

India Cements

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	ICEM IN
Equity Shares (m)	308
M.Cap.(INRb)/(USDb)	58.9 / 0.7
52-Week Range (INR)	298 / 146
1, 6, 12 Rel. Per (%)	2/-18/-2
12M Avg Val (INR M)	996

Financial Snapshot (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	53.8	55.9	57.7
EBITDA	-1.7	5.6	7.5
Adj. PAT	-4.7	1.1	2.3
EBITDA Margin (%)	-3.2	10.1	13.0
Adj. EPS (INR)	-15.2	3.5	7.6
EPS Gr. (%)	n/m	n/m	119.2
BV/Sh. (INR)	180.7	183.1	189.6

Ratios

Net D:E	0.5	0.5	0.5
RoE (%)	-8.2	1.9	4.0
RoCE (%)	-1.9	3.3	4.7
Payout (%)	0.0	29.1	13.3

Valuations

P/E (x)	n/m	55.1	25.1
P/BV (x)	1.1	1.0	1.0
EV/EBITDA(x)	n/m	15.4	11.6
EV/ton (USD)	67	67	66
Div. Yield (%)	0.0	0.5	0.5

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	28.4	28.4	28.4
DII	9.4	9.9	8.8
FII	13.2	13.1	13.3
Others	49.1	48.6	49.5

FII Includes depository receipts

CMP: INR190 TP: INR155 (-19%) Sell

Volumes better than our estimate; leverage remains high

Plans for efficiency improvement measures

- India Cements (ICEM) posted an operating loss of INR445m in 4QFY23 (v/s our estimate of INR634m operating loss) led by higher-than-estimated volumes. Net loss (adjusted for exceptional item) stood at INR1.2b (v/s our estimate of INR1.4b net loss) during the quarter.
- ICEM is engaging experts (FLSmith and Polysius) for refurbishment and replacement of some equipment to reduce heat consumption and improve efficiency at three-to-four plants. An estimated capex of INR6b would be incurred by the management over FY24-25. It identified land parcels (400-500 acre) to be monetized (estimated value of INR12-13b), which are not used in the cement business. The proceeds will be used for the capex needs.
- We maintain our FY24E/FY25E earnings for ICEM. We value the stock at 10x FY25E EV/EBITDA (v/s Sep'24E earlier) to arrive at our TP of INR155.

Reiterate Sell.

Volumes up 5% YoY; cement realization down 5% QoQ

- ICEM's revenue grew 5% YoY to INR14.6b in 4QFY23 (4% above estimate). Sales volumes rose 5% YoY to 2.8mt (7% above estimate), whereas blended realization was flat YoY (3% below estimate).
- Opex/t rose 8% YoY (down 9% QoQ) due to a 12%/8% YoY rise in variable cost/other expenses. However, freight cost/t was flat YoY/QoQ. Higher opex and muted realization led to an operating loss of INR445m v/s a profit of INR615m in 4QFY22. Operating loss/t for cement stood at INR208 v/s EBITDA/t of INR197 in 4QFY22 and operating loss/t of INR369 in 3QFY23.
- Revenue grew 14% YoY in FY23, led by a 5%/9% YoY growth in realization/sales volumes. Due to significant cost pressures, operating loss was at INR1.7b v/s EBITDA of INR4.6b in FY22. Adjusted net loss stood at INR4.7b v/s a profit of INR390m in FY22. Consolidated net debt stood at INR29.4b as of Mar'23.

Highlights from the management commentary

- Cement demand is healthy driven by road, metro and real estate projects, and is likely to remain robust in FY24E. Higher demand led to intensified competition as no player wants to lose market share and keep prices stagnant. However, cement prices have not fallen from Mar'23-exit and management expects prices to improve in future.
- Fuel cost stood at INR2.7/kcal in 4QFY23 v/s INR2.95/kcal in 3QFY23. Fuel price is expected at INR2.2-2.3/Kcal in 1QFY24. ICEM is planning to add WHRS/Solar power plant and increase AFR share to double digit.
- Revenue and EBITDA for Shipping/Windmill/RMC stood at INR130m/ INR7m/INR250m and INR56m/INR0/INR78m, respectively, in 4QFY23.

Valuation expensive; reiterate Sell

- ICEM lost significant market share (800bp+ over FY10-23) due to lack of capacity additions. We expect its market share loss in the South to continue given the capacity addition by peers.
- ICEM's net debt is estimated to remain elevated at INR28b (net debt to EBITDA at 5x) in FY24. We would monitor the progress on divestment of non-core assets (land). ICEM's valuation at 15.4x FY24E EV/EBITDA appears unattractive. **Reiterate Sell with a TP of INR155 premised on 10x FY25E EV/EBITDA (v/s Sep'24E earlier).**

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Standalone quarterly performance**(INR b)**

Y/E March	FY22				FY23				FY22	FY23	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Sales Volumes (mt)	1.9	2.4	2.1	2.7	2.7	2.3	2.2	2.8	9.1	9.9	2.6	7
Change (YoY %)	36.2	12.0	(11.3)	(11.1)	37.4	(4.5)	3.5	4.8	1.9	9.1	(2.3)	
Realization (INR/ton)	5,257	5,043	5,258	5,239	5,413	5,566	5,589	5,244	5,196	5,439	5,399	(3)
Change (YoY %)	(0.8)	(0.7)	7.7	8.1	3.0	10.4	6.3	0.1	4.2	4.7	3.1	
Change (QoQ %)	8.4	(4.1)	4.3	(0.4)	3.3	2.8	0.4	(6.2)			(3.4)	
Net Sales	10.2	11.9	11.1	13.9	14.5	12.5	12.2	14.6	47.1	53.8	14.0	4
Change (YoY %)	35.1	11.3	(4.5)	(4.0)	41.4	5.4	10.0	4.9	6.2	14.2	0.7	
EBITDA	1.6	1.3	1.0	0.6	0.3	(0.9)	(0.7)	(0.4)	4.6	(1.7)	(0.6)	(30)
Margin (%)	15.8	11.2	9.4	4.4	2.1	(7.3)	(5.7)	(3.0)	9.8	(3.2)	(4.5)	NM
Depreciation	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	2.2	2.1	0.5	(3)
Interest	0.5	0.5	0.5	0.5	0.6	0.7	0.6	0.5	2.0	2.3	0.6	(21)
Other Income	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.2	0.2	0.3	0.1	226
PBT before EO expense	0.6	0.3	0.1	(0.4)	(0.7)	(2.1)	(1.8)	(1.3)	0.5	(5.9)	(1.7)	NM
Extra-Ord. expense	-	-	-	-	-	-	(2.9)	1.1	-	(1.8)	-	
PBT	0.6	0.3	0.1	(0.4)	(0.7)	(2.1)	1.1	(2.4)	0.5	(4.1)	(1.7)	NM
Tax	0.2	0.1	0.0	(0.1)	(1.5)	(0.7)	0.2	(0.2)	0.2	(2.2)	(0.4)	
Rate (%)	33.3	24.9	36.2	35.0	205.7	33.5	20.5	10.1	27.9	53.7	20.5	
Reported PAT	0.4	0.2	0.0	(0.2)	0.8	(1.4)	0.9	(2.2)	0.4	(1.9)	(1.4)	NM
Tax	-	-	-	-	(1.5)	-	-	(0.2)	-	(1.7)	-	
Adj. PAT	0.4	0.2	0.0	(0.2)	(0.7)	(1.4)	(1.4)	(1.2)	0.4	(4.7)	(1.4)	NM
Change (YoY %)	120.6	(69.2)	(94.7)	NM	NM	NM	NM	NM	(82.4)	NM	NM	
Margin (%)	3.7	1.8	0.3	(1.7)	(5.0)	(11.0)	(11.7)	(7.9)	0.8	(8.7)	(9.9)	

Per tonne analysis**(INR/t)**

RM Cost	624	822	880	963	769	1,042	945	1,043	834	947	940	11
Employee Expenses	425	374	390	298	340	394	443	294	366	362	343	(14)
Power, Oil, and Fuel	1,570	1,503	1,669	1,936	2,370	2,709	2,602	2,211	1,683	2,454	2,456	(10)
Freight cost	1,195	1,178	1,174	1,165	1,199	1,145	1,158	1,160	1,177	1,167	1,155	0
Other Expenses	610	599	652	646	619	681	759	696	628	686	750	(7)
Total Expense	4,424	4,477	4,765	5,008	5,297	5,971	5,907	5,404	4,688	5,615	5,643	(4)
EBITDA	833	566	494	231	115	(405)	(319)	(160)	508	-176	(244)	NM
YoY (%)	(23.6)	(49.2)	(45.5)	(65.5)	(86.2)	NM	NM	NM	(43.9)	NM	NM	

Story in charts

Exhibit 1: Sales volumes up 5% YoY

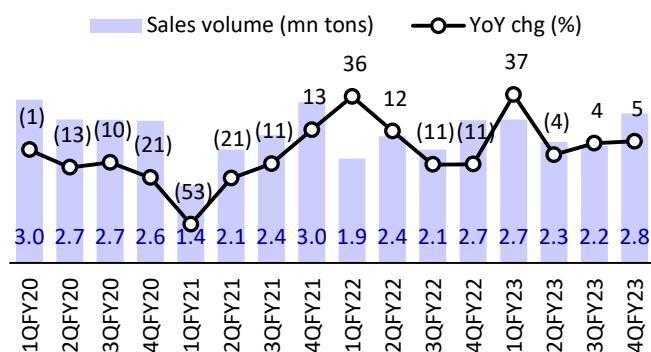


Exhibit 2: Blended realization flat YoY, but declined 6% QoQ

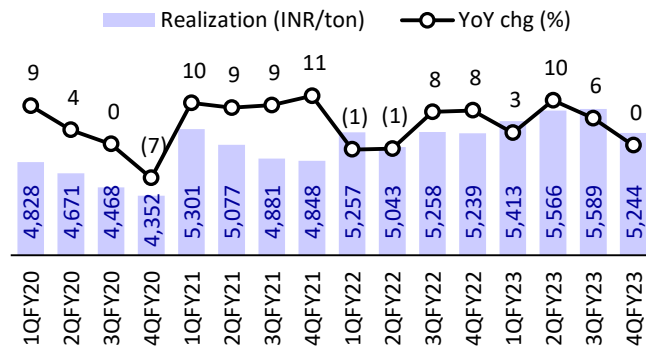
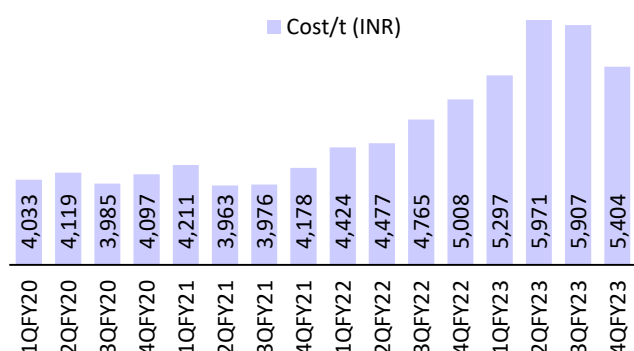
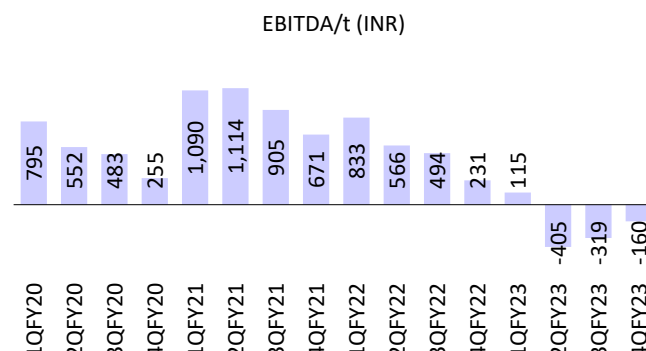


Exhibit 3: OPEX/t up 8% YoY (down 9% QoQ)...



Source: Company, MOFSL

Exhibit 4: ...leading to operating loss/t of INR160



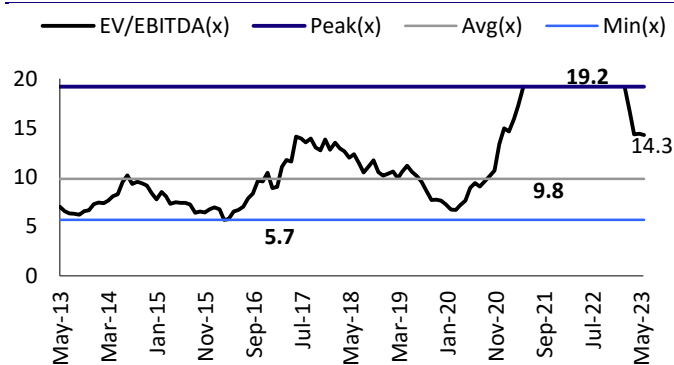
Source: Company, MOFSL

Exhibit 5: Key operating metrics (blended)

INR/t	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)
Blended realization	5,244	5,239	0	5,589	(6)
Raw Material Cost	1,043	963	8	945	10
Staff Cost	294	298	(1)	443	(34)
Power and fuel	2,211	1,936	14	2,602	(15)
Freight and selling Exp.	1,160	1,165	(0)	1,158	0
Other Exp.	696	646	8	759	(8)
Total Exp.	5,404	5,008	8	5,907	(9)
EBITDA	(160)	231	NM	(319)	NM

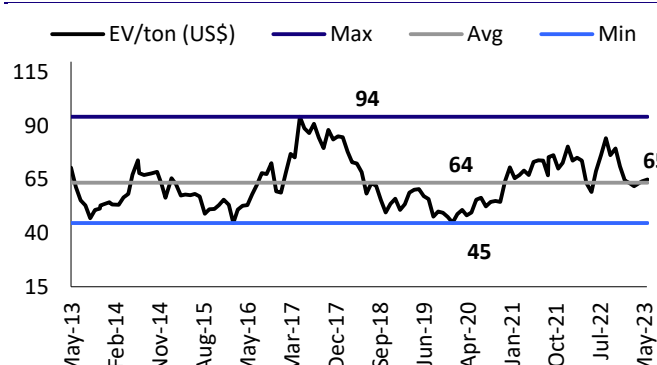
Source: Company, MOFSL

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	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	51,692	56,280	50,575	44,367	47,131	53,808	55,853	57,709
Change (%)	1.8	8.9	-10.1	-12.3	6.2	14.2	3.8	3.3
EBITDA	6,928	6,379	5,852	8,061	4,611	-1,745	5,643	7,491
Margin (%)	13.4	11.3	11.6	18.2	9.8	-3.2	10.1	13.0
Depreciation	2,559	2,513	2,469	2,419	2,198	2,130	2,177	2,333
EBIT	4,369	3,866	3,384	5,642	2,413	-3,875	3,466	5,159
Int. and Finance Charges	3,402	3,242	3,345	2,650	2,040	2,342	2,324	2,319
Other Income – Rec.	194	310	277	235	167	343	290	300
PBT bef. EO Exp.	1,161	934	316	3,227	540	-5,874	1,432	3,140
EO Expense/(Income)	0	0	1,000	0	0	-1,805	0	0
PBT after EO Exp.	1,161	934	-684	3,227	540	-4,069	1,432	3,140
Current Tax	179	325	69	1,380	393	0	368	807
Deferred Tax	-24	-85	-398	-373	-243	-2,184	0	0
Tax Rate (%)	13.3	25.7	48.1	31.2	27.9	53.7	25.7	25.7
Reported PAT	1,006	694	-355	2,220	390	-1,886	1,064	2,333
PAT Adj. for EO items	1,006	694	212	2,220	390	-4,682	1,064	2,333
Change (%)	-42.0	-31.0	-69.5	947.7	-82.4	n/m	n/m	119.2
Margin (%)	1.9	1.2	0.4	5.0	0.8	-8.7	1.9	4.0

Balance Sheet

	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	3,082	3,099	3,099	3,099	3,099	3,099	3,099	3,099
Total Reserves	48,922	49,298	51,050	53,081	55,082	52,890	53,644	55,667
Net Worth	52,003	52,397	54,149	56,180	58,181	55,989	56,743	58,766
Deferred Liabilities	6,532	6,308	5,910	5,538	5,295	2,836	2,836	2,836
Secured Loan	28,180	26,433	23,750	19,798	19,287	17,992	16,992	16,492
Unsecured Loan	3,049	7,237	11,581	10,196	11,345	11,193	11,193	11,193
Total Loans	31,229	33,670	35,331	29,995	30,632	29,186	28,186	27,686
Capital Employed	89,764	92,375	95,391	91,712	94,107	88,011	87,765	89,288
Gross Block	75,794	77,438	81,024	81,871	84,244	84,964	87,964	91,464
Less: Accum. Deprn.	7,831	10,308	12,766	15,171	17,369	19,498	21,675	24,008
Net Fixed Assets	67,963	67,130	68,258	66,700	66,876	65,466	66,289	67,456
Capital WIP	1,712	1,770	1,958	1,871	2,715	3,134	2,134	1,134
Total Investments	5,884	6,946	7,369	7,462	7,795	4,938	4,938	4,938
Curr. Assets, Loans, and Adv.	31,700	35,203	36,939	32,708	40,462	38,319	39,205	41,308
Inventory	6,723	8,232	8,263	5,838	8,344	7,748	7,957	8,696
Account Receivables	6,295	7,290	7,163	5,413	9,213	8,141	8,416	9,170
Cash and Bank Balance	84	67	66	68	18	158	60	70
Loans and Advances	18,599	19,614	21,447	21,390	22,887	22,273	22,773	23,373
Real Estate Projects WIP	0	0	0	0	0	0	0	0
Curr. Liability and Prov.	17,495	18,675	19,134	17,028	23,740	23,846	24,800	25,548
Account Payables	11,759	13,163	13,342	10,763	12,875	13,300	14,078	14,546
Other Current Liabilities	4,307	4,106	4,566	5,301	8,580	8,240	8,416	8,696
Provisions	1,428	1,405	1,225	964	2,285	2,306	2,306	2,306
Net Current Assets	14,205	16,528	17,805	15,680	16,722	14,474	14,405	15,760
Appl. of Funds	89,764	92,375	95,391	91,712	94,107	88,011	87,765	89,288

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
Standalone EPS	3.3	2.3	0.7	7.2	1.3	-15.2	3.5	7.6
Cash EPS	11.6	10.4	8.6	15.0	8.4	-8.2	10.5	15.1
BV/Share	168.8	169.1	174.7	181.3	187.7	180.7	183.1	189.6
DPS	0.8	0.8	0.6	1.0	1.0	0.0	1.0	1.0
Payout (%)	29.5	43.0	(52.4)	14.0	79.5	-	29.1	13.3
Valuation (x)								
P/E ratio	58.2	84.4	276.6	26.4	150.4	n/m	55.1	25.1
Cash P/E ratio	16.4	18.4	22.0	12.7	22.8	n/m	18.2	12.6
P/BV ratio	1.1	1.1	1.1	1.0	1.0	1.1	1.0	1.0
EV/Sales ratio	1.7	1.6	1.9	2.0	1.9	1.6	1.6	1.5
EV/EBITDA ratio	13.0	14.5	16.1	11.0	19.4	n/m	15.4	11.6
EV/t (USD)	69	71	72	68	69	67	67	66
Dividend Yield (%)	0.4	0.4	0.3	0.5	0.5	0.0	0.5	0.5
Return Ratios (%)								
RoIC	4.4	3.2	1.9	4.2	1.9	-2.0	3.0	4.4
RoE	2.0	1.3	0.4	4.0	0.7	-8.2	1.9	4.0
RoCE	4.8	3.7	2.2	4.6	2.1	-1.9	3.3	4.7
Working Capital Ratios								
Asset Turnover ratio (x)	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.6
Inventory (Days)	47.5	53.4	59.6	48.0	64.6	52.6	52.0	55.0
Debtor (Days)	43	47	52	45	71	55	55	58
Leverage Ratio (x)								
Current Ratio	1.8	1.9	1.9	1.9	1.7	1.6	1.6	1.6
Debt/Equity ratio	0.6	0.6	0.7	0.5	0.5	0.5	0.5	0.5

Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,257	853	282	3,221	540	(5,874)	1,432	3,140
Depreciation	2,559	2,513	2,469	2,419	2,198	2,130	2,177	2,333
Interest and Finance Charges	3,220	3,074	3,050	2,591	1,899	2,082	2,324	2,319
Direct Taxes Paid	(384)	(88)	(312)	(507)	(401)	(42)	(368)	(807)
(Inc.)/Dec. in WC	(2,072)	(3,069)	(1,269)	2,592	(542)	1,319	(29)	(1,345)
CF from Operations	4,580	3,283	4,220	10,317	3,694	(385)	5,535	5,639
Others	105	(119)	(81)	39	4	279	-	-
CF from Operations incl. EO	4,685	3,164	4,139	10,356	3,699	(106)	5,535	5,639
(Inc.)/Dec. in FA	(1,902)	(1,712)	(1,365)	(1,256)	(1,296)	(1,112)	(2,000)	(2,500)
Free Cash Flow	2,783	1,452	2,774	9,100	2,402	(1,218)	3,535	3,139
(Pur.)/Sale of Investments	344	(923)	(278)	6	(309)	4,666	-	-
Others	(1,385)	231	(1,759)	(708)	(460)	741	-	-
CF from Investments	(2,942)	(2,404)	(3,403)	(1,958)	(2,065)	4,294	(2,000)	(2,500)
Issue of Shares	-	18	-	-	-	-	-	-
Inc./(Dec.) in Debt	9,583	5,424	2,562	(5,401)	637	(1,476)	(1,000)	(500)
Interest Paid	(3,411)	(3,136)	(3,000)	(2,809)	(2,011)	(2,264)	(2,324)	(2,319)
Dividend Paid	(371)	(336)	(300)	(187)	(309)	(309)	(310)	(310)
Others	(7,528)	(2,746)	-	-	-	-	-	-
CF from Fin. Activity	(1,727)	(776)	(738)	(8,396)	(1,683)	(4,049)	(3,633)	(3,129)
Inc./Dec. in Cash	16	(16)	(1)	1	(49)	139	(98)	10
Opening Balance	68	84	68	67	68	19	158	60
Closing Balance	84	67	66	68	18	158	60	70

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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