

India Cements

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR242 **TP: INR185 (-24%)** **Sell**

Weak volume and higher cost led earnings miss

Capacity utilization was ~51% vs. 56% in 3QFY23

Bloomberg	ICEM IN
Equity Shares (m)	308
M.Cap.(INRb)/(USDb)	75.1 / 0.9
52-Week Range (INR)	277 / 167
1, 6, 12 Rel. Per (%)	-7/1/2
12M Avg Val (INR M)	960

Financial Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	52.5	56.0	58.7
EBITDA	1.6	6.8	7.3
Adj. PAT	-2.1	1.9	2.4
EBITDA Margin (%)	3.1	12.1	12.4
Adj. EPS (INR)	-6.8	6.2	7.7
EPS Gr. (%)	n/m	n/m	24.0
BV/Sh. (INR)	175.6	181.9	189.1

Ratios

Net D:E	0.5	0.5	0.4
RoE (%)	-3.8	3.5	4.2
RoCE (%)	-0.2	4.3	4.8
Payout (%)	0.0	8.1	13.0

Valuations

P/E (x)	n/m	38.8	31.3
P/BV (x)	1.4	1.3	1.3
EV/EBITDA(x)	n/m	15.1	13.7
EV/ton (USD)	79	77	76
Div. Yield (%)	0.0	0.2	0.4

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	28.4	28.4	28.4
DII	8.9	10.0	9.9
FII	13.6	13.4	13.1
Others	49.1	48.5	48.6

FII Includes depository receipts

- India Cements (ICEM) reported EBITDA of INR490m (vs. estimated INR895m) in 3QFY24. Sales volume declined ~9% YoY (15% miss) to 2mt. Its blended EBITDA/t stood at INR247 (vs. estimated INR383). Adjusted net loss stood at INR345m (vs. estimated INR130m net loss).
- Management highlighted that cement prices have improved in 3Q, which led to better NPR for the company. However, sales volume was adversely impacted due to working capital crunch. The company continues to focus on lowering variable cost and improving NPR. During the quarter, the company successfully sold a ship for a profit of INR262m (shown as exceptional) and in Jan'24, it acquired a new ship.
- We cut our FY24E earnings (EBITDA cut ~20%), considering lower-than-expected volume and profitability; however, we reiterate our FY25/FY26 estimates. We reiterate our **Sell** rating on the stock with a TP of INR185 (premised on 11x FY26E EV/EBITDA).

Volumes declined 9% YoY; realization was up 6% QoQ

- ICEM's revenue declined 11% YoY to INR11b in 3QFY24 (14% below our estimate). Sales volume declined 9% YoY to 2mt (15% below our estimate). Blended realization/t was up ~6% QoQ to INR5,450 (cement realization/t was also up ~6% QoQ).
- Opex/t declined 12% YoY, led by a 20%/6% YoY drop in variable cost/freight costs. However, other expenses/t increased 10% YoY. OPM stood at 4.5% (est. ~7%). Interest costs declined 2% YoY, whereas 'other income' grew 328% YoY. Depreciation increased 5% YoY. ICEM reported an adjusted net loss of INR345m (adjusted for profit on the sale of a ship) vs. a net loss of INR1.4b in 3QFY23.
- In 9MFY24, revenue declined 6% YoY to INR37b due to a 1%/5% decline in volume/realization/t. EBITDA stood at INR622m vs. an operating loss of INR1.3m in 9MFY23. Net loss stood at INR1.9b vs. INR3.5b in 9MFY23.

Highlights from the management commentary

- Cement prices in the Tamil Nadu market was weak, owing to reduced demand over the past few months, due to factors such as excessive rains, a transporters' strike, and the Pongal festivals. Cement demand is expected to increase in Feb-Mar'24 in the south region, which may also drive improvement in cement prices.
- Fuel costs stood at INR2/kcal vs. INR2.04/kcal in 2QFY24. Fuel cost is estimated to decline to INR1.9/Kcal in 4QFY24, considering the existing carrying inventory.
- For Shipping/Windmill/RMC, revenue stood at INR23m/INR10m/INR293m. It reported EBITDA of INR23m in RMC and operating loss of INR7m/1m in Shipping/Windmill.

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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 INR27b vs. INR28b as of Sep'23. We would monitor the progress on divestment of non-core assets (land). ICEM's current valuation at 15x/13.7x FY25E/FY26E EV/EBITDA appears expensive. **We reiterate Sell with a TP of INR185, premised on 11x FY26E EV/EBITDA.**

Standalone quarterly performance

Y/E March	FY23				FY24				FY23	FY24E	FY24	(INR b)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Var. (%)
Sales Volumes (mt)	2.7	2.3	2.2	2.8	2.7	2.4	2.0	3.0	9.9	10.0	2.3	(15)
Change (YoY %)	37.4	(4.5)	3.5	4.8	(0.2)	5.1	(9.0)	6.7	9.1	1.0	7.0	
Realization (INR/ton)	5,413	5,566	5,589	5,244	5,225	5,157	5,450	5,215	5,439	5,251	5,392	1
Change (YoY %)	3.0	10.4	6.3	0.1	(3.5)	(7.4)	(2.5)	(0.6)	4.7	(3.5)	(3.5)	
Change (QoQ %)	3.3	2.8	0.4	(6.2)	(0.4)	(1.3)	5.7	(4.3)			4.6	
Net Sales	14.5	12.5	12.2	14.6	13.9	12.2	10.8	15.5	53.8	52.5	12.6	(14)
Change (YoY %)	41.4	5.4	10.0	4.9	(3.7)	(2.6)	(11.3)	6.1	14.2	(2.5)	3.2	
EBITDA	0.3	(0.9)	(0.7)	(0.4)	0.1	0.1	0.5	1.0	(1.7)	1.6	0.9	(45)
Margin (%)	2.1	(7.3)	(5.7)	(3.0)	0.4	0.7	4.5	6.6	(3.2)	3.1	7.1	
Depreciation	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	2.1	2.2	0.5	4
Interest	0.6	0.7	0.6	0.5	0.6	0.6	0.6	0.6	2.3	2.4	0.6	1
Other Income	0.1	0.0	0.0	0.2	0.1	0.1	0.2	0.0	0.3	0.3	0.1	111
PBT before EO expense	(0.7)	(2.1)	(1.8)	(1.3)	(1.0)	(1.0)	(0.5)	(0.1)	(5.9)	(2.6)	(0.2)	NM
Extra-Ord. expense	-	-	(2.9)	1.1	-	-	(0.3)	-	(1.8)	(0.3)	-	
PBT	(0.7)	(2.1)	1.1	(2.4)	(1.0)	(1.0)	(0.2)	(0.1)	(4.1)	(2.3)	(0.2)	NM
Tax	(1.5)	(0.7)	0.2	(0.2)	(0.2)	(0.2)	(0.1)	0.0	(2.2)	(0.5)	(0.0)	
Rate (%)	205.7	33.5	20.5	10.1	23.9	17.6	31.3	(14.9)	53.7	20.0	17.6	
Reported PAT	0.8	(1.4)	0.9	(2.2)	(0.8)	(0.8)	(0.2)	(0.1)	(1.9)	(1.9)	(0.1)	NM
Tax	(1.5)	-	-	(0.2)	-	-	-	-	(1.7)	-	-	
Adj. PAT	(0.7)	(1.4)	(1.4)	(1.2)	(0.8)	(0.8)	(0.3)	(0.1)	(4.7)	(2.1)	(0.1)	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)	(3.2)	(0.9)	(8.7)	(4.0)	(1.0)	

Per tonne analysis

	(INR/t)											
RM Cost	769	1,042	945	1,043	1,068	918	989	923	947	973	950	4
Employee Expenses	340	394	443	294	345	416	434	365	362	386	413	5
Power, Oil, and Fuel	2,370	2,709	2,602	2,211	2,046	1,942	1,863	1,807	2,454	1,914	1,792	4
Freight cost	1,199	1,145	1,158	1,160	1,104	1,054	1,085	1,210	1,167	1,120	1,155	(6)
Other Expenses	619	681	759	696	643	793	832	564	686	693	699	19
Total Expense	5,297	5,971	5,907	5,404	5,206	5,122	5,203	4,869	5,615	5,086	5,008	4
EBITDA	115	(405)	(319)	(160)	19	34	247	346	-176	165	383	(36)
YoY (%)	(86.2)	NM	NM	NM	(83.6)	NM	NM	NM	NM	NM	NM	

Story in charts

Exhibit 1: Sales volumes down 9% YoY

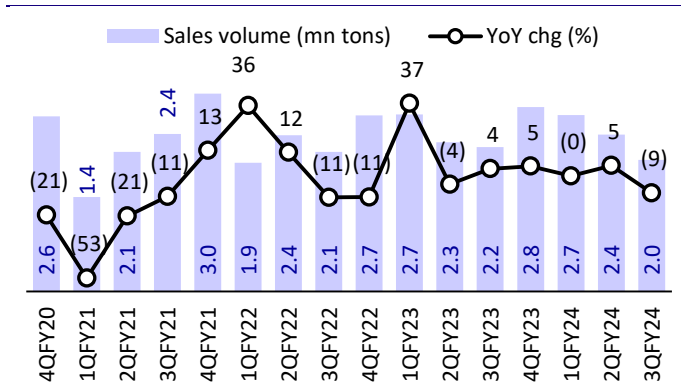


Exhibit 2: Blended realization down 2% YoY/up 6% QoQ

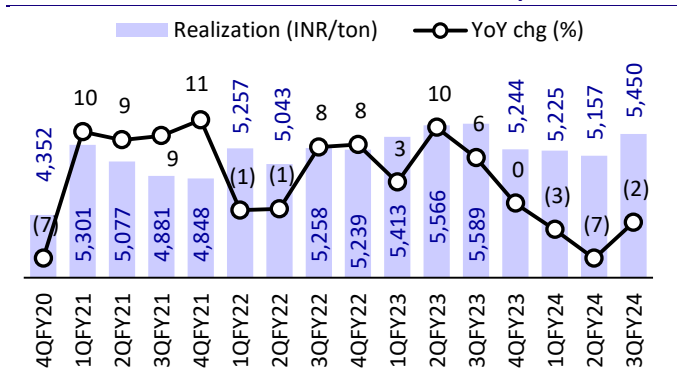
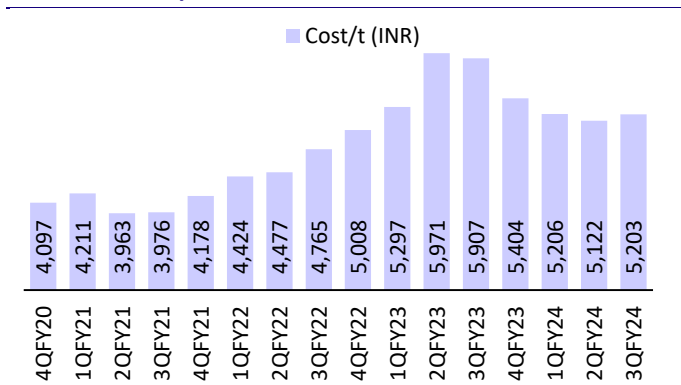
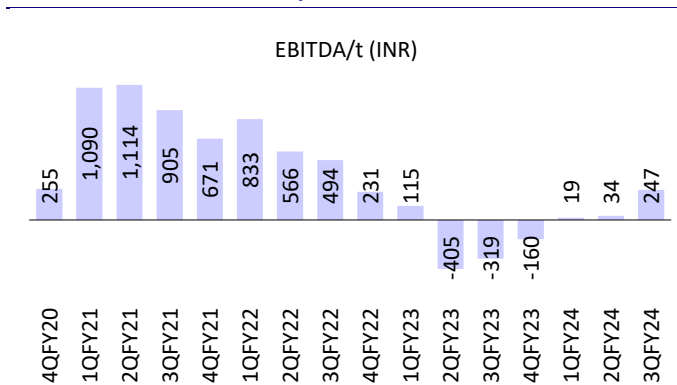


Exhibit 3: OPEX/t down 12% YoY



Source: Company, MOFSL

Exhibit 4: Blended EBITDA/t at INR247



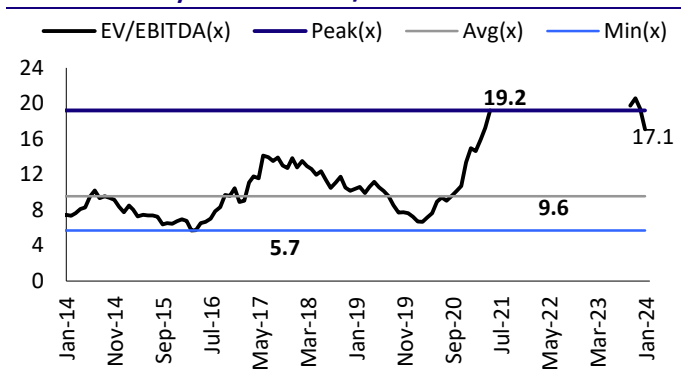
Source: Company, MOFSL

Exhibit 5: Key operating metrics (blended)

INR/t	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)
Blended realization	5,450	5,589	(2)	5,157	6
Raw Material Cost	989	945	5	918	8
Staff Cost	434	443	(2)	416	4
Power and fuel	1,863	2,602	(28)	1,942	(4)
Freight and selling Exp.	1,085	1,158	(6)	1,054	3
Other Exp.	832	759	10	793	5
Total Exp.	5,203	5,907	(12)	5,122	2
EBITDA	247	(319)	NM	34	623

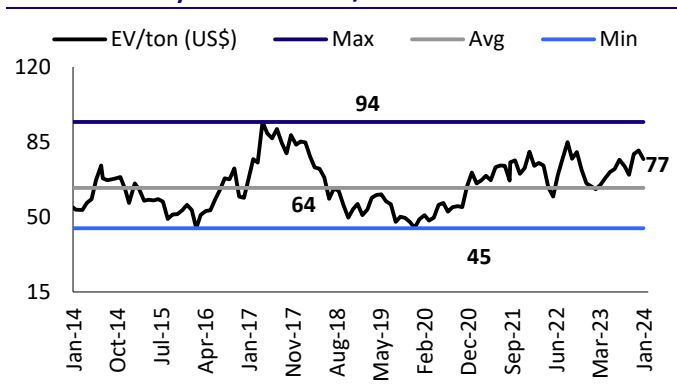
Source: Company, MOFSL

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
Net Sales	56,280	50,575	44,367	47,131	53,808	52,463	55,980	58,674
Change (%)	8.9	-10.1	-12.3	6.2	14.2	-2.5	6.7	4.8
EBITDA	6,379	5,852	8,061	4,611	-1,745	1,649	6,753	7,279
Margin (%)	11.3	11.6	18.2	9.8	-3.2	3.1	12.1	12.4
Depreciation	2,513	2,469	2,419	2,198	2,130	2,183	2,233	2,282
EBIT	3,866	3,384	5,642	2,413	-3,875	-534	4,520	4,997
Int. and Finance Charges	3,242	3,345	2,650	2,040	2,342	2,376	2,262	2,137
Other Income – Rec.	310	277	235	167	343	310	330	350
PBT bef. EO Exp.	934	316	3,227	540	-5,874	-2,601	2,588	3,210
EO Expense/(Income)	0	1,000	0	0	-1,805	-262	0	0
PBT after EO Exp.	934	-684	3,227	540	-4,069	-2,338	2,588	3,210
Current Tax	325	69	1,380	393	0	-468	665	825
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
Reported PAT	694	-355	2,220	390	-1,886	-1,871	1,923	2,385
PAT Adj. for EO items	694	212	2,220	390	-4,682	-2,080	1,923	2,385
Change (%)	-31.0	-69.5	947.7	-82.4	n/m	n/m	n/m	24.0
Margin (%)	1.2	0.4	5.0	0.8	-8.7	-4.0	3.4	4.1

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	51,019	52,942	55,172
Net Worth	52,397	54,149	56,180	58,181	55,989	54,118	56,041	58,271
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	18,492	16,992	14,992
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	29,486	27,536	25,236
Capital Employed	92,375	95,391	91,712	94,107	88,011	86,440	86,413	86,343
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
Net Fixed Assets	67,130	68,258	66,700	66,876	65,466	66,783	66,250	66,168
Capital WIP	1,770	1,958	1,871	2,715	3,134	1,634	1,434	1,734
Total Investments	6,946	7,369	7,462	7,795	4,938	4,938	4,938	4,938
Curr. Assets, Loans, and Adv.	35,203	36,939	32,708	40,462	38,319	36,234	38,137	38,718
Inventory	8,232	8,263	5,838	8,344	7,748	6,468	7,055	7,395
Account Receivables	7,290	7,163	5,413	9,213	8,141	7,187	8,129	8,520
Cash and Bank Balance	67	66	68	18	157	406	730	531
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
Curr. Liability and Prov.	18,675	19,134	17,028	23,740	23,846	23,148	24,345	25,215
Account Payables	13,163	13,342	10,763	12,875	13,300	12,936	13,803	14,468
Other Current Liabilities	4,106	4,566	5,301	8,580	8,240	7,905	8,435	8,841
Provisions	1,405	1,225	964	2,285	2,306	2,306	2,106	1,906
Net Current Assets	16,528	17,805	15,680	16,722	14,474	13,086	13,792	13,503
Appl. of Funds	92,375	95,391	91,712	94,107	88,011	86,440	86,413	86,343

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
Standalone EPS	2.3	0.7	7.2	1.3	-15.2	(6.8)	6.2	7.7
Cash EPS	10.4	8.7	15.1	8.4	-8.3	0.3	13.5	15.1
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	-	-	8.1	13.0
Valuation (x)								
P/E ratio	107.4	351.9	33.6	191.3	n/m	n/m	38.8	31.3
Cash P/E ratio	23.2	27.8	16.1	28.8	n/m	n/m	17.9	16.0
P/BV ratio	1.4	1.4	1.3	1.3	1.3	1.4	1.3	1.3
EV/Sales ratio	1.9	2.2	2.4	2.2	1.9	2.0	1.8	1.7
EV/EBITDA ratio	17.0	18.8	13.0	22.9	n/m	n/m	15.1	13.7
EV/t (USD)	83	84	80	80	79	79	77	76
Dividend Yield (%)	0.3	0.2	0.4	0.4	0.0	-	0.2	0.4
Return Ratios (%)								
RoIC	3.2	1.9	4.2	1.9	-2.0	(0.5)	4.0	4.4
RoE	1.3	0.4	4.0	0.7	-8.2	(3.8)	3.5	4.2
RoCE	3.7	2.2	4.6	2.1	-1.9	(0.2)	4.3	4.8
Working Capital Ratios								
Asset Turnover ratio (x)	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.7
Inventory (Days)	53.4	59.6	48.0	64.6	52.6	45.0	46.0	46.0
Debtor (Days)	47	52	45	71	55	50	53	53
Leverage Ratio (x)								
Current Ratio	1.9	1.9	1.9	1.7	1.6	1.6	1.6	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)	(2,338)	2,588	3,210
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	2,376	2,262	2,137
Direct Taxes Paid	(88)	(312)	(507)	(401)	(42)	468	(665)	(825)
(Inc.)/Dec. in WC	(3,069)	(1,269)	2,592	(542)	1,319	1,637	(382)	90
CF from Operations	3,283	4,220	10,317	3,694	(385)	4,325	6,036	6,893
Others	(119)	(81)	39	4	279	-	-	-
CF from Operations incl. EO	3,164	4,139	10,356	3,699	(106)	4,325	6,036	6,893
(Inc.)/Dec. in FA	(1,712)	(1,365)	(1,256)	(1,296)	(1,112)	(2,000)	(1,500)	(2,500)
Free Cash Flow	1,452	2,774	9,100	2,402	(1,218)	2,325	4,536	4,393
(Pur.)/Sale of Investments	(923)	(278)	6	(309)	4,666	-	-	-
Others	231	(1,759)	(708)	(460)	741	-	-	-
CF from Investments	(2,404)	(3,403)	(1,958)	(2,065)	4,294	(2,000)	(1,500)	(2,500)
Issue of Shares	18	-	-	-	-	-	-	-
Inc./(Dec.) in Debt	5,424	2,562	(5,401)	637	(1,476)	300	(1,950)	(2,300)
Interest Paid	(3,136)	(3,000)	(2,809)	(2,011)	(2,264)	(2,376)	(2,262)	(2,137)
Dividend Paid	(336)	(300)	(187)	(309)	(309)	-	-	(155)
Others	(2,746)	-	-	-	-	-	-	-
CF from Fin. Activity	(776)	(738)	(8,396)	(1,683)	(4,049)	(2,076)	(4,212)	(4,592)
Inc./Dec. in Cash	(16)	(1)	1	(49)	139	249	324	(199)
Opening Balance	84	68	67	68	19	158	407	731
Closing Balance	68	67	68	19	158	407	731	532

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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