India Equity Analytics

Results Preview 2QFY20 - Building Materials

Narnolia®

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ACC Limited

ACC IN

CMP	**1612**
Target	**2070**
Upside	**28%**
Rating	**BUY**

Building Materials

	CY17	CY18	CY19E	CY20E
Roe%	10%	14%	16%	18%
Roce%	14%	14%	20%	24%
PE	35.2	17.8	17.0	13.8
PB	3.5	2.6	2.7	2.5
EV/Ebdita	15.6	11.7	9.5	7.5

	CY17	CY18	CY19E	CY20E	3QCY18	2QCY19	3QCY19E
Cement Vol.(MT)	26.2	28.4	28.9	29.8	6.55	7.20	6.55
Growth YoY	*14%*	*8%*	*2%*	*3%*	*10%*	*-1%*	*0%*
Cement Real.Rs./Tn)	5,060	4,826	5,192	5,335	4,862	5,335	5,335
Growth YoY	*-1%*	*-5%*	*8%*	*3%*	*1%*	*8%*	*10%*
RMC Vol.(MCM)	2.84	3.27	3.63	3.98	0.73	0.85	0.86
Financials							
Sales	13,285	14,802	16,430	17,634	3,433	4,150	3,865
Sales Gr%	*21%*	*11%*	*12%*	*7%*	*10%*	*8%*	*13%*
Ebdita	1,912	2,048	2,793	3,424	444	783	717
Ebdita Gr%	*29%*	*7%*	*36%*	*23%*	*7%*	*26%*	*62%*
Net Profits	925	1,521	1,780	2,196	209	456	469
Profit Gr%	*40%*	*64%*	*17%*	*23%*	*15%*	*40%*	*124%*
Ajusted Profits	925	1,521	1,780	2,196	209	453	469
Ebdita Margin%	14.3%	13.7%	16.7%	19.2%	12.9%	14.7%	18.5%
Net Profit Margin%	7.0%	10.3%	10.8%	12.5%	6.0%	7.7%	12.1%

Cons./ Fig in Rs Cr

❑ The realization is expected to be at Rs. 5335/ ton with flat growth on QoQ basis and 10% YoY growth. However, some regions like North (contributes ~18% to revenue) & South (contributes ~30% to revenue) did witnessed decline in cement prices in June-July19 but overall the decline is expected to get compensated by stable prices in other regions.

❑ In 3QCY19, we expect flat volume growth to 6.55 MT with 78% capacity utilization led by weak off take of cement industry due to slow pace of construction activity, Monsoon and other macroeconomic issues prevailing in the economy. However, the cement demand is expected to pick up in 2nd half of the financial year driven by government initiatives.

❑ Ready Mix Concrete volumes are expected to increase by 18% YoY to 0.86 Million Cubic metres led by company's focus on value added solutions, strengthened customer network and have also widened national presence with the addition of eight new plants during the quarter. ACC now has 82 operational ready mix plants in India.

❑ EBITDA Margin is expected to improve by 562 bps to 18.5% YoY led by higher realization, increased focus on premium product and sales from cost-efficient units of Jamul and Sindri.

❑ On account of reduced corporate taxes, we have factored Rs. 54 cr. of excess PAT in 3QCY19 and Rs. 108 cr. in CY19. PAT growth excluding excess tax benefit is 99% YoY for 3QCY19 and 10% for CY19.

Key Trackable this Quarter

❑ Volume growth.

❑ Cement prices in all the regions especially South and East.

❑ Performance of RMC business despite consumption slowdown.

We value the stock at 10x CY20E EV/EBITDA. BUY

Ambuja Cements Limited

ACEM IN

Building Materials

CMP	**205**
Target	**214**
Upside	**5%**
Rating	**NEUTRAL**

	CY17	CY18	CY19E	CY20E
Roe%	6%	7%	7%	7%
Roce%	6%	7%	7%	7%
PE	43.1	30.8	26.7	25.9
PB	2.7	2.2	1.8	1.7
EV/Ebdita	26.0	22.5	16.5	14.3

	CY17	CY18	CY19E	CY20E	3QCY18	2QCY19	3QCY19E
Cement Vol.(MT)	23.0	24.2	23.7	24.8	5.46	5.82	5.41
Growth YoY	*9%*	*5%*	*0%*	*8%*	*9%*	*-9%*	*-1%*
Cement Real.Rs./Tn)	4,550	4,697	4,903	4,965	4,787	5,117	4,965
Growth YoY	*4%*	*3%*	*4%*	*1%*	*4%*	*8%*	*4%*
Financials							
Sales	10,447	11,357	11,603	12,331	2,614	2,978	2,684
Sales Gr%	*14%*	*9%*	*2%*	*6%*	*13%*	*-1%*	*3%*
Ebdita	1,940	1,891	2,243	2,562	358	698	427
Ebdita Gr%	*15%*	*-3%*	*19%*	*14%*	*1%*	*12%*	*19%*
Net Profits	1,250	1,487	1,523	1,565	179	412	228
Profit Gr%	*34%*	*19%*	*2%*	*3%*	*-34%*	*-17%*	*27%*
Ebdita Margin%	18.6%	16.7%	19.3%	20.8%	13.7%	23.4%	15.9%
Net Profit Margin%	12.0%	13.1%	13.1%	12.7%	6.8%	13.8%	8.5%

Std/ Fig in Rs Cr

❑ We expect flat volume growth from cement at 5.41 MT on YoY basis. Cement demand is expected to remain subdued in 3QCY19 led by weak demand due to monsoon in some regions like Southern India, lower government spending. Thus, Sales is expected to improve by 2.7% YoY to Rs. 2684 cr. in 3QCY19.

❑ The average price in Northern (contributes ~40% to the revenue) and Central region saw a moderate decline of around Rs. 4-5/bag each M-o-M in July while prices in South, East and west also declined by Rs. ~25/bag on M-o-M basis in July.

❑ We expect cement prices to remain almost at the same level in 3QCY19 despite price correction because prices are expected to remain in the existing range because prices have remained stable since long and are sharp decrease in prices is not expected.Thus, the realization is expected to be at Rs. 4965/ ton with flat growth on QoQ basis and 3.7% YoY growth. However

❑ EBITDA Margin is expected to improve by 218 bps to 15.9% YoY led by higher realization, soft input cost and company's increased focus on its premium products.

❑ On account of reduced corporate taxes, we have factored Rs. 14.55 cr. of excess PAT in 3QCY19 and Rs. 29 cr. in CY19. PAT growth excluding excess tax benefit is 19% YoY for 3QCY19 and 0% for CY19.

Key Trackable this Quarter

❑ Volume growth.

❑ Cement prices in all the regions especially in North.

❑ Movement in power and fuel cost.

We value the stock at 15x CY20E EV/EBITDA. NEUTRAL

Century Plyboards (India) Limited

Building Materials

CPBI IN

CMP	**160**
Target	**178**
Upside	**11%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	20%	18%	21%	21%
Roce%	17%	18%	21%	21%
P/E	46.3	29.2	16.3	13.4
EV/Sales	3.9	2.2	1.6	1.4
EV/Ebdita	25.3	16.9	10.4	9.3

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20E	2QFY20E
Segmental Revenue							
Plywood - Revenue	1,263	1,273	1,320	1,393	321	315	334
Plywood - EBITDA	181	174	191	202	50	46	51
Laminates - Revenue	370	432	476	505	109	106	118
Laminates - EBITDA	61	39	51	54	9	11	11
MDF - Revenue	112	295	346	381	61	92	78
MDF - EBITDA	21	38	64	70	4	22	12
Particle Board - Revenue	73	97	113	127	29	25	31
Particle Board - EBITDA	13	22	28	31	5	7	7
Sales	1,967	2,264	2,414	2,577	564	574	602
Sales Gr%	*10%*	*15%*	*7%*	*7%*	*19%*	*7%*	*7%*
COGS	1,023	1,182	1,239	1,320	294	292	303
Ebdita	306	300	367	394	74	93	91
Ebdita Gr%	*5%*	*-2%*	*22%*	*7%*	*0%*	*7%*	*22%*
Net Profits	157	159	218	265	38	48	54
Profit Gr%	*-16%*	*1%*	*38%*	*21%*	*-6%*	*6%*	*43%*
Gross Margin%	48.0%	47.8%	48.7%	48.8%	47.8%	49.1%	49.6%
Ebdita Margin%	15.6%	13.3%	15.2%	15.3%	13.2%	16.1%	15.1%
Net Profit Margin%	8.0%	7.0%	9.0%	10.3%	6.7%	8.4%	9.0%

Std/Fig in Rs Cr

- The company's revenue is expected to grow by 6.6% to Rs 602 cr led by 31.3% volume growth in MDF segment (contributing 13% to total revenue).
- Plywood, Laminates & Particle board (P.B.) are expected to report volume growth of 1.9%, 7% & 7.4% respectively while Logistics segment is expected decline by 15% in 2QFY20.
- G.Margin improvement in PB, MDF & laminates segments are expected to result in its overall gross margin expansion by 176 bps to 49.6% in spite of margin pressure from plywood division.
- The company's PAT growth is expected to be 42.6% to Rs 54 cr led by improvement in margin. FY19 effective tax rate was 25.06% and FY20 effective tax rate is expected to be 25.17%
- The company is planning to put up capacity of 500 CBM/day each for MDF and PB at single location for a total capex of Rs 400-450 crore at Sitapur (UP) and for this it has also got license from state government.

Key Trackable this Quarter

- Success of company's startegy to focus on the mid-market segment for ply.
- Capex plans of the company.
- Demand/Supply dynamics of the MDF industry.

We value the stock at 11x FY20E EV/Ebdita. NEUTRAL

Cera Sanitaryware Ltd

CRS IN

CMP	**2630**
Target	**3163**
Upside	**20%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	18%	17%	19%	19%
Roce%	23%	23%	21%	21%
P/E	45.1	35.2	24.3	21.6
EV/Sales	3.7	2.9	2.3	1.9
EV/Ebdita	25.6	20.3	16.2	14.4

	FY18	FY19	FY20	FY21	2QFY19	1QFY20	2QFY20E
Segmental Revenue							
Sanitaryware	56%	53%	50%	49%	53%	52%	52%
Faucets	22%	24%	25%	25%	23%	25%	24%
Tiles	20%	21%	22%	22%	21%	20%	21%
Others	3%	3%	4%	3%	3%	4%	3%
Sales	1,182	1,344	1,434	1,655	331	267	342
Sales Gr%	*17%*	*14%*	*7%*	*15%*	*12%*	*-5%*	*3%*
COGS	563	646	688	797	159	123	163
Ebdita	171	191	202	224	46	35	48
Ebdita Gr%	*0%*	*12%*	*6%*	*11%*	*-1%*	*0%*	*5%*
Net Profits	100	115	141	158	28	19	32
Profit Gr%	*-4%*	*15%*	*23%*	*12%*	*3%*	*-7%*	*14%*
Gross Margin%	52.3%	51.9%	52.0%	51.8%	51.9%	54.0%	52.5%
Other Expenses %	26.0%	26.1%	25.4%	25.1%	26.2%	25.9%	25.7%
Ebdita Margin%	14.4%	14.2%	14.1%	13.5%	13.8%	13.2%	14.0%
Net Profit Margin%	8.5%	8.6%	9.8%	9.6%	8.5%	7.1%	9.4%

Std/Fig in Rs Cr

❑ The company's revenue is expected to remain under pressure on the back of slow-down in market and is expected to report a low top line growth of 3.4% YoY to Rs 342 cr.

❑ Faucets segments is expected to grow 10% (contributing 24% to sales); Wellness segment is expected to grow 20% (contri. 3%) while due to demand slowdown Sanitary ware & Allied (contri. 52%) and Tiles (contri. 21%) segment are expected to remain muted for the quarter.

❑ EBITDA is expected to be 14.0%, up by 20 bps YoY led by lowered input cost. According to Management also, margin was at lowest level in 1QFY20 (13.2%) and would go up henceforth.

❑ PAT is expected to grow 14% to Rs 32 cr. On account of reduced corporate taxes, we have factored Rs 7 Cr of excess PAT in 2QFY20 and Rs 21 Cr in FY20. Adjusted PAT growth excluding excess tax benefit is -10% YoY for 2QFY20 and 5% for FY20.

❑ Capex for FY20 would be ~Rs 56 cr; this includes Rs 20 cr sanitary ware automation, Rs 9 cr faucet automation cost, Rs 6 cr for customer touch points, Rs 17 cr for completion of staff colony near their plant, Rs 4 cr for logistics & IT.

Key Trackable this Quarter

❑ Overall market environment in the real estate sector.

❑ Capex & company's expansion plan.

We value the stock at 26x FY21E EPS. BUY

Greenlam Industries Limited

GRLM IN

Building Materials

CMP	**897**
Target	**868**
Upside	**-3%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	19%	20%	19%	19%
Roce%	19%	19%	19%	20%
P/E	42.7	29.7	24.1	21.1
EV/Sales	2.6	2.0	1.7	1.5
EV/Ebdita	19.9	15.8	13.7	12.1

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Laminates Volume*	13.8	13.5	13.8	14.1	3.4	2.8	3.4
Laminate Realisation	693	764	833	841	778	818	822
Segment Mix							
Laminates - Revenue	984	1,085	1,142	1,177	273	246	279
Laminates - EBITDA	134	148	157	163	37	31	39
Veneer - Revenue	160	196	223	257	46	44	53
Veneer - EBITDA	16	10	12	20	2	(1)	3
Sales	1,145	1,281	1,365	1,434	318	290	333
Sales Gr%	*6%*	*12%*	*7%*	*5%*	*16%*	*0%*	*4%*
COGS	598	688	724	763	172	146	178
Ebdita	149	159	169	182	39	30	42
Ebdita Gr%	*8%*	*6%*	*7%*	*8%*	*3%*	*-11%*	*8%*
Net Profits	65	77	90	103	18	8	23
Profit Gr%	*30%*	*19%*	*17%*	*14%*	*14%*	*-45%*	*28%*
Gross Margin%	47.7%	46.3%	47.0%	46.8%	45.9%	49.5%	46.6%
Ebdita Margin%	13.0%	12.4%	12.4%	12.7%	12.3%	10.3%	12.8%
Net Profit Margin%	5.6%	6.0%	6.6%	7.2%	5.7%	2.9%	7.0%

*(in mn sheets)

Conso/Fig in Rs Cr

❑ Revenue growth is expected to be 4.4% YoY to Rs 333 cr impacted by lower volume growth of 1.5% in Laminates division due to demand slowdown & tight liquidity conditions in market.

❑ In FY19, company held ~13% market share in the Rs 4200 cr domestic laminate market and ~30% share in the Rs 1500 cr export market.

❑ Gross margin is expected to be up by 72 bps to 46.6% led by improvement in GM% of Laminates & Veneers. EBITDA margin is expected to be up by 43 bps to 12.8%.

❑ PAT is expected to be up by 25.7% to Rs 23 cr and margins at 7%. On account of reduced corporate taxes, we have factored Rs 1 Cr of excess PAT in 2QFY20 and Rs 3 Cr in FY20. Adjusted PAT growth excluding excess tax benefit is 23% YoY for 2QFY20 and 13% for FY20.

❑ Recently its laminates manufacturing unit at Nalagarh, Himachal Pradesh became operational, it would manufacture additional 1.6 million laminates sheets per annum and now total installed capacity for laminates is 15.62 million sheets p.a.

Key Trackable this Quarter

❑ Overall demand environment and product pricing in market.

❑ Sustainable EBITDA margin for the wooden doors segment.

We value the stock at 11x FY21E EV/EBDITA. NEUTRAL

Heidelberg Cement India Ltd

HEIM IN

Building Materials

CMP	**188**
Target	**212**
Upside	**13%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	13%	19%	26%	23%
Roce%	9%	14%	21%	20%
PE	24.2	18.8	12.2	11.8
PB	3.1	3.5	3.1	2.7
EV/Ebdita	9.6	8.7	7.0	6.6

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Cement Vol.(MT)	4.65	4.82	4.98	5.04	1.13	1.26	1.11
Growth YoY	6%	4%	3%	1%	6%	-1%	-1%
Realization(Rs./Ton)	4,066	4,429	4,607	4,583	4,319	4,676	4,583
Growth YoY	3.9%	8.9%	4.0%	-0.5%	7.5%	9.9%	6.1%
Financials							
Sales	1,889	2,133	2,293	2,310	486	589	510
Sales Gr%	*10%*	*13%*	*7%*	*1%*	*14%*	*9%*	*5%*
Ebdita	363	483	588	590	117	158	134
Ebdita Gr%	*30%*	*33%*	*22%*	*0%*	*25%*	*32%*	*15%*
Net Profits	133	221	349	361	50	79	81
Profit Gr%	*75%*	*66%*	*58%*	*3%*	*50%*	*55%*	*62%*
Ebdita Margin%	19.2%	22.7%	25.7%	25.5%	24.0%	26.8%	26.3%
Net Profit Margin%	7.0%	10.3%	15.2%	15.6%	10.3%	13.4%	15.9%

Std/ Fig in Rs Cr

- ❑ Heidelberg volume for 2QFY20 is expected to be at 1.11 MT. we expect volume to decline by 1% YoY majorly led by capacity constraint, softness in cement demand due to seasonality, stressed pricing in Madhya Pradesh & Central region (contributes ~92% to volumes as of 1QFY20) and lower clinker sale which existed in corresponding previous quarter.

- ❑ The Company's revenue is expected to grow by 5.1% to Rs. 537 cr. led by stable realization in Uttar Pradesh, company's lower salience on government projects and product mix. However, the cement demand is expected to increase in 2HFY20.

- ❑ Considering supply constraint, the company is focusing on increasing the sale of premium products Mycem power (Premium product contributes, >13% of trade volume, expects the same to saturate at 20%) volume increased 53% YoY in 1QFY20 and we expect traction from the same in coming quarters.

- ❑ EBITDA margin of the company is expected to improve by 233 bps to 26.3% YoY led by higher realization, product mix, reduction in power and fuel led by decline in Pet coke & crude prices.

- ❑ Expected CAPEX-Rs. 50 Cr in CY19 and will be funded by cash.

- ❑ On account of reduced corporate taxes, we have factored Rs. 16 cr. of excess PAT in 2QFY20 and Rs. 48 cr. in FY20. PAT growth excluding excess tax benefit is 30% YoY for 2QFY20 and 37% for FY20.

Key Trackable this Quarter

- ❑ Cement demand condition due to prevailing macro economic issues .
- ❑ Status of debottlenecking process.
- ❑ Price hike in Uttar Pradesh.

We value the stock at 7.5x FY21E EV/EBITDA. ACCUMULATE

JK Cement Limited

JKCE IN

CMP	**1049**
Target	**1280**
Upside	**22%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	16%	11%	17%	14%
Roce%	8%	7%	8%	8%
PE	20.8	18.3	13.3	14.0
PB	3.3	2.1	2.2	2.0
EV/Ebdita	11.5	9.4	7.9	7.6

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Blend Sales vol. (MT)	9.39	9.80	10.19	10.46	2.31	2.31	2.16
Vol. growth YoY	19%	4%	4%	3%	-3%	0%	0%
Realization.(Rs./Tn)	4,889	5,083	5,620	5,581	5,095	5,754	5,581
Realization Gr. YoY	3%	4%	11%	-1%	2%	19%	10%
Financials							
Sales	4,591	4,981	5,726	5,841	1,101	1,328	1,206
Sales Gr%	*22%*	*8%*	*15%*	*2%*	*-1%*	*19%*	*10%*
Ebdita	761	810	1,174	1,158	170	303	239
Ebdita Gr%	*10%*	*7%*	*45%*	*-1%*	*-18%*	*102%*	*41%*
Net Profits	342	325	552	525	65	154	81
Profit Gr%	*62%*	*-5%*	*70%*	*-5%*	*-31%*	*212%*	*25%*
Ebdita Margin%	16.6%	16.3%	20.5%	19.8%	15.4%	22.9%	19.8%
Net Profit Margin%	7.4%	6.5%	9.6%	9.0%	5.9%	11.6%	6.7%

Std/ Fig in Rs Cr

- Volume growth for 2QFY20 is expected to remain flat to 2.16 MT due to monsoon in both North and South. Cement volumes in 2QFY20 is expected to remain impacted due to elections, standstill of government spending in infra activities while volumes are expected to pick up from 2HFY20.
- On realization front, due to monsoon the cement prices in North and South witnessed rollback of up to 2% in the month of June-July-19 which is seasonal and will not impact more to overall realization in 2QFY20.
- Grey cement and white cement & putty business which contributes ~71% & ~29% to the revenue is expected to post flat volume growth in 2QFY20 due to seasonal impact. The Company is focusing more on white cement & Putty and are also gaining market share. The company is intending to expand putty capacity by 2-3 lakh tone in next fiscal year.
- On Raw material front, the impact of higher priced imported pet coke will exist till Aug-19, while on freight cost front the company has already achieved the saving of Rs. 60-70/ton in its freight cost and expects further saving of Rs. 20-30/ton in next 18-20 months.
- EBITDA margin is expected to be at 19.8% YoY in 2QFY20 vs. 15.4% YoY in 2QFY19 led by better realization, benign input price and cost saving measures taken with regard to logistic cost. The Other expense will remain high due to charges paid to Boston Consultancy.
- On account of reduced corporate taxes, we have factored Rs. 15 cr. of excess PAT in 2QFY20 and Rs. 46 cr. in FY20. PAT growth excluding excess tax benefit is 2% YoY for 2QFY20 and 56% for FY20.

Key Trackable this Quarter

- Volume and Realization growth in both grey and white cement business.
- Profitability of UAE business

We value the stock at 9x FY21E EV/EBITDA. BUY

Kajaria Ceramics Ltd

KJC IN

CMP	**549**
Target	**654**
Upside	**19%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	19%	15%	17%	17%
Roce%	24%	21%	20%	20%
P/E	38.4	41.3	30.2	26.9
EV/Sales	3.3	3.1	2.7	2.4
EV/Ebdita	19.9	20.5	18.0	16.3

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Tiles Volume Growth	6%	12%	12%	7%	11%	10%	13%
Segmental Revenue							
Own Mfg (Tiles)	56%	56%	52%	50%	65%	47%	49%
JVs (Tiles)	24%	23%	22%	21%	24%	17%	18%
Outsourcing (Tiles)	14%	14%	18%	19%	14%	16%	20%
Sanitaryware/Faucet	5%	6%	7%	8%	7%	5%	7%
Plywood	0%	1%	1%	1%	0%	1%	1%
Sales	2,711	2,956	3,190	3,431	725	700	774
Sales Gr%	*6%*	*9%*	*8%*	*8%*	*8%*	*7%*	*7%*
COGS	1,060	1,146	1,281	1,394	268	281	324
Ebdita	456	449	470	507	109	106	97
Ebdita Gr%	*-8%*	*-2%*	*5%*	*8%*	*-11%*	*9%*	*-11%*
Net Profits	235	227	289	325	50	50	54
Profit Gr%	*-7%*	*-4%*	*28%*	*12%*	*-21%*	*9%*	*8%*
Gross Margin%	60.9%	61.2%	59.8%	59.4%	63.0%	59.9%	58.1%
Ebdita Margin%	16.8%	15.2%	14.7%	14.8%	15.0%	15.1%	12.5%
Net Profit Margin%	8.7%	7.7%	9.1%	9.5%	6.9%	7.1%	7.0%

Conso/Fig in Rs Cr

- KAJARIACER is expected to give revenue growth of 6.7% YoY at Rs 774 cr backed by Tiles' volume growth of 12.5% in Q2.
- The company's revenue is a mainly driven by retail segment with 70% contribution and retail network of 1500 dealers.
- Gross margin is expected to decline by 490 bps YoY to 58.1% backed by increased outsourcing share in the revenue mix. EBITDA margin contraction is expected of 250 bps YoY to 12.5%, comparatively lower than GM due to reduced power & fuel cost.
- In spite of declining margins, PAT growth is expected to be 8% YoY to Rs 54 cr. On account of reduced corporate taxes, we have factored Rs 13 Cr of excess PAT in 2QFY20 and Rs 35 Cr in FY20. Adjusted PAT growth excluding excess tax benefit is -17% YoY for 2QFY20 and 12% for FY20.
- FY20 Capex is expected to be ~Rs 120 cr; this includes ~Rs 70 cr for south plant, small capex in sanitary ware of Rs 22 cr and some normal capex.

Key Trackable this Quarter

- Volume growth guidance.
- Movement of RLNG prices in comparison to crude and spot gas prices.
- Growth and breakeven progress of Sanitaryware and faucets segment.

We value the stock at 32x FY21E EPS. BUY

The Ramco Cements Limited

RAMCO IN

CMP	**752**
Target	**855**
Upside	**14%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	14%	11%	15%	14%
Roce%	12%	9%	12%	12%
PE	31.1	33.7	23.2	21.3
PB	4.3	3.8	3.4	3.0
EV/Ebdita	16.5	17.7	14.2	12.4

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Total Cement Vol.(MT)	9.3	10.6	11.7	13.0	2.5	2.7	2.5
Growth YoY	11%	14%	11%	11%	15%	4%	0%
Blend. Realiz.(Rs./Tn)	4,733	4,869	5,152	5,171	4,792	5,120	5,120
Growth YoY	1%	3%	6%	0%	-3%	10%	7%
Financials							
Sales	4,406	5,146	6,027	6,735	1,184	1,384	1,290
Sales Gr%	*12%*	*17%*	*17%*	*12%*	*11%*	*13%*	*9%*
Ebdita	1,099	1,037	1,404	1,525	247	359	301
Ebdita Gr%	*-8%*	*-6%*	*35%*	*9%*	*-18%*	*44%*	*22%*
Net Profits	556	506	765	834	114	192	144
Profit Gr%	*-14%*	*-9%*	*51%*	*9%*	*-32%*	*54%*	*26%*
Ebdita Margin%	25.0%	20.1%	23.3%	22.6%	20.9%	26.0%	23.4%
Net Profit Margin%	12.6%	9.8%	12.7%	12.4%	9.7%	13.9%	11.2%

Std/ Fig in Rs Cr

- We expect RAMCO volume growth to remain flat in 2QFY20 to 2.5 MT led by weak demand condition in South (contributes ~70% to volumes) due to water shortages, project cancellations, sand mining issues and monsoon.
- The demand from South is expected to pick up in coming quarter led by revival of demand after flood impact in many southern regions.
- Despite weak demand condition, the blended realization is expected to decline by 1% QoQ to Rs. 5069/ Ton due to monsoon and price correction in Southern and eastern markets.
- EBITDA margin is expected to improve by 248 bps to 23.4% YoY on back of higher realizations, lower freight cost. However margins are lower when compared on YoY basis due to dip in volumes.
- On account of reduced corporate taxes, we have factored Rs. 14 cr. of excess PAT in 2QFY20 and Rs. 42 cr. in FY20. PAT growth excluding excess tax benefit is 14% YoY for 2QFY20 and 43% for FY20.

Key Trackable this Quarter

- Volume growth due to seasonality impact.
- Cement prices sustainability in both South and East India despite weak demand condition.

We value the stock at 14x FY21E EV/EBITDA. ACCUMULATE

Shree Cement Limited

SCRM IN

CMP	**18907**
Target	**22000**
Upside	**16%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	16%	10%	14%	16%
Roce%	13%	10%	14%	15%
PE	40.7	68.0	43.8	33.5
PB	6.3	6.7	6.0	5.2
EV/Ebdita	24.1	25.3	19.6	17.0

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Cement Vol(Mn Ton)	22.5	25.9	25.6	27.5	5.6	6.1	5.6
Growth YoY	9%	15%	-1%	7%	16%	-13%	0%
Realization(Rs./Tn)	4,314	4,302	4,990	4,723	4,268	5,107	4,953
Growth YoY	-2%	0%	16%	-5%	2%	24%	16%
Power vol.(Mn Units)	1,197	1,677	1,580	1,580	400	380	400
Financials							
Sales	9,833	11,722	13,219	14,301	2,587	3,036	2,991
Sales Gr%	*14%*	*19%*	*13%*	*8%*	*21%*	*-1%*	*16%*
Ebdita	2,473	2,653	3,432	3,613	520	902	764
Ebdita Gr%	*-2%*	*7%*	*29%*	*5%*	*-7%*	*57%*	*47%*
Net Profits	1,384	951	1,504	1,965	49	363	301
Profit Gr%	*3%*	*-31%*	*58%*	*31%*	*-77%*	*30%*	*511%*
Adjusted Profits	1,384	1,129	1,504	1,965	227	363	301
Ebdita Margin%	25.1%	22.6%	26.0%	25.3%	20.1%	29.7%	25.6%
Net Profit Margin%	14.1%	8.1%	11.4%	13.7%	1.9%	12.0%	10.1%

Std/ Fig in Rs Cr

- ❑ The Company's cement business volume is expected to remain flat in 2QFY20 to 5.64MT due to off season, lower government spending towards infra projects.
- ❑ The Realization for cement business is expected to decline by 3% QoQ to Rs. 4953/ton led by price correction in North India where company has significant exposure.
- ❑ The Company's power business (contributes ~ 14% in 1QFY20) is expected to sell 400 million units in 2QFY20 led by higher realization.
- ❑ The Company has started commercial production of its new grinding unit in Jharkhand of 2.50 MTPA on 28th June 19, while another 3 MTPA grinding unit at Cuttack (Odisha) is expected to be commissioned by Sep-19.
- ❑ The Company's EBITDA margin is expected to expand by 546 bps to 25.56% YoY led by higher realizationt and lower employee expense.
- ❑ FY19 effective tax rate was 10.4 % and FY20 effective tax rate is expected to be 25.17%.

Key Trackable this Quarter

- ❑ Status of capacity expansion at Cuttack (Odisha).
- ❑ Volume growth in both Cement and Power segment.
- ❑ Overall realization due to cement price correction in North where company has significant share.

We value the stock at 20x FY21E EV/EBITDA. BUY

UltraTech Cement Limited

UTCEM IN

Building Materials

CMP	**4365**
Target	**5195**
Upside	**19%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	10%	9%	13%	12%
Roce%	10%	10%	13%	12%
PE	42.2	45.5	28.8	27.0
PB	4.1	3.9	3.8	3.4
EV/Ebdita	20.6	19.5	15.5	15.1

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Total Cement Vol.(MT)	64.6	76.4	81.8	89.2	16.6	18.7	16.9
Growth YoY	21%	21%	21%	21%	4%	2%	2%
Blend. Realiz.(Rs./Tn)	4,796	4,892	5,234	5,469	4,924	5,429	5,316
Growth YoY	2%	2%	7%	4%	2%	14%	8%
Financials							
Sales	30,979	37,379	42,827	48,782	8,151	10,178	8,971
Sales Gr%	*22%*	*21%*	*15%*	*14%*	*20%*	*16%*	*10%*
Ebdita	6,145	6,788	8,946	8,944	1,226	2,708	1,679
Ebdita Gr%	*18%*	*10%*	*32%*	*0%*	*-8%*	*75%*	*37%*
Net Profits	2,224	2,432	4,169	4,436	376	1,208	614
Profit Gr%	*-18%*	*9%*	*71%*	*6%*	*-11%*	*91%*	*63%*
Ebdita Margin%	19.8%	18.2%	20.9%	18.3%	15.0%	26.6%	18.7%
Net Profit Margin%	7.2%	6.5%	9.7%	9.1%	4.6%	11.9%	6.8%

Conso./ Fig in Rs Cr

- ULTRATECH 2QFY20 overall volume is expected to remain at 16.88MT with 2% YoY growth. The volumes are expected to remain subdued due to slowdown in cement demand on account of monsoon, sand issues prevailing in certain regions, water scarcity in Tamil Nadu and floods in various regions.
- Blended realization is expected to be at Rs. 5316/Ton with 8% YoY growth while declined by 2% on QoQ basis led by decline in cement prices in South and also witnessed some impact in Central region, Gujarat and Odisha market.
- EBITDA margin of the company is expected to improve by 367 bps to 18.7% YoY led by decline in logistics cost benefit from axle load relaxation, benefit from softening of pet coke prices and increase in operational efficiency.
- The Company received the approval of NCLT for takeover of cement business of Century. The other necessary approvals are expected to complete by 2QFY20.
- Bara Grinding capacity witnessed breakdown during trail run and is expected to get commissioned in 3QFY20 post repair.
- The Company has collaborated with Hindalco to develop aluminium bulker vehicle which can carry 10% extra quantity which will reduce number of truck moving on road by 300000.Thus the benefit will be seen from FY21.
- On account of reduced corporate taxes, we have factored Rs. 114 cr. of excess PAT in 2QFY20 and Rs. 341 cr. in FY20. PAT growth excluding excess tax benefit is 33% YoY for 2QFY20 and 57% for FY20.

Key Trackable this Quarter

- Volume and realization growth considering economic slowdown.
- Benefit of decline in Pet coke price and logistics costs.

We value the stock at 16x FY21E EV/EBITDA. BUY

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