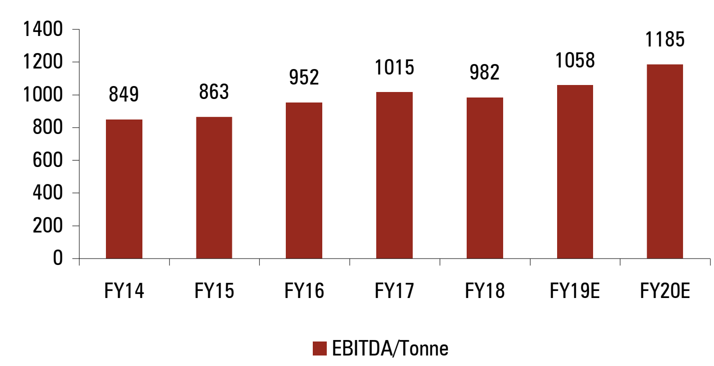


Source: Company, ICICI Direct Research

Margins to improve led by operating efficiency

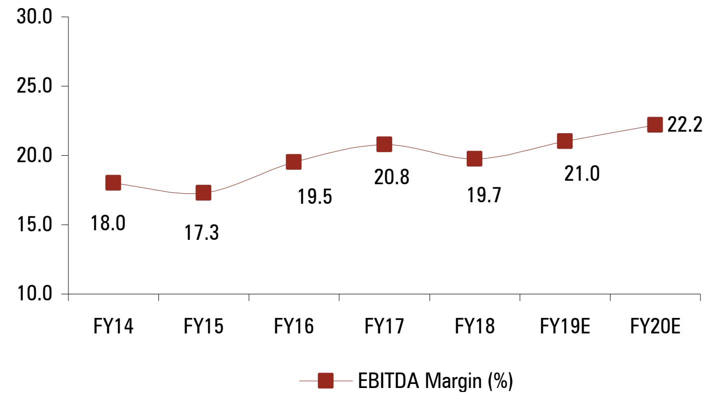
Going forward, cost rationalisation at Jaypee and higher share of WHR is expected to boost EBITDA/t. Further, a pick-up in demand and improving utilisation in coming quarters is expected to lead to an improvement in margins in FY20E.

Exhibit 13: Expect EBITDA/tonne of ₹ 1,185/t in FY20E



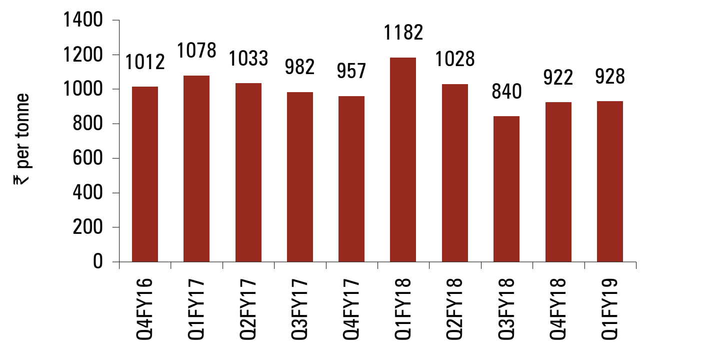
Source: Company, ICICI Direct Research

Exhibit 14: Margins to improve led by improvement in realisations



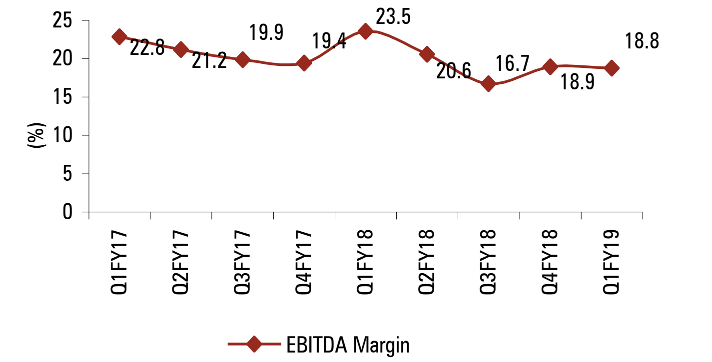
Source: Company, ICICI Direct Research

Exhibit 15: Q1FY19 EBITDA per tonne at ₹ 922/t



Source: Company, ICICI Direct Research

Exhibit 16: Quarterly margin trend

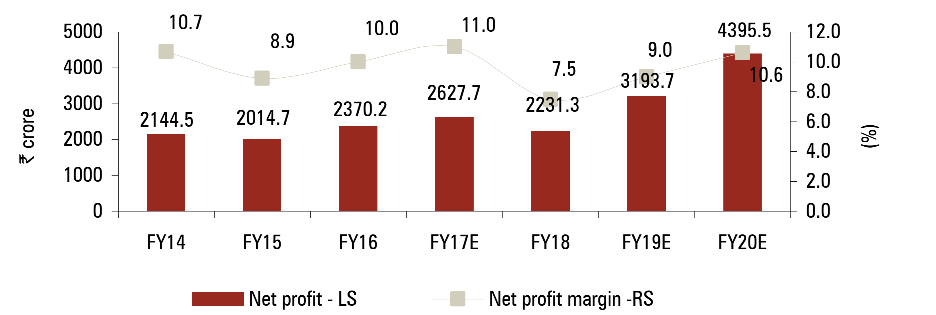


Source: Company, ICICI Direct Research

Expect net profit CAGR of 40.4% during FY18-20E

In FY18, the dip in net margins was mainly due to higher interest and depreciation expenses (mainly led by acquisition of Jaypee). However, we expect margins to improve in FY19E and FY20E led by higher utilisation at Jaypee and a better operational performance.

Exhibit 17: Profitability trend



Source: Company, ICICI Direct Research

Outlook and valuation

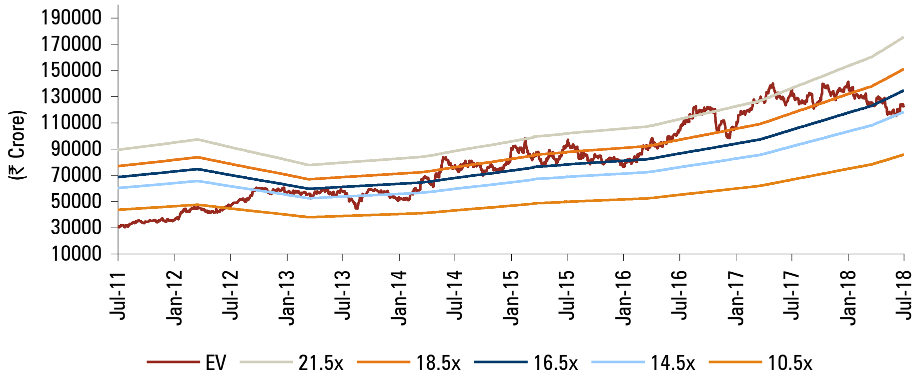
We believe the industry's capacity utilisation bottomed out at ~66% in FY18. With the government taking measures to boost infrastructure development through steps like long-term fund availability for major infra projects, higher budgetary allocation towards public infrastructure development, we expect robust cement demand growth in FY18-20E to reach 343 MT by FY19E (i.e. at CAGR of 8%) vs. (CAGR of 3.9% in the last five years). The company expects government infra spends to gain momentum, especially on construction of concrete roads and creation of new capital city of Amaravati in Andhra Pradesh. UltraTech is well positioned to reap the benefit of a recovery in demand and generate healthy free cash flows in future. We assign premium valuations multiple to UltraTech vs. its peer companies due to its ability to generate higher margins and healthy cash flows. Hence, we maintain our **BUY** rating on the stock with a target price of ₹ 4,800/share (i.e. at 16x FY20E EV/EBITDA).

Exhibit 18: Key assumptions

₹ per tonne	FY16	FY17	FY18	FY19E	FY20E
Sales Volume*	48	49	60	70	78
Net Realisation*	4894	4883	4972	5036	5340
Total Expenditure	3939	3867	3990	3978	4155
Raw material	820	822	781	780	800
Power & Fuel	875	802	995	1065	1050
Freight	1225	1195	1215	1205	1250
Employees	277	289	285	268	315
Others	741	759	714	660	740
EBITDA per Tonne	952	1015	982	1058	1185

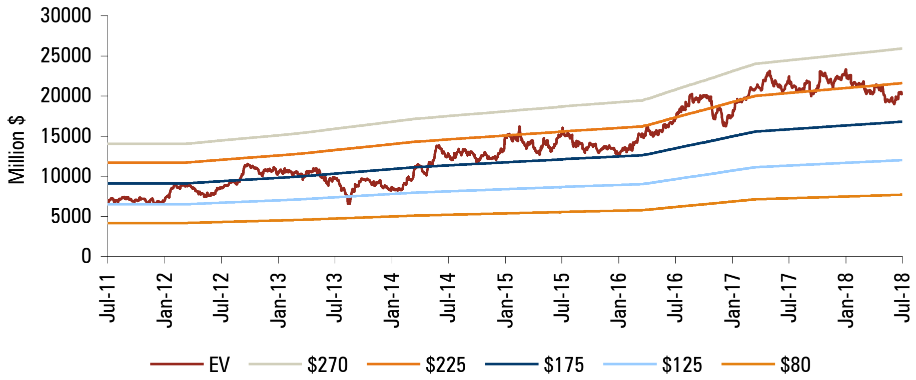
*Source: ICICI Direct Research; * Blended (grey + white + clinker)*

Exhibit 19: One year forward EV/EBITDA



Source: Company, ICICI Direct Research

Exhibit 20: One year forward EV/Tonne



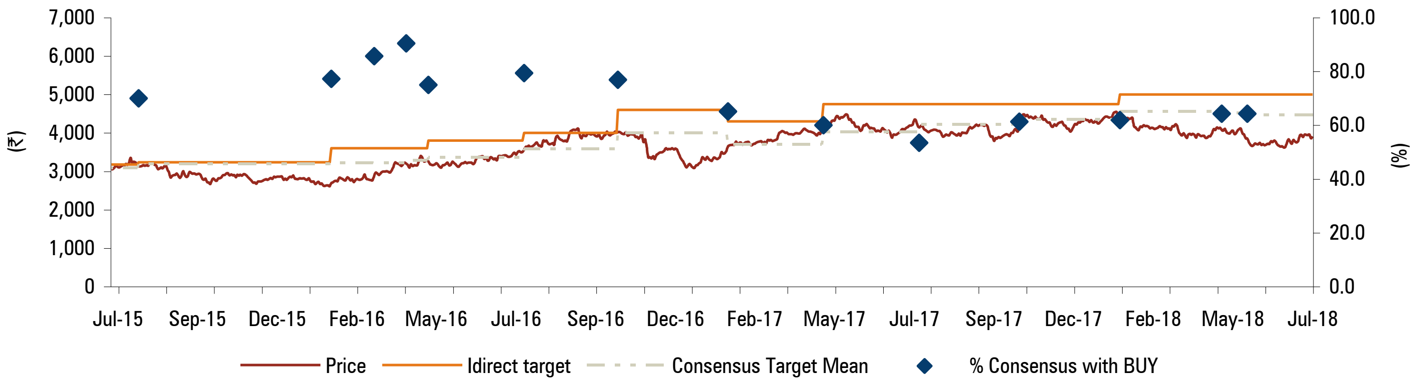
Source: Company, ICICI Direct Research

Exhibit 21: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/Tonne ($)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	23708.8	18.1	86.4	10.5	44.7	269	23.6	11.3	11.7
FY17	23891.4	0.8	96.3	11.4	40.3	244	21.1	11.2	13.1
FY18	29790.1	24.7	89.6	-7.0	47.5	224	20.3	9.5	10.0
FY19E	35472.0	19.1	116.4	30.0	33.2	210	15.9	11.1	12.2
FY20E	41411.3	16.7	160.2	37.6	24.1	198	12.7	13.4	14.9

Source: Company, ICICI Direct Research

Recommendation History vs Consensus Estimates



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Sep-14	Commissions 1.4 MT cement mill at Karnataka and 25 MW power plant at AP
Dec-14	Board approves acquisition of cement business of Jaiprakash Associates in MP with capacity of 4.9 MT
Aug-15	Commissions a bulk terminal with a capacity of 2 MT in Pune, Maharashtra.
Sep-15	Commissions a cement grinding unit with a capacity of 1.6 MT at Jhajjar, Haryana.
Sep-15	Commissions a cement grinding unit with a capacity of 1.6 MT at Dankuni, West Bengal.
Dec-15	Compat sets aside the Competition Commission of India (CCI) order of alleged cartelisation
Feb-16	The company signs binding MoU with Jaiprakash Associate to acquire 22.4 MT cement capacity
Apr-16	Commissions a cement grinding unit with a capacity of 1.6 MT at Patliputra, Bihar.
Jan-17	The board approves setting up of 3.5 mt integrated plant at Dhar, Madhya Pradesh and is expected to be operational by Q4FY19
Jun-17	Completion of acquisition of Jaypee assets (~21.2 MT)
Apr-18	Commisions 2.5 MT cement capacity at Manawar, Dhar MP
May-18	The company has entered into a scheme of arrangement with Century Textile and Industries (Century) to acquire its 13.4 MT cement capacity at ₹ 8,621 crore.

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Last filing date	% O/S	Position (m)	Change (m)
1	Aditya Birla Group	31-Mar-18	60.2	165.3	0.00
2	Life Insurance Corporation of India	31-Mar-18	2.41	6.62	0.22
3	OppenheimerFunds, Inc.	31-May-18	1.91	5.25	(0.00)
4	Aberdeen Asset Management (Asia) Ltd.	31-May-18	1.49	4.09	0.00
5	Aberdeen Asset Managers Ltd.	31-May-18	1.20	3.30	0.00
6	Capital World Investors	31-Mar-18	1.10	3.02	0.18
7	The Vanguard Group, Inc.	31-May-18	1.06	2.91	0.01
8	Capital Research Global Investors	31-Mar-18	1.03	2.84	(0.00)
9	JPMorgan Asset Management U.K. Limited	31-May-18	0.96	2.64	0.00
10	BlackRock Institutional Trust Company, N.A.	30-Jun-18	0.95	2.60	(0.14)

Shareholding Pattern

(in %)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoter	62.14	62.13	62.05	61.98	61.98
FII	21.89	22.14	22.20	22.27	21.19
DII	5.53	5.55	5.67	5.78	6.76
Others	10.44	10.18	10.08	9.97	10.07

Source: Reuters, ICICI Direct Research

Recent Activity

Buys			Sells		
Investor Name	Value	Shares	Investor Name	Value	Shares
Life Insurance Corporation of India	13.42	0.22	Franklin Advisers, Inc.	-34.98	-0.63
Kotak Mahindra Asset Management Company Ltd.	11.78	0.21	BlackRock Asset Management North Asia Limited	-16.63	-0.30
Capital World Investors	11.10	0.18	Schroder Investment Management Ltd. (SIM)	-8.76	-0.16
HDFC Asset Management Co., Ltd.	3.48	0.06	BlackRock Institutional Trust Company, N.A.	-7.93	-0.14
Franklin Templeton Asset Management (India) Pvt. Ltd.	3.34	0.06	GaveKal Capital Limited	-4.79	-0.08

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Total operating Income	23,891.4	29,790.1	35,472.0	41,411.3
Growth (%)	0.8	24.7	19.1	16.7
Raw material cost	4024.5	4679.7	5494.0	6204.0
Power & Fuel cost	3926.6	5959.5	7501.5	8142.8
Freight cost	5845.2	7281.6	8487.6	9693.8
Employees cost	1413.4	1706.2	1887.7	2442.8
Others	3712.8	4279.8	4648.8	5738.7
Total Operating Exp.	18,922.5	23,906.8	28,019.6	32,222.2
EBITDA	4,969.0	5,883.3	7,452.4	9,189.1
Growth (%)	7.4	18.4	26.7	23.3
Depreciation	1,267.9	1,763.6	1,928.1	2,053.4
Interest	571.4	1,186.3	1,338.1	1,119.0
Other Income	660.0	594.7	485.6	485.6
PBT	3,789.6	3,528.1	4,671.8	6,502.3
Total Tax	1148.2	1070.6	1478.1	2106.7
PAT	2,641.4	2,457.6	3,193.7	4,395.5
Growth (%)	11.4	-7.0	30.0	37.6
Adjusted EPS (₹)	96.3	89.6	116.4	160.2

Source: Company, ICICI Direct Research

Cash flow statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Profit after Tax	2,627.7	2,231.3	3,193.7	4,395.5
Add: Depreciation	1,267.9	1,763.6	1,928.1	2,053.4
(Inc)/dec in Current Assets	1,016.0	-3,781.5	-698.1	-1,630.8
Inc/(dec) in CL and Provisions	-490.8	1,678.0	80.5	1,185.1
CF from operating activities	4,420.7	1,891.3	4,504.2	6,003.3
(Inc)/dec in Investments	-3,378.3	1,457.2	0.0	0.0
(Inc)/dec in Fixed Assets	-1,274.9	-16,338.2	-3,500.0	-3,500.0
Others	111.2	283.8	0.0	0.0
CF from investing activities	-4,542.0	-14,597.2	-3,500.0	-3,500.0
Issue/(Buy back) of Equity	0.1	0.1	0.0	0.0
Inc/(dec) in loan funds	-1,396.3	11,148.4	-500.0	-2,000.0
Dividend paid & dividend tax	-321.0	-347.6	-397.1	-397.1
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	422.2	419.2	0.0	0.0
CF from financing activities	-1,295.0	11,220.1	-897.1	-2,397.1
Net Cash flow	-338.5	-1,697.2	107.1	106.1
Opening Cash	2,235.2	1,896.7	199.4	306.6
Closing Cash	1,896.7	199.4	306.6	412.7

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Liabilities				
Equity Capital	274.5	274.6	274.6	274.6
Reserve and Surplus	23,345.4	25,648.4	28,445.0	32,443.4
Total Shareholders funds	23,619.9	25,923.0	28,719.6	32,718.0
Total Debt	6,271.6	17,420.0	16,920.0	14,920.0
Deferred Tax Liability	3,338.6	3,622.4	3,622.4	3,622.4
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	33,230.1	46,965.3	49,262.0	51,260.4
Assets				
Gross Block	36,364.0	52,107.6	55,607.6	59,107.6
Less: Acc Depreciation	13,132.3	14,895.9	16,824.0	18,877.4
Net Block	23,231.7	37,211.8	38,783.7	40,230.3
Capital WIP	878.4	1,473.0	1,473.0	1,473.0
Total Fixed Assets	24,110.1	38,684.8	40,256.6	41,703.2
Investments	7,408.7	6,162.9	6,162.9	6,162.9
Inventory	2,225.0	3,101.5	3,234.9	4,162.4
Debtors	1,276.2	1,714.2	2,289.8	2,384.6
Loans and Advances	643.9	776.7	784.0	955.2
Other Current Assets	1,399.5	3,733.7	3,715.5	4,152.7
Cash	1,896.7	199.4	306.6	412.7
Total Current Assets	7,441.2	9,525.5	10,330.7	12,067.7
Creditors	1,713.8	2,343.6	2,496.1	3,154.0
Provisions	4,016.1	5,064.2	4,992.2	5,519.5
Total Current Liabilities	5,729.9	7,407.9	7,488.3	8,673.4
Net Current Assets	1,711.3	2,117.6	2,842.4	3,394.2
Others Assets	0.0	0.0	0.0	0.0
Application of Funds	33,230.1	46,965.3	49,261.9	51,260.4

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
EPS	96.3	89.6	116.4	160.2
Cash EPS	142.0	145.6	186.7	235.0
BV	860.8	944.7	1,046.6	1,192.3
DPS	10.0	10.5	12.0	0.0
Cash Per Share	69.1	7.3	11.2	15.0
Operating Ratios (%)				
EBITDA Margin	20.8	19.7	21.0	22.2
PBT / Total Operating income	15.8	11.1	13.2	15.7
PAT Margin	11.0	7.5	9.0	10.6
Inventory days	35.5	32.6	32.6	32.6
Debtor days	20.6	18.3	20.6	20.6
Creditor days	52.0	24.9	24.9	24.9
Return Ratios (%)				
RoE	11.2	9.5	11.1	13.4
RoCE	13.1	10.0	12.2	14.9
RoIC	14.8	10.0	12.7	15.7
Valuation Ratios (x)				
P/E	40.3	47.5	33.2	24.1
EV / EBITDA	21.1	20.3	15.9	12.7
EV / Net Sales	4.4	4.0	3.3	2.8
Market Cap / Sales	4.4	3.6	3.0	2.6
Price to Book Value	4.5	4.1	3.7	3.2
Solvency Ratios				
Debt/EBITDA	1.3	3.0	2.3	1.6
Debt / Equity	0.3	0.7	0.6	0.5
Current Ratio	1.3	1.3	1.4	1.4
Quick Ratio	1.0	1.3	1.3	1.3

Source: Company, ICICI Direct Research

ICICI Direct Research coverage universe (Cement)

Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹)			EV/EBITDA (x)			EV/Tonne ($)			RoCE (%)			RoE (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
ACC*	1,274	1900	Buy	23,944	35.0	49.2	60.4	13.7	11.6	9.0	107	100	97	14.0	16.3	19.4	9.9	11.6	14.0
Ambuja Cement*	193	285	Buy	38,323	6.3	6.5	8.6	12.8	11.5	9.4	126	127	126	11.3	13.2	17.1	8.6	9.2	11.6
UltraTech Cem	3,861	4800	Buy	105,946	89.6	116.4	160.2	20.3	15.9	12.7	224	210	198	10.0	12.2	14.9	9.5	11.1	13.4
Shree Cement	16,249	18500	Hold	56,547	397.8	436.3	491.9	22.2	19.5	17.0	287	241	234	15.3	16.2	16.0	15.6	14.9	14.8
Heidelberg Cem	135	180	Buy	3,059	5.9	7.2	8.7	10.9	10.2	9.0	112	111	107	14.8	17.0	19.9	12.8	14.4	15.9
India Cement	99	160	Buy	3,041	3.3	5.1	5.6	8.9	8.0	7.5	67	65	63	5.1	5.7	5.9	1.9	3.0	3.1
JK Cement	772	1150	Buy	5,399	51.3	28.4	46.8	9.4	13.8	10.3	85	86	85	14.6	9.6	12.3	16.7	8.8	13.1
JK Lakshmi Cem	324	440	Buy	3,813	7.1	5.0	7.6	12.9	13.2	11.6	71	64	65	8.8	8.2	9.4	5.8	3.9	5.7
Mangalam Cem	191	275	Hold	510	4.3	4.8	10.3	9.8	10.0	7.8	35	36	37	7.2	6.6	8.9	2.2	2.4	5.0
Star Cement	112	150	Buy	4,695	7.9	6.8	7.3	9.5	9.6	8.7	226	208	201	21.6	19.2	18.6	22.4	16.7	15.6
Ramco Cement	636	930	Buy	15,142	23.5	28.4	34.8	14.7	12.9	10.4	163	157	130	10.4	10.7	12.2	13.7	14.9	16.1
Sagar Cement	791	1,100	Buy	1,614	12.9	21.8	30.0	13.4	10.8	9.1	79	65	46	8.1	10.3	11.9	3.4	5.4	7.0

* *CY17, CY18E CY19E*

Source: Company, ICICI Direct Research

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