

# India Cements

Estimate change



TP change



Rating change



Bloomberg	ICEM IN
Equity Shares (m)	308
M.Cap.(INRb)/(USDb)	61.9 / 0.7
52-Week Range (INR)	267 / 167
1, 6, 12 Rel. Per (%)	-11/3/-23
12M Avg Val (INR M)	845

## Financial Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	55.5	58.9	61.7
EBITDA	1.9	6.6	7.1
Adj. PAT	-1.9	1.9	2.3
EBITDA Margin (%)	3.4	11.2	11.6
Adj. EPS (INR)	-6.1	6.1	7.5
EPS Gr. (%)	n/m	n/m	23.5
BV/Sh. (INR)	175.6	181.7	188.7

## Ratios

Net D:E	0.5	0.5	0.4
RoE (%)	-3.4	3.4	4.1
RoCE (%)	-0.0	4.2	4.7
Payout (%)	0.0	8.2	13.3

## Valuations

P/E (x)	n/m	32.7	26.5
P/BV (x)	1.1	1.1	1.1
EV/EBITDA(x)	n/m	13.3	12.1
EV/ton (USD)	69	67	66
Div. Yield (%)	0.0	0.3	0.5

## Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	28.4	28.4	28.4
DII	10.0	9.4	9.5
FII	13.4	13.7	13.9
Others	48.1	48.5	48.2

FII Includes depository receipts

CMP: INR200

TP: INR150 (-25%)

Sell

## Disappointing performance; operating loss in cement continues

### Cement prices increased in south region

- India Cements (ICEM) reported EBITDA of INR81m (est. INR254m) in 2QFY24. Operating loss in its cement division stood at INR12m (fifth consecutive quarter of operating loss). Net loss stood at INR814m (est. INR631m loss).
- Cement demand is robust in its key markets of the south region. However, the company's volume growth was limited due to a working capital crunch during the quarter. Recently, cement prices were increased and stabilized in the south region. It also entered into a binding agreement for the sale of land (73.75 acres), subject to certain agreed conditions. It has received full consideration relating to this land; however, a profit of INR428m is yet to be recognized due to pending conditions.
- We cut our FY24E earnings (EBITDA cut ~25%), considering lower-than-expected profitability in 1HFY24. We maintain our FY25 estimates. We reiterate **Sell** with a TP of INR150 (premised on 10.5x Sep'25E EV/EBITDA).

### Volumes up 5% YoY; blended realization down 7% YoY

- ICEM's revenue declined 3% YoY to INR12b in 2QFY24 (-3% vs. our estimate). Sales volume was up 5% YoY at 2.37mt, whereas blended realization/t fell 7% YoY. Cement realization/t also declined 7% YoY to INR4,968.
- Opex/t declined 14% YoY, led by a 24%/8% YoY drop in variable cost/freight costs. However, other expenses and employee cost/t increased 16%/5% YoY. OPM stood at 0.7% (est. 2%). Interest costs declined 10% YoY (up 3% QoQ), whereas other income grew 53% YoY. ICEM reported a net loss of INR814m vs. a net loss of INR1.4b in 2QFY23.
- In 1HFY24, revenue declined 3% YoY to INR26b due to a 5% decline in realization/t, partly offset by 2% growth in volume. EBITDA stood at INR131m vs. an operating loss of INR605m in 1HFY23. Net loss stood at INR1.6b vs. INR2.1b in 1HFY23. OCF stood at INR956m vs. INR2.9b in 1HFY23 and capex stood at INR7m vs. INR1b in 1HFY23.

### Highlights from the management commentary

- Cement prices were increased and stabilized in the south market, backed by improved demand in the region. A price hike will help to offset the cost increase.
- Fuel costs stood at INR2.04/kcal vs. INR2.3/kcal in 1QFY24. Fuel cost is estimated to remain at a similar level until Dec'23.
- For Shipping/Windmill/RMC, revenue stood at INR56m/INR106m/INR286m, while EBITDA came in at INR10m/INR86m/INR13m in 2QFY24.

### Valuation expensive; reiterate Sell

- ICEM lost a significant market share (800bp+ over FY10-23) due to a lack of capacity additions. We expect its market share loss in the south to continue given capacity additions by peers.
- Net debt stood at INR28b vs. INR29b as of Mar'23. We would monitor the progress on divestment of non-core assets (land). ICEM's valuation at 13.3x FY25E EV/EBITDA appears expensive. **We reiterate Sell with a TP of INR150 premised on 10.5x Sep'25E (earlier FY25E) EV/EBITDA.**

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## Standalone quarterly performance

(INR b)

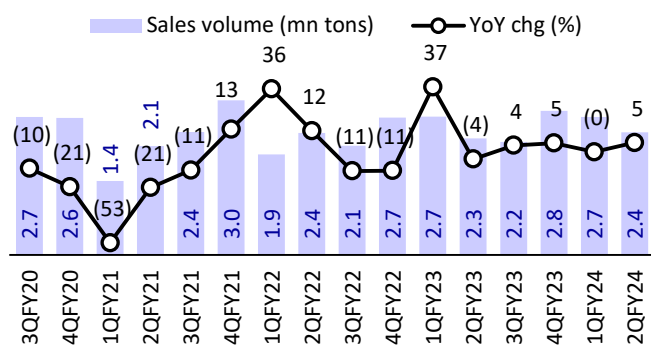
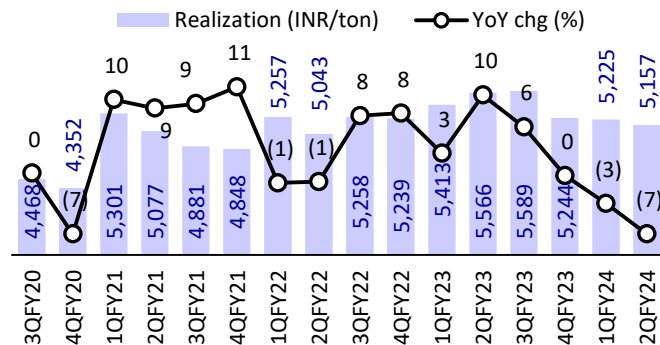
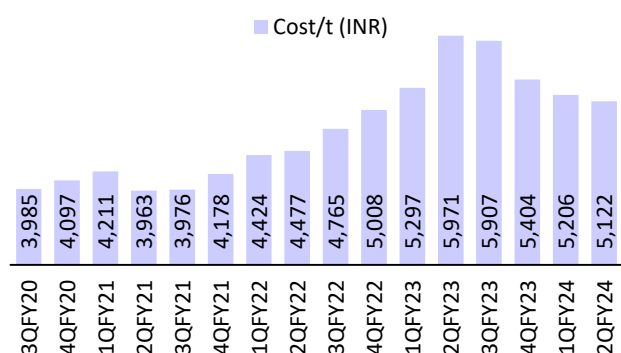
Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Sales Volumes (mt)	2.7	2.3	2.2	2.8	2.7	2.4	2.5	3.0	9.9	10.6	2.4	(1)
Change (YoY %)	37.4	(4.5)	3.5	4.8	(0.2)	5.1	16.2	8.2	9.1	7.0	6.5	
<b>Realization (INR/ton)</b>	<b>5,413</b>	<b>5,566</b>	<b>5,589</b>	<b>5,244</b>	<b>5,225</b>	<b>5,157</b>	<b>5,209</b>	<b>5,365</b>	<b>5,439</b>	<b>5,246</b>	<b>5,231</b>	(1)
Change (YoY %)	3.0	10.4	6.3	0.1	(3.5)	(7.4)	(6.8)	2.3	4.7	(3.6)	(6.0)	
Change (QoQ %)	3.3	2.8	0.4	(6.2)	(0.4)	(1.3)	1.0	3.0			0.1	
<b>Net Sales</b>	<b>14.5</b>	<b>12.5</b>	<b>12.2</b>	<b>14.6</b>	<b>13.9</b>	<b>12.2</b>	<b>13.2</b>	<b>16.2</b>	<b>53.8</b>	<b>55.5</b>	<b>12.6</b>	(3)
Change (YoY %)	41.4	5.4	10.0	4.9	(3.7)	(2.6)	8.3	10.7	14.2	3.2	0.0	
<b>EBITDA</b>	<b>0.3</b>	<b>(0.9)</b>	<b>(0.7)</b>	<b>(0.4)</b>	<b>0.1</b>	<b>0.1</b>	<b>0.5</b>	<b>1.2</b>	<b>(1.7)</b>	<b>1.9</b>	<b>0.3</b>	(68)
Margin (%)	2.1	(7.3)	(5.7)	(3.0)	0.4	0.7	4.0	7.4	(3.2)	3.4	2.0	
Depreciation	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	2.1	2.2	0.5	(2)
Interest	0.6	0.7	0.6	0.5	0.6	0.6	0.6	0.6	2.3	2.3	0.6	(1)
Other Income	0.1	0.0	0.0	0.2	0.1	0.1	0.1	0.1	0.3	0.3	0.1	(1)
<b>PBT before EO expense</b>	<b>(0.7)</b>	<b>(2.1)</b>	<b>(1.8)</b>	<b>(1.3)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(0.5)</b>	<b>0.1</b>	<b>(5.9)</b>	<b>(2.4)</b>	<b>(0.8)</b>	NM
Extra-Ord. expense	-	-	(2.9)	1.1	-	-	-	-	(1.8)	-	-	
<b>PBT</b>	<b>(0.7)</b>	<b>(2.1)</b>	<b>1.1</b>	<b>(2.4)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(0.5)</b>	<b>0.1</b>	<b>(4.1)</b>	<b>(2.4)</b>	<b>(0.8)</b>	NM
Tax	(1.5)	(0.7)	0.2	(0.2)	(0.2)	(0.2)	(0.1)	0.0	(2.2)	(0.5)	(0.2)	
Rate (%)	205.7	33.5	20.5	10.1	23.9	17.6	17.6	21.9	53.7	20.0	23.9	
<b>Reported PAT</b>	<b>0.8</b>	<b>(1.4)</b>	<b>0.9</b>	<b>(2.2)</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(0.4)</b>	<b>0.1</b>	<b>(1.9)</b>	<b>(1.9)</b>	<b>(0.6)</b>	NM
Tax	(1.5)	-	-	(0.2)	-	-	-	-	(1.7)	-	-	
<b>Adj. PAT</b>	<b>(0.7)</b>	<b>(1.4)</b>	<b>(1.4)</b>	<b>(1.2)</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(0.4)</b>	<b>0.1</b>	<b>(4.7)</b>	<b>(1.9)</b>	<b>(0.6)</b>	NM
Change (YoY %)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	
Margin (%)	(5.0)	(11.0)	(11.7)	(7.9)	(5.4)	(6.7)	(3.3)	0.7	(8.7)	(3.4)	(5.0)	

## Per tonne analysis

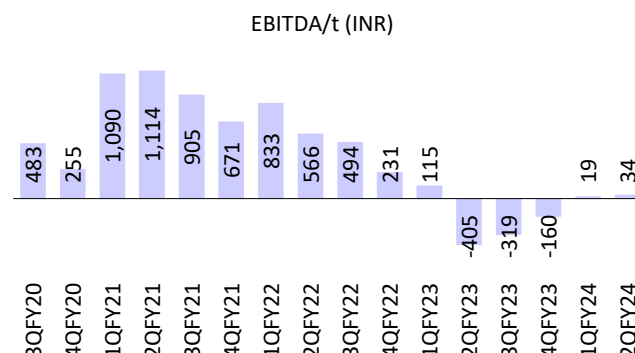
(INR/t)

RM Cost	769	1,042	945	1,043	1,068	918	980	918	947	971	950	(3)
Employee Expenses	340	394	443	294	345	416	380	326	362	364	385	8
Power, Oil, and Fuel	2,370	2,709	2,602	2,211	2,046	1,942	1,822	1,938	2,454	1,938	1,996	(3)
Freight cost	1,199	1,145	1,158	1,160	1,104	1,054	1,135	1,214	1,167	1,132	1,120	(6)
Other Expenses	619	681	759	696	643	793	683	569	686	665	674	18
<b>Total Expense</b>	<b>5,297</b>	<b>5,971</b>	<b>5,907</b>	<b>5,404</b>	<b>5,206</b>	<b>5,122</b>	<b>5,000</b>	<b>4,966</b>	<b>5,615</b>	<b>5,070</b>	<b>5,125</b>	(0)
<b>EBITDA</b>	<b>115</b>	<b>(405)</b>	<b>(319)</b>	<b>(160)</b>	<b>19</b>	<b>34</b>	<b>209</b>	<b>399</b>	<b>-176</b>	<b>176</b>	<b>106</b>	(68)
YoY (%)	(86.2)	NM	NM	NM	(83.6)	NM	NM	NM	NM	NM	NM	

## Story in charts

**Exhibit 1: Sales volumes up 5% YoY**

**Exhibit 2: Blended realization declined 7% YoY**

**Exhibit 3: OPEX/t down 14% YoY**


Source: Company, MOFSL

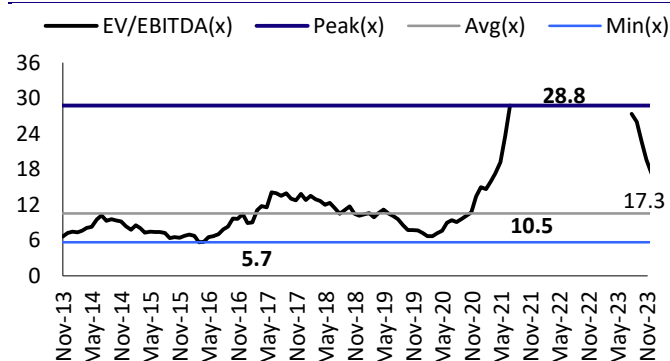
**Exhibit 4: Blended EBITDA/t at INR34**


Source: Company, MOFSL

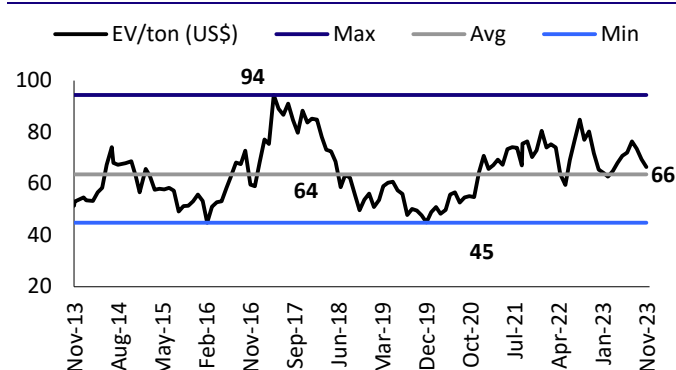
**Exhibit 5: Key operating metrics (blended)**

INR/t	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)
<b>Blended realization</b>	<b>5,157</b>	<b>5,566</b>	<b>(7)</b>	<b>5,225</b>	<b>(1)</b>
Raw Material Cost	918	1,042	(12)	1,068	(14)
Staff Cost	416	394	5	345	20
Power and fuel	1,942	2,709	(28)	2,046	(5)
Freight and selling Exp.	1,054	1,145	(8)	1,104	(5)
Other Exp.	793	681	16	643	23
<b>Total Exp.</b>	<b>5,122</b>	<b>5,971</b>	<b>(14)</b>	<b>5,206</b>	<b>(2)</b>
<b>EBITDA</b>	<b>34</b>	<b>(405)</b>	<b>NM</b>	<b>19</b>	<b>NM</b>

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	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>56,280</b>	<b>50,575</b>	<b>44,367</b>	<b>47,131</b>	<b>53,808</b>	<b>55,530</b>	<b>58,939</b>	<b>61,745</b>
Change (%)	8.9	-10.1	-12.3	6.2	14.2	3.2	6.1	4.8
<b>EBITDA</b>	<b>6,379</b>	<b>5,852</b>	<b>8,061</b>	<b>4,611</b>	<b>-1,745</b>	<b>1,863</b>	<b>6,626</b>	<b>7,140</b>
Margin (%)	11.3	11.6	18.2	9.8	-3.2	3.4	11.2	11.6
Depreciation	2,513	2,469	2,419	2,198	2,130	2,183	2,233	2,282
<b>EBIT</b>	<b>3,866</b>	<b>3,384</b>	<b>5,642</b>	<b>2,413</b>	<b>-3,875</b>	<b>-320</b>	<b>4,393</b>	<b>4,858</b>
Int. and Finance Charges	3,242	3,345	2,650	2,040	2,342	2,348	2,191	2,081
Other Income – Rec.	310	277	235	167	343	310	330	350
<b>PBT bef. EO Exp.</b>	<b>934</b>	<b>316</b>	<b>3,227</b>	<b>540</b>	<b>-5,874</b>	<b>-2,358</b>	<b>2,532</b>	<b>3,128</b>
EO Expense/(Income)	0	1,000	0	0	-1,805	0	0	0
<b>PBT after EO Exp.</b>	<b>934</b>	<b>-684</b>	<b>3,227</b>	<b>540</b>	<b>-4,069</b>	<b>-2,358</b>	<b>2,532</b>	<b>3,128</b>
Current Tax	325	69	1,380	393	0	-472	651	804
Deferred Tax	-85	-398	-373	-243	-2,184	0	0	0
Tax Rate (%)	25.7	48.1	31.2	27.9	53.7	20.0	25.7	25.7
<b>Reported PAT</b>	<b>694</b>	<b>-355</b>	<b>2,220</b>	<b>390</b>	<b>-1,886</b>	<b>-1,887</b>	<b>1,881</b>	<b>2,324</b>
<b>PAT Adj. for EO items</b>	<b>694</b>	<b>212</b>	<b>2,220</b>	<b>390</b>	<b>-4,682</b>	<b>-1,887</b>	<b>1,881</b>	<b>2,324</b>
Change (%)	-31.0	-69.5	947.7	-82.4	n/m	n/m	n/m	23.5
Margin (%)	1.2	0.4	5.0	0.8	-8.7	-3.4	3.2	3.8

### Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	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	51,003	52,885	55,053
<b>Net Worth</b>	<b>52,397</b>	<b>54,149</b>	<b>56,180</b>	<b>58,181</b>	<b>55,989</b>	<b>54,102</b>	<b>55,984</b>	<b>58,152</b>
Deferred Liabilities	6,308	5,910	5,538	5,295	2,836	2,836	2,836	2,836
Secured Loan	26,433	23,750	19,798	19,287	17,992	17,792	16,292	14,292
Unsecured Loan	7,237	11,581	10,196	11,345	11,193	10,993	10,543	10,243
Total Loans	33,670	35,331	29,995	30,632	29,186	28,786	26,836	24,536
<b>Capital Employed</b>	<b>92,375</b>	<b>95,391</b>	<b>91,712</b>	<b>94,107</b>	<b>88,011</b>	<b>85,724</b>	<b>85,655</b>	<b>85,524</b>
Gross Block	77,438	81,024	81,871	84,244	84,964	88,464	90,164	92,364
Less: Accum. Deprn.	10,308	12,766	15,171	17,369	19,498	21,681	23,914	26,196
<b>Net Fixed Assets</b>	<b>67,130</b>	<b>68,258</b>	<b>66,700</b>	<b>66,876</b>	<b>65,466</b>	<b>66,783</b>	<b>66,250</b>	<b>66,168</b>
Capital WIP	1,770	1,958	1,871	2,715	3,134	1,634	1,434	1,734
<b>Total Investments</b>	<b>6,946</b>	<b>7,369</b>	<b>7,462</b>	<b>7,795</b>	<b>4,938</b>	<b>4,938</b>	<b>4,938</b>	<b>4,938</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>35,203</b>	<b>36,939</b>	<b>32,708</b>	<b>40,462</b>	<b>38,319</b>	<b>36,736</b>	<b>38,555</b>	<b>39,120</b>
Inventory	8,232	8,263	5,838	8,344	7,748	6,846	7,428	7,782
Account Receivables	7,290	7,163	5,413	9,213	8,141	7,607	8,558	8,966
Cash and Bank Balance	67	66	68	18	157	110	346	100
Loans and Advances	19,614	21,447	21,390	22,887	22,273	22,173	22,223	22,273
Real Estate Projects WIP	0	0	0	0	0	0	0	0
<b>Curr. Liability and Prov.</b>	<b>18,675</b>	<b>19,134</b>	<b>17,028</b>	<b>23,740</b>	<b>23,846</b>	<b>24,366</b>	<b>25,520</b>	<b>26,435</b>
Account Payables	13,163	13,342	10,763	12,875	13,300	13,692	14,533	15,225
Other Current Liabilities	4,106	4,566	5,301	8,580	8,240	8,368	8,881	9,304
Provisions	1,405	1,225	964	2,285	2,306	2,306	2,106	1,906
<b>Net Current Assets</b>	<b>16,528</b>	<b>17,805</b>	<b>15,680</b>	<b>16,722</b>	<b>14,474</b>	<b>12,370</b>	<b>13,034</b>	<b>12,685</b>
<b>Appl. of Funds</b>	<b>92,375</b>	<b>95,391</b>	<b>91,712</b>	<b>94,107</b>	<b>88,011</b>	<b>85,724</b>	<b>85,655</b>	<b>85,524</b>

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>								
<b>Standalone EPS</b>	<b>2.3</b>	<b>0.7</b>	<b>7.2</b>	<b>1.3</b>	<b>-15.2</b>	<b>(6.1)</b>	<b>6.1</b>	<b>7.5</b>
Cash EPS	10.4	8.7	15.1	8.4	-8.3	1.0	13.4	14.9
BV/Share	170	176	182	189	182	176	182	189
DPS	0.8	0.6	1.0	1.0	0.0	-	0.5	1.0
Payout (%)	43.0	(52.4)	14.0	79.5	-	-	8.2	13.3
<b>Valuation (x)</b>								
P/E ratio	88.7	290.6	27.7	158.0	n/m	n/m	32.7	26.5
Cash P/E ratio	19.2	23.0	13.3	23.8	n/m	n/m	15.0	13.4
P/BV ratio	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1
EV/Sales ratio	1.7	1.9	2.1	2.0	1.7	1.6	1.5	1.4
EV/EBITDA ratio	15.0	16.6	11.4	20.1	n/m	n/m	13.3	12.1
EV/t (USD)	73	74	70	70	69	69	67	66
Dividend Yield (%)	0.4	0.3	0.5	0.5	0.0	-	0.3	0.5
<b>Return Ratios (%)</b>								
RoIC	3.2	1.9	4.2	1.9	-2.0	(0.3)	3.9	4.3
RoE	1.3	0.4	4.0	0.7	-8.2	(3.4)	3.4	4.1
RoCE	3.7	2.2	4.6	2.1	-1.9	(0.0)	4.2	4.7
<b>Working Capital Ratios</b>								
Asset Turnover ratio (x)	0.6	0.5	0.5	0.5	0.6	0.6	0.7	0.7
Inventory (Days)	53.4	59.6	48.0	64.6	52.6	45.0	46.0	46.0
Debtor (Days)	47	52	45	71	55	50	53	53
<b>Leverage Ratio (x)</b>								
Current Ratio	1.9	1.9	1.9	1.7	1.6	1.5	1.5	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	FY24E	FY25E	FY26E
OP/(Loss) before Tax	853	282	3,221	540	(5,874)	(2,358)	2,532	3,128
Depreciation	2,513	2,469	2,419	2,198	2,130	2,183	2,233	2,282
Interest and Finance Charges	3,074	3,050	2,591	1,899	2,082	2,348	2,191	2,081
Direct Taxes Paid	(88)	(312)	(507)	(401)	(42)	472	(651)	(804)
(Inc.)/Dec. in WC	(3,069)	(1,269)	2,592	(542)	1,319	2,057	(429)	104
<b>CF from Operations</b>	<b>3,283</b>	<b>4,220</b>	<b>10,317</b>	<b>3,694</b>	<b>(385)</b>	<b>4,701</b>	<b>5,876</b>	<b>6,790</b>
Others	(119)	(81)	39	4	279	-	-	-
<b>CF from Operations incl. EO</b>	<b>3,164</b>	<b>4,139</b>	<b>10,356</b>	<b>3,699</b>	<b>(106)</b>	<b>4,701</b>	<b>5,876</b>	<b>6,790</b>
(Inc.)/Dec. in FA	(1,712)	(1,365)	(1,256)	(1,296)	(1,112)	(2,000)	(1,500)	(2,500)
<b>Free Cash Flow</b>	<b>1,452</b>	<b>2,774</b>	<b>9,100</b>	<b>2,402</b>	<b>(1,218)</b>	<b>2,701</b>	<b>4,376</b>	<b>4,290</b>
(Pur.)/Sale of Investments	(923)	(278)	6	(309)	4,666	-	-	-
Others	231	(1,759)	(708)	(460)	741	-	-	-
<b>CF from Investments</b>	<b>(2,404)</b>	<b>(3,403)</b>	<b>(1,958)</b>	<b>(2,065)</b>	<b>4,294</b>	<b>(2,000)</b>	<b>(1,500)</b>	<b>(2,500)</b>
Issue of Shares	18	-	-	-	-	-	-	-
Inc./(Dec.) in Debt	5,424	2,562	(5,401)	637	(1,476)	(400)	(1,950)	(2,300)
Interest Paid	(3,136)	(3,000)	(2,809)	(2,011)	(2,264)	(2,348)	(2,191)	(2,081)
Dividend Paid	(336)	(300)	(187)	(309)	(309)	-	-	(155)
Others	(2,746)	-	-	-	-	-	-	-
<b>CF from Fin. Activity</b>	<b>(776)</b>	<b>(738)</b>	<b>(8,396)</b>	<b>(1,683)</b>	<b>(4,049)</b>	<b>(2,748)</b>	<b>(4,141)</b>	<b>(4,535)</b>
<b>Inc./Dec. in Cash</b>	<b>(16)</b>	<b>(1)</b>	<b>1</b>	<b>(49)</b>	<b>139</b>	<b>(47)</b>	<b>235</b>	<b>(246)</b>
Opening Balance	84	68	67	68	19	157	110	346
<b>Closing Balance</b>	<b>68</b>	<b>67</b>	<b>68</b>	<b>19</b>	<b>157</b>	<b>110</b>	<b>346</b>	<b>100</b>

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NOTES

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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

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