

## Shree Cement (SHRCEM)

₹ 18,638

### Mixed bag...

- Shree Cement reported a mixed set of numbers. Gross revenues increased 16.1% YoY to ₹ 2,864.5 crore (above I-direct estimate of ₹ 2791.6 crore) mainly led by 21% YoY increase in cement revenues to ₹ 2768.8 crore (vs. I-direct estimate: ₹ 2675.0 crore), while power revenues declined 46.8% YoY to ₹ 95.8 crore (vs. I-direct estimate: ₹ 116.6 crore)
- The rise in cement revenue was due to 13.9% YoY increase in volume to 5.9 MT (vs. I-direct estimate 5.81 MT) & 6.2% YoY increase in cement realisations to ₹ 4,703/t (vs. I-direct estimate: ₹ 4,607/t)
- On the margin front, the EBITDA margin declined 588 bps YoY to 23.7% (vs. I-direct estimate: 27.2%) mainly due to higher freight cost (up 42.8% YoY) and power & fuel cost (up 39.5% YoY mainly due to higher pet coke prices).
- The company's cement EBITDA/t was down 8.3% YoY at ₹ 1157/t (vs. I-direct estimate: ₹ 1290/t). Overall, EBITDA/t declined 18.3% YoY to ₹ 1,155/t due to decline in power margins

### Aiming to achieve 36% increase in capacity to 40 MT by 2020

Continuous capacity expansion and operating efficiency has enabled Shree Cement to remain ahead of its peers in terms of volume growth and profitability. As of Q1FY18, the total capacity was at 29.3 MT. It is planning to further increase its capacity by 36% to 40 MT by 2020. The company aims to add 2.6 MT capacity in Chhattisgarh by March 2018, 2.5-3 MT in east and north each. It has also proposed to add 3 MT capacity in Karnataka taking the total capacity to 40 MT by 2020. We think the management's proactive approach in cost-saving initiatives and significant expansion plans will help it to join the large capacity league sooner than later.

### Higher realisation, improving demand to drive growth

We expect utilisation to remain healthy led by the government's thrust on infrastructure development (especially in roads and affordable housing) and better monsoon. Considering this, coupled with capacity expansion, we expect sales volume to grow at a CAGR of 18.3% over FY17-19E.

### Healthy operating cash flow generation to help fund expansion

While the debt-equity ratio was at 2.2x in FY08, at the end of FY17, it has reduced to 0.2x and is expected to remain at this level in coming years. Operating cash flow has also remained healthy for the company with FY17 operating cash flow of ~₹ 3,000 crore. With the lower D/E ratio and healthy operating cash flow, going forward, a further expansion will not create any balance sheet burden.

### Growth momentum to continue; maintain HOLD

Revival in cement demand backed by the government's focus on infrastructure development coupled with improving pricing scenario in the company's key markets is expected to result in robust financial performance for the company over FY17-19E. Further, cost efficiencies, lower capital cost for expansions, and a strong balance sheet remains a key positive for the company. Hence, we remain positive on the stock from a long-term perspective with a revised target price of ₹ 19,700 per share (i.e. at 18.2x FY19E EV/EBITDA).

Rating matrix	
Rating	: Hold
Target	: ₹ 19700
Target Period	: 9-12 months
Potential Upside	: 6%

What's Changed?	
Target	Changed from ₹ 17,800 to ₹ 19,700
EPS FY18E	Changed from ₹ 509.9 to ₹ 455.1
EPS FY19E	Changed from ₹ 562.9 to ₹ 537.6
Rating	Unchanged

Quarterly Performance					
	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
Revenue	2,864.5	2,467.8	16.1	2,683.4	6.7
EBITDA	680.0	730.8	10.3	511.2	33.0
EBITDA (%)	23.7	29.6	-588 bps	19.0	469 bps
PAT	440.1	507.7	-13.3	304.5	44.5

Key Financials				
₹ Crore	FY16*	FY17#	FY18E#	FY19E#
Net Sales	6190.0	9496.5	11539.0	13297.5
EBITDA	1406.9	2367.2	2894.5	3551.2
Adjusted PAT	1143.1	1339.1	1583.6	1870.9
Adjusted EPS (₹)	328.5	384.8	455.1	537.6

^ June year ending, \*9 months year ending, # as per IND AS

Valuation summary				
	FY16*	FY17#	FY18E#	FY19E#
PE (x)	56.7	48.4	41.0	34.7
Target PE (x)	60.0	51.2	43.3	36.6
EV to EBITDA (x)	45.1	26.3	21.4	17.2
EV/Tonne(US\$)**	413	378	363	291
Price to book (x)	9.5	8.4	7.1	6.0
RoNW (%)	16.7	17.4	17.3	17.3
RoCE (%)	6.8	12.3	14.6	15.7

Stock data	
Particular	Amount
Mcap	₹ 64860 crore
Debt (FY17)	₹ 1658 crore
Cash & Invest (FY17)	₹ 4154 crore
EV	₹ 62365 crore
52 week H/L	₹ 20,560 / 12,555
Equity cap	₹ 34.8 crore
Face value	₹ 10

Price performance (%)				
	1M	3M	6M	12M
ACC	4.3	6.5	21.9	1.8
Ambuja Cement	8.9	7.7	15.6	-1.8
Shree Cement	3.1	-9.4	11.3	9.9
UltraTech Cement	1.9	-3.7	10.7	12.3

Research Analyst	
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## Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
Total Operating Income	2864.5	2,791.6	2,467.8	16.1	2,683.4	6.7	Revenue growth can mainly be attributed to 21.0% YoY increase in cement revenues. Cement volumes and realisations both increased 13.9% and 6.2% YoY, respectively. Power segment reported revenue decline of 46.8% YoY during the quarter
Other Income	130.7	98.0	97.9	33.5	151.0	-13.5	
Raw Material Consumed	212.2	203.2	161.2	31.6	202.8	4.6	
Stock Adjustment	13.7	0.0	17.0	NA	13.6	NA	
Employee Expense	147.2	135.8	133.1	10.6	135.1	8.9	
Power, Oil & Fuel	457.3	403.4	327.9	39.5	460.1	-0.6	Increase in pet coke prices led to rise in power & fuel cost
Freight cost	628.8	594.0	440.2	42.8	606.8	3.6	We believe the increase in freight cost was mainly due to higher diesel prices and increase in lead distance
Other Expenses	725.4	696.8	657.7	10.3	754.0	-3.8	
EBITDA	680.0	758.4	730.8	-7.0	511.2	33.0	
EBITDA Margin (%)	23.7	27.2	29.6	-588 bps	19.0	469 bps	Increase in freight and power cost led to fall in EBITDA margins
Interest	32.9	31.1	27.6	19.2	31.4	4.6	
Depreciation	231.2	306.4	154.0	50.1	310.9	-25.6	
PBT	546.6	518.8	647.1	-15.5	319.9	70.9	
Total Tax	106.5	103.8	139.4	-23.6	15.4	NA	
PAT	440.1	415.1	507.7	-13.3	304.5	44.5	The decline in PAT was mainly due to poor performance at operating level and higher depreciation expenses

## Key Metrics

Volume (MT)	5.9	5.8	5.2	13.9	5.9	-0.7	We believe the volume growth was led by higher demand in the east
Net Realisation/tonne (₹)	4,703	4,607	4,427	6.2	4,282	9.8	Better pricing scenario in the north led to higher realisation
Cement EBITDA/Tonne	1,157	1,290	1,262	-8.3	818	41.5	
Blended EBITDA per Tonne (₹)	1,155	1,306	1,414	-18.3	862	34.0	The decline in EBITDA/t was mainly led by EBITDA loss in power segment and 391 bps YoY decline in Cement EBITDA margins

Source: Company, ICICIdirect.com Research

## Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	OLD	New	% Change	OLD	New	% Change	
Gross revenues	11,556.9	11,539.0	-0.2	12,832.8	13,297.5	3.6	We expect revenues to increase at a CAGR of 18.3% over the next two years
EBITDA	3,188.3	2,894.5	-9.2	3,669.6	3,551.2	-3.2	
EBITDA Margin (%)	27.6	25.1	-250 bps	28.6	26.7	-189 bps	We expect EBITDA margin to improve 178 bps in FY17-19E
Adjusted PAT	1,774.5	1,583.6	-10.8	1,958.8	1,870.9	-4.5	
Adjusted EPS (₹)	509.9	455.1	-10.8	562.9	537.6	-4.5	

Source: Company, ICICIdirect.com Research, FY18E and FY19E revenues has been adjusted to factor in impact of IND AS

## Assumptions

	Current			Earlier			Comments	
	FY14	FY15	FY16*	FY17	FY18E	FY19E		
Volume (MT)	14.2	16.1	14.2	20.6	23.5	26.4	Capacity expansion, increase in market share in the east and higher government to drive volumes over FY17-19E	
Realisation ^ (₹)	3,696	3,572	3,934	4,350	4,742	4,873	4,514	
EBITDA per Tonne (₹)	979	832	988	1,162	1,233	1,345	1,316	We have lowered our EBITDA/t expectation mainly due to lower margins in power segment

Source: Company, ICICIdirect.com Research, \*9M period due to change in financial year, ^ For current estimates, we have reported gross realisation for FY18E and FY19E

## Annual Report Analysis

- FY17 financials are not comparable to FY16 due to a change of the financial year ending from June to March. Hence, FY16 financials are only for nine months while FY17 financials are for 12 months
- During FY17, Shree Cement expanded its capacity to 29.3 MT from 25.6 mainly led by 1.6 MT capacity expansion of grinding unit at Aurangabad, Bihar and the rest of the capacity expansion was from de-bottlenecking, process-flow improvement, installation of balancing equipment and other productivity improvement measures. Further, the company plans to further increase its capacity to 35 MT by FY19E mainly led by 2.6 MT capacity expansion at Raipur District in Chhattisgarh (that the company plans to make operational by Q4FY18E) and 3.0 MT capacity expansion at Gulbarga district of Karnataka (that the company plans to make operational by Q3FY19E)
- The company's cement volumes increased 10.6% YoY in FY17 vs. TTM of FY16 mainly led by capacity expansion and higher sales in the eastern region. This coupled with healthy pricing scenario in the company's key markets led to revenue increase of 25.7% YoY in FY17 compared to TTM of previous year. In terms of power, the company's volumes and margins were impacted mainly by poor demand and higher fuel expenses
- In terms of cost/t the company witnessed headwinds in power cost (mainly led by increase in pet coke prices) and rise in freight cost (due to higher diesel prices & lower ex-factory dispatches). However, the company has also tried to mitigate cost headwinds by improvement in energy consumption levels (down to 70 Kwhr/t of cement from 72 Kwhr/t of cement) and lower fuel consumption (down from 719.2 kcal/kg of clinker to 717.6 kcal/kg of clinker). This coupled with healthy realisation led to EBITDA/t of ₹ 1086 in FY17 from ₹ 851/t in FY16 (nine months). Going forward, in order to better manage power cost the company has started exploring possibility of coal linkages. In FY17, the company participated and won three coal linkages at competitive prices for supply from New Kusumunda and Dipka OC coal mines of South Eastern Coalfields (subsidiary of Coal India.). The coal will be used for the company's plant at Raipur in Chhattisgarh. The quality of coal to be supplied under the above coal linkages is "G-Grade" while aggregate quantity allotted is 0.21 MT. The supply will continue for three years from the date of signing of fuel supply agreement
- Remuneration to promoters, top management, independent directors and non executive directors' accounted for ~4.4% of FY17 PAT
- The company had declared a dividend of ₹ 140 per share in FY17 of which ₹ 100 was one time special dividend.
- The company had cash and cash equivalent of ~₹ 4,154 crore in FY17. This coupled with healthy cash flow will enable the company to expand through internal accruals.

### Fuel, fly ash and slag consumption per tonne

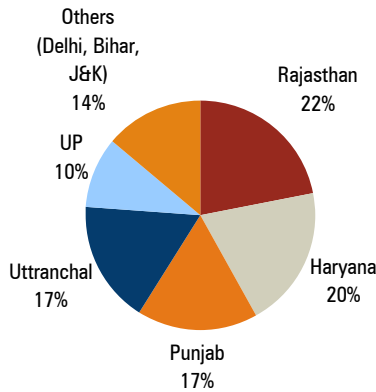
Resources	Units of measurement	Per unit consumption	
		2015-16 (9 mnths)	2016-17 (12 Mnths)
Fly-ash	% per ton of cement	22.4	23.8
GBF Slag	% per ton of cement	2.2	2.9
Fuel consumption	Kcal/kg of Clinker	719.2	717.6

### Exhibit 1: Power and Fuel trend

Power & fuel trend	FY12	FY13	FY14	FY15	FY16	FY17
Power Consumption (Kwh/T of Cement)	76.9	78.2	75.2	73.8	72.1	70.0
Fuel Consumption (% of Clinker)	11.3	10.4	10.1	10.0	9.7	9.8

Source: Company, ICICIdirect.com Research

### Revenue share in northern region



## Company Analysis

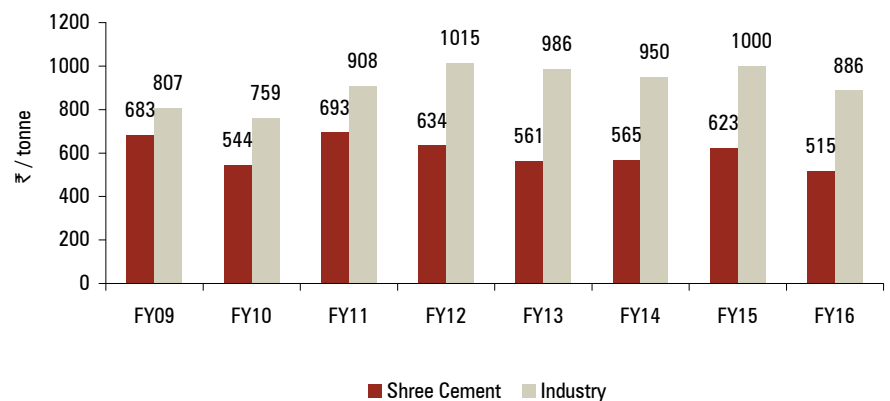
### Strong presence in northern region

The company is one of the major players in the northern region with a market share of ~20%. Rajasthan is the highest revenue generator state for the company followed by Haryana and Punjab. The company has a total capacity of 27.5 MTPA most of which is located in Rajasthan except capacity of 1.2 MTPA in Roorkee, Uttarakhand, 1.5 MTPA in Panipat, Haryana (acquisition completed on April 27, 2015), 2.6 MT in Chhattisgarh 2.0 MTPA in UP and 3.6 MTPA in Bihar. Shree Cement distributes cement under different brand names - Shree Ultra, Bangur and Rockstrong.

### Lower power cost a key differentiator

The company is among the first companies in the cement industry to have entered the power business. It has evolved from a mere captive power producer to a major merchant power player and is also a Category I power trading licensee. The company has increased its capacity from 560 MW in FY12 to 607 MW in FY17. Moreover, it is also one of the most efficient users of fuel in the industry. Captive capacity along with better efficiency results in lower P&F cost per tonne for the company. It is the first company in the world to utilise 100% pet coke in all its operations for both cement and power plants.

### Exhibit 2: Lower power cost per tonne vs. industry



Source: Company, ICICIdirect.com Research

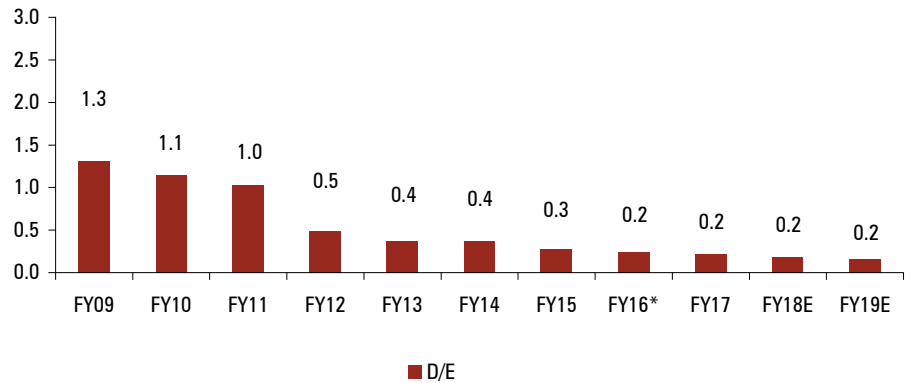
### Capacity expansion from 29.3 MT to 40 MT by 2020 to drive growth

Continuous capacity expansion and operating efficiency has enabled Shree Cement to remain ahead of its peers in terms of volume growth and profitability. As of Q1FY18, the company's total capacity was at 29.3 MT and is planning to further increase its capacity by 36% to 40 MT by 2020. The company aims to add 2.6 MT capacity in Chhattisgarh by March 2018, 2.5-3 MT in east and north each. It has also proposed to add 3 MT capacity in Karnataka taking the total capacity to 40 MT by 2020. We think the management's proactive approach in cost-saving initiatives and significant expansion plans will help it to join the large capacity league sooner than later.

### Comfortable D/E along with healthy operating cash flows

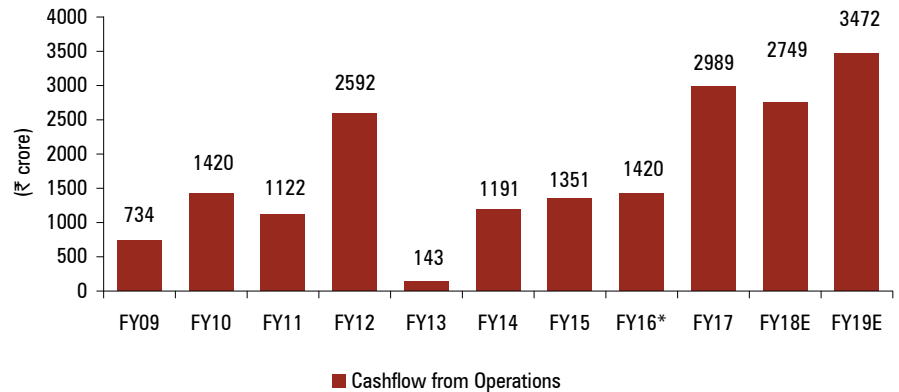
While the debt-equity ratio was at 2.2x in FY08, at the end of FY17, it has reduced to 0.2x and is expected to remain at this level in the coming years. Operating cash flow has also remained healthy for the company with FY17 operating cash flow of ~₹ 3,000 crore. With the lower D/E ratio and healthy operating cash flow, going forward, a further expansion will not create any balance sheet burden.

**Exhibit 3: D/E ratio trend**



Source: Company, ICICIdirect.com Research, \*9M period due to change in financial year

**Exhibit 4: Cash flow from operations**

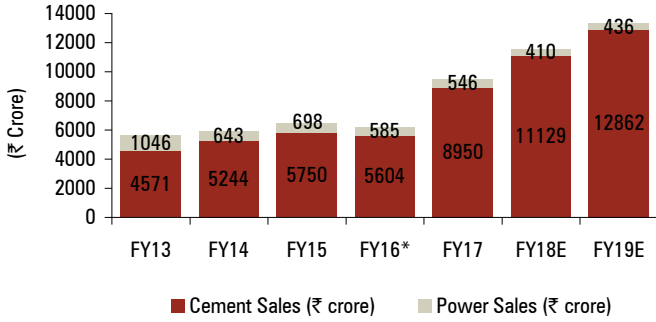


Source: Company, ICICIdirect.com Research, \*9M period due to change in financial year

### Expect revenue CAGR of 18.3% during FY17-19E

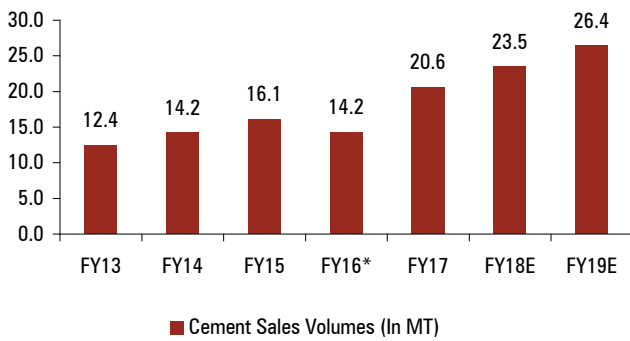
Revenues have grown at ~10.0% CAGR in FY12-17 mainly led by robust growth in cement segment revenue grew at a CAGR of 11.0% during the same period. Going forward, we expect capacity expansion in cement to drive revenue CAGR of ~18.3% in FY17-19E. Further, higher realisation in the north is expected to lead to an improvement in realisation for the company.

**Exhibit 5: Expect expansion led revenue CAGR of 18.3% during FY17-19E**



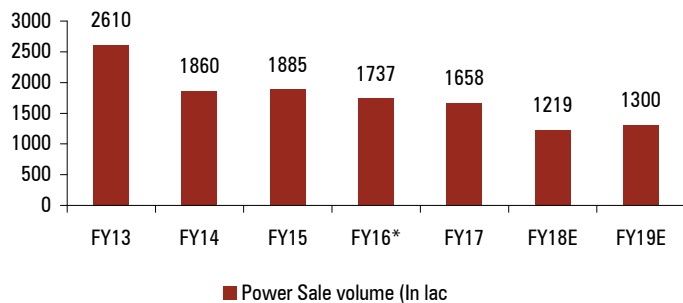
Source: Company, ICICIdirect.com Research, \*9M period due to change in financial year

**Exhibit 7: Volume to grow at CAGR of 13.3% during FY17-19E**



Source: Company, ICICIdirect.com Research, \*9M period due to change in financial year

**Exhibit 9: Merchant power sales growth**



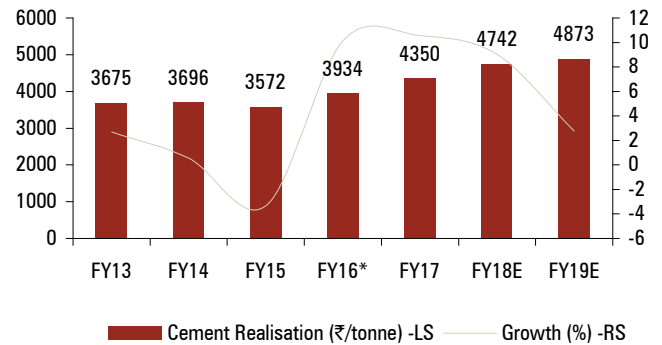
Source: Company, ICICIdirect.com Research, \*9M period due to change in financial year

**Exhibit 6: Capacity addition plans**

	Region	MT
Current Capacity		29.3
Additions : Over the next three years capacity expansion		
Raipur	North	2.6
Bihar	North	2.0
Jharkhand	East	3.0
Karnataka	South	3.0
<b>Total by FY20E</b>		<b>40.0</b>

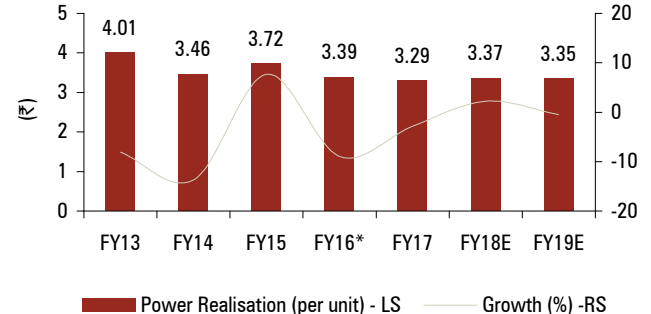
Source: Company, ICICIdirect.com Research

**Exhibit 8: Realisation to grow at CAGR of 5.8% during FY17-19E**



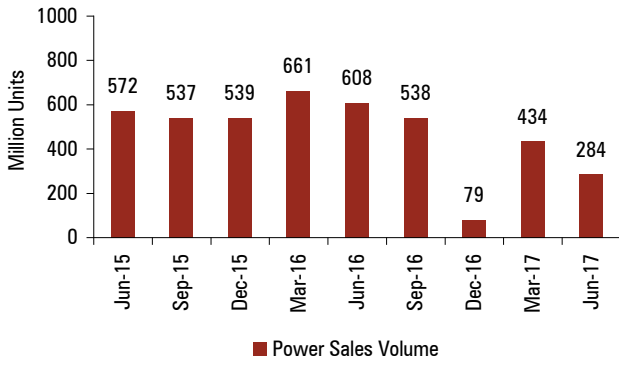
Source: Company, ICICIdirect.com Research, ^ FY17E and FY18E are gross realisation

**Exhibit 10: Realisation trend in merchant power segment**



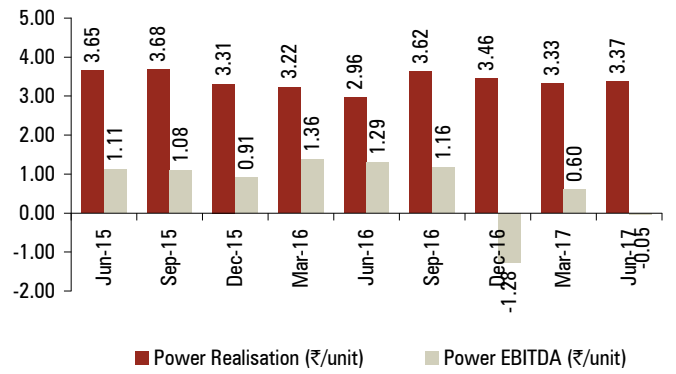
Source: Company, ICICIdirect.com Research

**Exhibit 11: Power volume down 53.2% in Jul 2017 quarter**



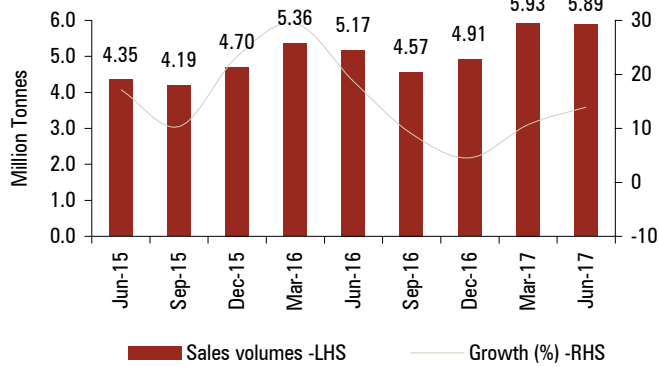
Source: Company, ICICIdirect.com Research

**Exhibit 12: Quarterly power realisations**



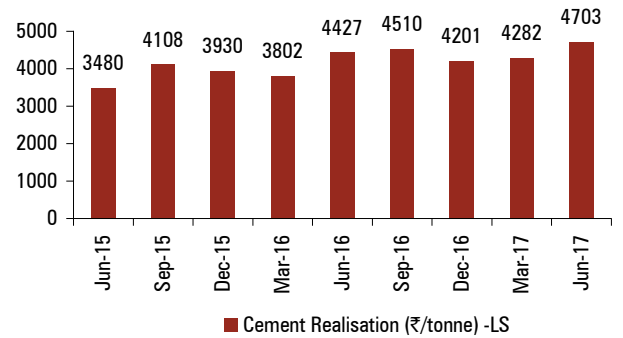
Source: Company, ICICIdirect.com Research

**Exhibit 13: Cement volume grows 13.9% YoY in Q1FY18**



Source: Company, ICICIdirect.com Research

**Exhibit 14: Cement realisations rises 6.2% YoY in Q1FY18**

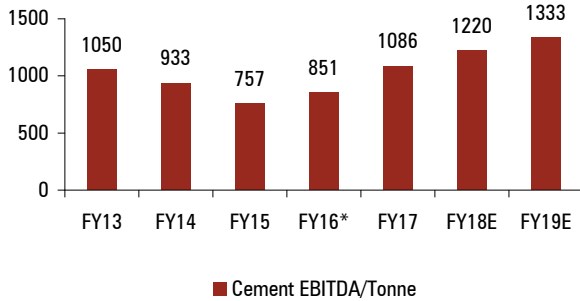


Source: Company, ICICIdirect.com Research

### Margins to improve led by stabilisation in cost structure

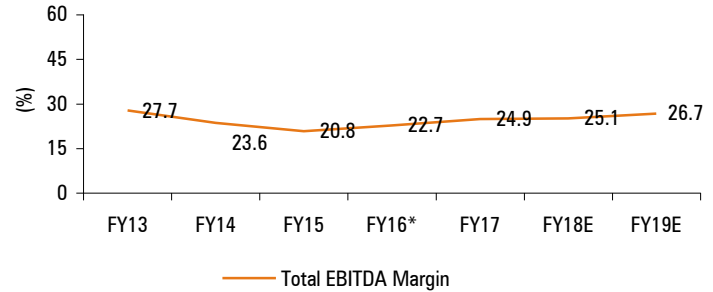
We expect operating margins to improve driven by an improvement in prices coupled with operating leverage benefits.

**Exhibit 15: Expect cement EBITDA/tonne of ₹ 1,333 in FY19E**



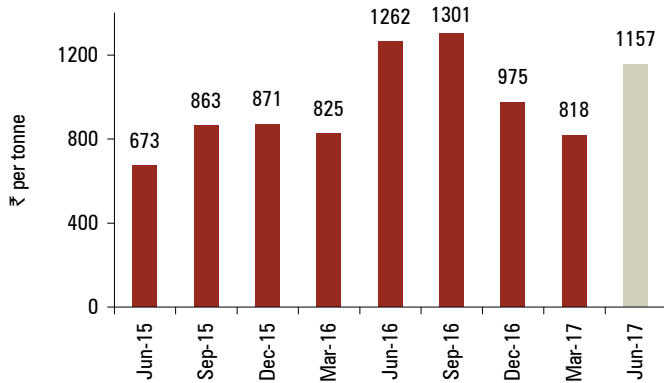
Source: Company, ICICIdirect.com Research, \*9M period due to change in financial year

**Exhibit 16: Margins to remain healthy due to cost efficiencies**



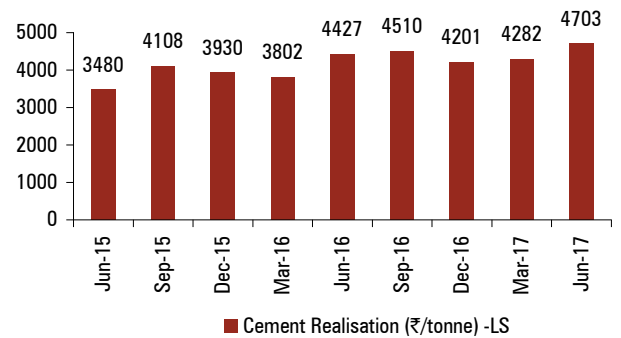
Source: Company, ICICIdirect.com Research

**Exhibit 17: Quarterly trend in cement EBITDA/tonne**



Source: Company, ICICIdirect.com Research

**Exhibit 18: Quarterly realisation trend**

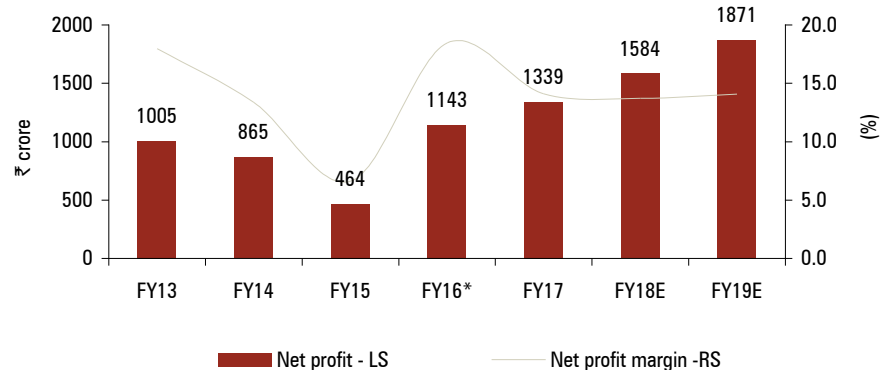


Source: Company, ICICIdirect.com Research

### Expect net profit to grow at a CAGR of 18.2% over FY17-19E

We expect net profit to increase at a CAGR of 18.2% over FY17-19E led by better performance at operating level.

**Exhibit 19: Profitability trend**



Source: Company, ICICIdirect.com Research, \* 9M period due to change in financial year



## Outlook and valuation

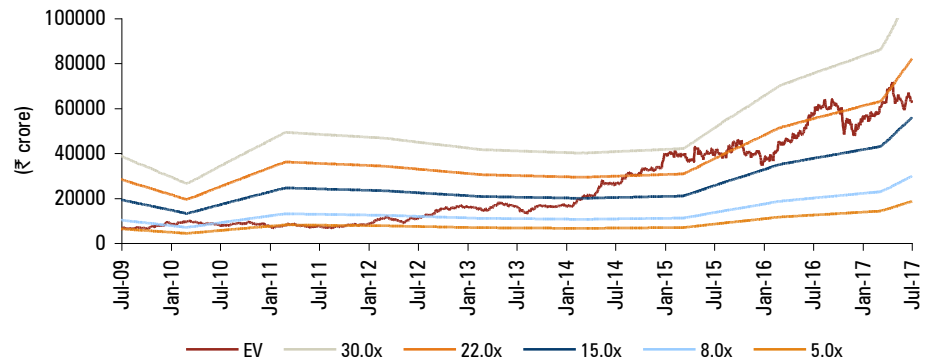
Revival in cement demand backed by the government's focus on infrastructure development coupled with improving pricing scenario in the company's key markets is expected to result in robust financial performance for the company over FY17-19E. Further, cost efficiencies, lower capital cost for expansions, and a strong balance sheet remains a key positive for the company. Hence, we remain positive on the stock from a long-term perspective with a revised target price of ₹ 19,700 per share (i.e. at 18.2x FY19E EV/EBITDA).

### Exhibit 20: Key assumptions

₹ per tonne	FY14 ^	FY15 ^	FY16*	FY17	FY18E	FY19E
Sales Volume	14.2	16.1	14.2	20.6	23.5	26.4
Realisation	3696	3572	3934	4350	4742	4873
Total Expenditure	2763	2809	3083	3264	3526	3540
Stock Adj	-12	-56	2	-38	10	0
Raw material	327	360	315	331	312	320
Employee	279	283	260	261	252	247
Power & fuel	565	623	513	513	603	605
Freight	839	867	801	911	1068	1068
Others	765	732	1191	1286	1281	1300
EBITDA per Tonne	933	763	851	1086	1216	1333
Power Volumes (million units)	1860	1885	1737	1658	1219	1300
Realisation (₹/unit)	3.5	3.7	3.4	3.3	3.4	3.4
EBITDA (₹/unit)	0.4	0.7	1.1	0.9	0.3	0.3

Source: ICICIdirect.com Research, ^ June year ending, \* 9M period due to change in financial year

### Exhibit 21: One year forward EV/EBITDA



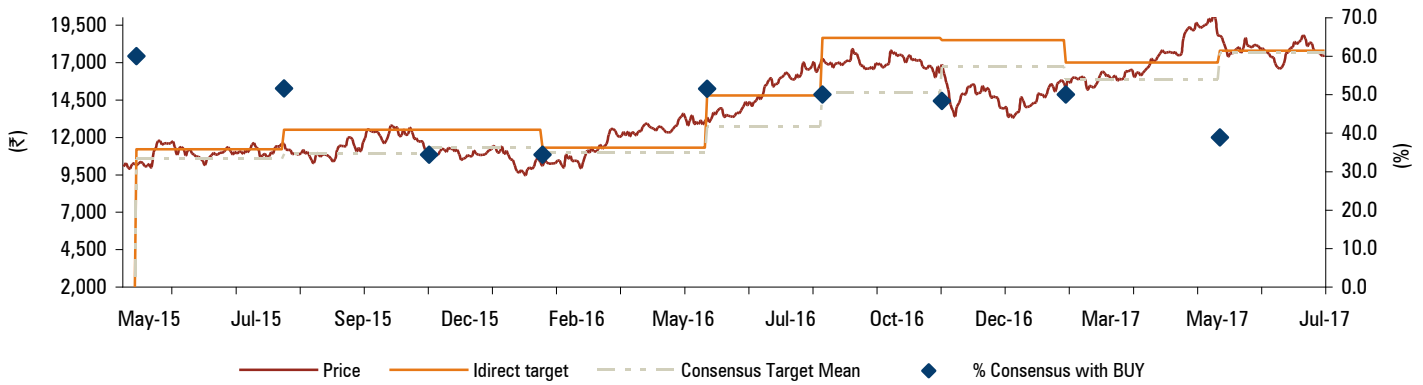
Source: ICICIdirect.com Research,

### Exhibit 22: Key valuation summary

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/tonne	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	6190.0	-4.0	328.5	168.1	56.7	412.7	45.1	16.7	6.8
FY17	9496.5	53.4	384.8	17.1	48.4	378.0	26.3	17.4	12.3
FY18E	11539.0	21.5	455.1	18.3	41.0	363.0	21.4	17.3	14.6
FY19E	13297.5	15.2	537.6	18.1	34.7	291.0	17.2	17.3	15.7

Source: Company, ICICIdirect.com Research, \* 9M period due to change in financial year

### Recommendation history vs. consensus estimate



Source: Bloomberg, Company, ICICIdirect.com Research

### Key events

Date	Event
Feb-09	Government announces excise duty cut of 2% to boost cement sales
Mar-09	Company completes its 1 MTPA clinkerisation unit (unit-VII) at Bangur city and starts trial production
May-10	Reports surprise net loss of ₹ 71.3 crore due to change in depreciation policy
May-12	CCI completes probe into alleged cartilisation by 39 cement companies and finds these companies including Shree Cement guilty of forming cartelisation
Jun-12	CCI imposes ₹ 397 crore penalty on Shree Cement for indulging in restrictive trade practices
Jul-13	Supreme Court directs six cement firms (including Shree Cement) to pay 24% interest on royalty due between 1992 and 1996 to Rajasthan state government
Jul-13	Recommends dividend of ₹ 12/share for June year ending FY13
Aug-14	To acquire 1.5 MTPA cement grinding unit of Jaiprakash Associates situated at Panipat, Haryana for consideration of ₹ 360 crore
Oct-14	Commissions 2.0 MT grinding unit each in Ras, Rajasthan and Aurangabad, Bihar
Apr-15	Completes acquisition 1.5 MTPA cement grinding unit of Jaiprakash Associates
May-15	Commissions clinker manufacturing unit of 1.50 MT capacity at Baloda Bazar near Raipur in Chhattisgarh
Oct-15	Commissions 2.0 MT capacity at Bulandshahr in Uttar Pradesh
Jun-16	Expands grinding unit by 1.6 MT in Bihar to 3.6 MT
Jul-16	Increases its clinker capacity at Beawar (Rajasthan) from 1.1 MT to 1.4 MT

Source: Company, ICICIdirect.com Research

### Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Shree Capital Services, Ltd.	30-Jun-17	25.8	9.0	0.0
2	Digvijay Finlease, Ltd.	30-Jun-17	12.2	4.2	0.0
3	FLT, Ltd.	30-Jun-17	10.3	3.6	0.0
4	Mannakrishna Investments Pvt. Ltd.	30-Jun-17	5.9	2.0	0.0
5	Newa Investments Pvt. Ltd.	30-Jun-17	4.0	1.4	0.0
6	Ragini Finance, Ltd.	30-Jun-17	3.6	1.3	0.0
7	Didu Investments Pvt. Ltd.	30-Jun-17	3.4	1.2	0.0
8	NBI Industrial Finance Company Limited	30-Jun-17	2.4	0.8	0.0
9	Cartica Capital, Ltd.	30-Jun-17	2.1	0.7	0.0
10	Venktesh Co., Ltd.	30-Jun-17	1.3	0.5	0.0

Source: Reuters, ICICIdirect.com Research

### Shareholding Pattern

(in %)	Mar-16	Jun-16	Dec-16	Mar-17	Jun-17
Promoter	64.79	64.79	64.79	64.79	64.79
FII	13.63	13.81	14.40	14.60	14.71
DII	5.14	5.09	4.60	4.65	4.40
Others	16.44	16.31	16.21	15.96	16.10

### Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
PineBridge Investments Asia Limited	106.57	0.41	Amundi Hong Kong Limited	-11.79	-0.04
GaveKal Capital Limited	2.04	0.01	Lyxor Asset Management	-8.26	-0.03
Jyske Invest Fund Management A/S	1.74	0.01	L&T Investment Management Limited	-8.35	-0.03
Axis Asset Management Company Limited	1.23	0.00	BNP Paribas Asset Management Asia Limited	-5.60	-0.02
IDBI Asset Management Limited	1.40	0.00	Caisse de Depot et Placement du Quebec	-2.12	-0.01

Source: Reuters, ICICIdirect.com Research

## Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY16 ^	FY17	FY18E	FY19E	
Total operating Income	6,190.0	9,496.5	11,539.0	13,297.5	
Growth (%)	-4.0	53.4	21.5	15.2	
Raw material cost	452.6	627.2	745.6	844.7	
Power & Fuel cost	1123.0	1444.3	1794.5	2000.0	
Freight cost	1141.6	1874.0	2506.6	2819.2	
Employees cost	369.9	537.2	591.7	650.8	
Others	1696.0	2646.7	3006.1	3431.6	
Total Operating Exp.	4,783.1	7,129.3	8,644.5	9,746.3	
EBITDA	1,406.9	2,367.2	2,894.5	3,551.2	
Growth (%)	5.1	68.3	22.3	22.7	
Depreciation	827.6	1,214.7	1,318.9	1,591.5	
Interest	75.8	129.4	131.6	131.5	
Other Income	672.7	507.8	522.8	540.0	
PBT	1,176.3	1,530.8	1,966.8	2,368.2	
Others	0.0	0.0	0.0	0.0	
Total Tax	33.1	191.7	383.2	497.3	
PAT	1,143.1	1,339.1	1,583.6	1,870.9	
Adjusted PAT	1,143.1	1,339.1	1,583.6	1,870.9	
Growth (%)	168.1	17.1	18.3	18.1	
Adjusted EPS (₹)	328.5	384.8	455.1	537.6	

Source: ICICIdirect.com Research, ^ FY17E and FY18E estimates is as per IND AS

Balance sheet		₹ Crore			
(Year-end March)	FY16 ^	FY17	FY18E	FY19E	
<b>Liabilities</b>					
Equity Capital	34.8	34.8	34.8	34.8	
Reserve and Surplus	6,810.7	7,663.3	9,122.8	10,786.8	
Total Shareholders funds	6,845.5	7,698.1	9,157.6	10,821.6	
Total Debt	1,645.1	1,658.1	1,658.1	1,658.1	
Deferred Tax Liability	-371.8	-507.7	-507.7	-507.7	
Minority Interest / Others	0.0	0.0	0.0	0.0	
Total Liabilities	8,118.8	8,848.5	10,308.0	11,972.0	
<b>Assets</b>					
Gross Block	9,535.8	10,299.5	13,209.9	15,209.9	
Less: Acc Depreciation	6,485.6	7,700.4	9,019.2	10,610.8	
Net Block	3,050.1	2,599.1	4,190.7	4,599.2	
Capital WIP	264.5	710.4	0.0	0.0	
Total Fixed Assets	3,314.6	3,309.6	4,190.7	4,599.2	
Investments	3,030.5	4,042.6	4,042.6	5,542.6	
Inventory	815.2	1,314.5	1,596.5	1,839.8	
Debtors	328.6	335.1	407.8	470.0	
Loans and Advances	380.2	336.3	346.2	398.9	
Other Current Assets	1,139.3	1,209.4	1,384.7	1,462.7	
Cash	83.0	111.0	404.5	38.5	
Total Current Assets	2,746.4	3,306.2	4,139.7	4,209.9	
Creditors	733.8	737.8	897.8	1,034.7	
Provisions	238.9	1,072.1	1,167.2	1,345.0	
Total Current Liabilities	972.7	1,809.9	2,065.0	2,379.7	
Net Current Assets	1,773.7	1,496.3	2,074.7	1,830.2	
Application of Funds	8,118.8	8,848.5	10,308.0	11,972.0	

Source: Company, ICICIdirect.com Research, ^ FY17E and FY18E estimates is as per IND AS

Cash flow statement		₹ Crore			
(Year-end March)	FY16 ^	FY17	FY18E	FY19E	
Profit after Tax	1,143.1	1,339.1	1,583.6	1,870.9	
Add: Depreciation	827.6	1,214.7	1,318.9	1,591.5	
Add: Interest	75.8	129.4	131.6	131.5	
(Inc)/dec in Current Assets	-346.2	-531.9	-539.9	-436.3	
Inc/(dec) in CL and Provisions	-280.1	837.3	255.1	314.7	
CF from operating activities	1,420.1	2,988.6	2,749.3	3,472.3	
(Inc)/dec in Investments	-1,367.9	-1,012.1	0.0	-1,500.0	
(Inc)/dec in Fixed Assets	-626.7	-1,209.7	-2,200.0	-2,000.0	
Others	-176.6	-135.9	0.0	0.0	
CF from investing activities	-2,171.2	-2,357.7	-2,200.0	-3,500.0	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	176.4	13.0	0.0	0.0	
Dividend paid & dividend tax	-99.3	-579.3	-124.1	-206.9	
Inc/(dec) in Sec. premium	525.4	92.8	0.0	0.0	
Others	-75.8	-129.4	-131.6	-131.5	
CF from financing activities	526.8	-602.9	-255.7	-338.4	
Net Cash flow	-224.3	28.0	293.6	-366.1	
Opening Cash	307.3	83.0	111.0	404.5	
Closing Cash	83.0	111.0	404.5	38.5	

Source: Company, ICICIdirect.com Research, ^ FY17E and FY18E estimates is as per IND AS

Key ratios		₹ Crore			
(Year-end March)	FY16 ^	FY17	FY18E	FY19E	
<b>Per share data (₹)</b>					
EPS	328.5	384.8	455.1	537.6	
Cash EPS	566.3	733.9	834.0	994.9	
BV	1,967.1	2,212.1	2,631.5	3,109.7	
DPS	24.0	140.0	30.0	50.0	
Cash Per Share	23.9	31.9	116.2	11.1	
<b>Operating Ratios (%)</b>					
EBITDA Margin	22.7	24.9	25.1	26.7	
PAT Margin	18.5	14.1	13.7	14.1	
Inventory days	48.1	50.5	50.5	50.5	
Debtor days	19.4	12.9	12.9	12.9	
Creditor days	43.3	28.4	28.4	28.4	
<b>Return Ratios (%)</b>					
RoE	16.7	17.4	17.3	17.3	
RoCE	6.8	12.3	14.6	15.7	
RoIC	7.2	14.6	16.1	17.4	
<b>Valuation Ratios (x)</b>					
P/E	56.7	48.4	41.0	34.7	
EV / EBITDA	45.1	26.3	21.4	17.2	
EV / Net Sales	10.2	6.6	5.4	4.6	
Market Cap / Sales	10.5	6.8	5.6	4.9	
Price to Book Value	9.5	8.4	7.1	6.0	
<b>Solvency Ratios</b>					
Debt/EBITDA	1.2	0.7	0.6	0.5	
Debt / Equity	0.2	0.2	0.2	0.2	
Current Ratio	2.8	1.8	2.0	1.8	
Quick Ratio	2.0	1.1	1.2	1.0	

Source: Company, ICICIdirect.com Research, ^ FY17E and FY18E estimates is as per IND AS

## ICICIdirect.com coverage universe (Cement)

Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			EV/EBITDA (x)			EV/Tonne (\$)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)			FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
ACC*	1746	2050	Buy	32,814	39.0	60.3	68.1	24.0	17.5	14.9	168	147	146	11.1	16.4	16.7	8.5	12.1	12.6
Ambuja Cement*	263	305	Buy	52,223	4.9	6.5	6.9	22.4	17.3	15.1	184	171	171	3.8	7.2	8.0	5.1	6.5	6.8
UltraTech Cem	4,010	4750	Buy	110,034	96.3	90.8	130.0	21.8	21.0	14.9	252	222	210	12.1	9.2	12.3	10.8	9.6	12.5
Shree Cement	18,638	19700	Hold	64,860	385	455	538	26.3	21.4	17.2	378	363	291	12.3	14.6	15.7	17.4	17.3	17.3
Heidelberg Cem	127	140	Hold	2,878	3.4	4.9	6.8	15.0	12.5	10.2	115	110	107	8.2	10.5	13.8	7.9	10.8	14.2
India Cement	202	232	Buy	6,205	5.4	7.3	11.1	10.6	10.1	8.3	99	99	90	7.5	8.1	9.2	3.3	4.3	6.1
JK Cement	1,021	1265	Buy	7,140	37.1	50.9	59.2	14.5	11.5	10.2	134	129	118	12.6	15.1	16.6	14.5	16.1	16.2
JK Lakshmi Cem	445	525	Hold	5,238	7.0	10.8	19.8	18.7	13.0	10.4	98	88	81	7.5	10.8	13.7	5.9	8.5	13.5
Mangalam Cem	370	425	Buy	988	12.9	31.1	37.7	11.4	6.8	5.8	54	49	48	10.9	18.4	19.7	6.8	14.2	14.9
Star Cement	123	115	Hold	5,198	4.1	6.5	6.9	14.3	9.9	9.5	245	238	235	13.8	19.8	19.0	14.0	18.7	17.2

Source: Company, ICICIdirect.com Research, \*CY ending

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