India Equity Analytics

Results Preview 3QFY20 - Building Materials

Narnolia®

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ACC Limited

ACC IN

Building Materials

CMP	**1493**
Target	**1720**
Upside	**15%**
Rating	**BUY**

	CY17	CY18	CY19E	CY20E
Roe%	10%	14%	14%	15%
Roce%	14%	14%	16%	19%
PE	35.2	17.8	18.6	16.1
PB	3.5	2.6	2.5	2.4
EV/Ebdita	15.6	11.7	10.2	8.5

	CY17	CY18	CY19E	CY20E	4QCY18	3QCY19	4QCY19E
Cement Volume (MT)	26.2	28.4	28.6	30.4	7.50	6.44	7.50
Volume Growth YoY	*14%*	*8%*	*1%*	*6%*	*8%*	*-2%*	*0%*
Realisation Growth YoY	*-1%*	*-5%*	*4%*	*1%*	*2%*	*3%*	*5%*
RMC Vol.(MCM)	2.84	3.20	3.55	3.95	0.86	0.81	0.95
Financials							
Sales	13,285	14,802	15,754	17,117	3,895	3,528	4,157
Sales Gr%	*21%*	*11%*	*7%*	*8%*	*11%*	*3%*	*6.7%*
Ebdita	1,912	2,048	2,391	2,802	487	557	518
Ebdita Gr%	*29%*	*7%*	*17%*	*17%*	*10%*	*26%*	*6%*
Net Profits	925	1,521	1,509	1,738	730	303	412
Profit Gr%	*40%*	*64%*	*-1%*	*15%*	*261%*	*45%*	*-44%*
Ebdita Margin%	14.3%	13.7%	14.9%	16.2%	12.5%	15.8%	12.5%
Net Profit Margin%	7.0%	10.3%	9.6%	10.2%	18.8%	8.5%	9.9%

Cons./ Fig in Rs Cr

- The realization is expected to be at Rs. 5021/ ton with flat growth on QoQ basis and 5% YoY growth on account of subdued demand in South which contributes to the extent of ~30% to the revenue while North which contributes to the extent of ~18% to the revenue witnessed stable realization in 4QCY19.
- In 4QCY19, we expect flat volume growth to 7.5 MT with sales growth of 6.7% YoY to Rs. 4157 cr. with 90% capacity utilization. Volumes are expected to remain subdued on account of demand slowdown on account of liquidity issues & macroeconomic issues prevailing in the economy.
- Ready Mix Concrete volumes are expected to increase by 10% YoY to 0.95 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 3 new plants in 4QCY19. ACC now has 83 operational ready mix plants in India.
- EBITDA Margin is expected to remain flat to 12.5% YoY led by stable realization, increased focus on premium product and decline in other expense.

Key Trackable this Quarter

- Demand scenario in South.
- 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	**203**
Target	**217**
Upside	**7%**
Rating	**NEUTRAL**

	CY17	CY18	CY19E	CY20E
Roe%	6%	7%	7%	7%
Roce%	6%	7%	7%	7%
PE	43.1	30.8	26.3	24.4
PB	2.7	2.2	1.7	1.7
EV/Ebdita	26.0	22.5	16.2	13.3

	CY17	CY18	CY19E	CY20E	4QCY18	3QCY19	4QCY19E
Cement Vol.(MT)	23.0	24.2	23.6	25.2	6.13	5.23	6.13
Volume Growth YoY	*9%*	*5%*	*0%*	*8%*	*4%*	*-4%*	*0%*
Realisation Growth YoY	*4%*	*3%*	*4%*	*1%*	*1%*	*5%*	*7%*
Financials							
Sales	10,447	11,357	11,610	12,978	2,863	2,626	3,078
Sales Gr%	*14%*	*9%*	*2%*	*12%*	*5%*	*0%*	*7%*
Ebdita	1,940	1,891	2,162	2,587	404	440	560
Ebdita Gr%	*15%*	*-3%*	*14%*	*20%*	*-25%*	*23%*	*39%*
Net Profits	1,250	1,487	1,468	1,586	537	235	394
Profit Gr%	*34%*	*19%*	*-1%*	*8%*	*59%*	*31%*	*-27%*
Adjusted PAT	*1196*	*1496*	808	931	*407*	*235*	394
Adjusted PAT Gr%	*35%*	*9%*	*8%*	*8%*	*20%*	*31%*	*-3%*
Ebdita Margin%	18.6%	16.7%	18.6%	19.9%	14.1%	16.7%	18.2%
Net Profit Margin%	12.0%	13.1%	12.6%	12.2%	18.8%	8.9%	12.8%

Std/ Fig in Rs Cr

❑ We expect flat volume growth from cement at 6.13 MT on YoY basis. Cement demand is expected to remain subdued in 4QCY19 led by weak demand conditions due to liquidity issues while good harvest and investment returning to the housing with increased government spending in rural housing and roads may improve demand scenario.

❑ The Company's Sales is expected to improve by 7.5% YoY to Rs. 3078 cr. in 4QCY19 led by stable demand scenario in Northern (contributes ~40% to the revenue) and Eastern region.

❑ The average price in Northern and east region remained stable with slight increase in cement prices in some states.

❑ The Company Premium Product Portfolio grew by 17% YoY in 3QCY19 and so in order to further increase its share the company is emphasizing on launching new value added products (Premium category) in order to drive Top line as well as bottom line.

❑ EBITDA Margin is expected to improve by 410 bps to 18.2% YoY led by stable realization, company's increased focus on its premium products and lower freight & Fuel cost.

❑ We expect Adj. PAT to degrow by 3% as the previous quarter had the positive impact of tax benefit of Rs. 372 cr. and the same is not prevailing in 4QCY19.

Key Trackable this Quarter

❑ Volume growth despite economic slowdown.

❑ Cement prices in all the regions especially in Northern & Eastern regions.

❑ Movement in power and fuel cost.

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

Century Plyboards (India) Limited

CPBI IN

Building Materials

CMP	**167**
Target	**178**
Upside	**7%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	20%	18%	19%	21%
Roce%	17%	18%	20%	21%
P/E	46.3	29.2	18.5	14.4
EV/Sales	3.8	2.1	1.6	1.4
EV/Ebdita	24.2	15.8	10.5	9.4

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Segmental Revenue							
Plywood - Revenue	1,263	1,273	1,278	1,337	313	316	311
Plywood - EBITDA	181	174	179	187	38	49	41
Laminates - Revenue	370	432	495	530	112	133	123
Laminates - EBITDA	61	39	57	61	10	17	13
MDF - Revenue	112	295	365	402	88	78	104
MDF - EBITDA	21	38	72	79	14	17	18
Particle Board - Rev.	73	97	106	119	26	26	28
Particle Board - EBITDA	13	22	26	29	6	8	5
Sales	1,967	2,264	2,394	2,559	579	589	602
Sales Gr%	*10%*	*15%*	*6%*	*7%*	*14%*	*4%*	*4%*
COGS	1,023	1,182	1,228	1,308	309	296	316
Ebdita	306	300	362	396	76	93	87
Ebdita Gr%	*5%*	*-2%*	*20%*	*9%*	*-13%*	*25%*	*15%*
Net Profits	157	159	201	258	41	52	49
Profit Gr%	*-16%*	*1%*	*27%*	*28%*	*-11%*	*38%*	*19%*
Gross Margin%	48.0%	47.8%	48.7%	48.9%	46.7%	49.8%	47.5%
Ebdita Margin%	15.6%	13.3%	15.1%	15.5%	13.1%	15.7%	14.4%
Net Profit Margin%	8.0%	7.0%	8.4%	10.1%	7.2%	8.8%	8.2%

Std/Fig in Rs Cr

❑ The company's sales is expected to rise by 4.1% to Rs 602 cr led by improved demand sentiment coming from MDF and Laminates segment.

❑ MDF, Laminates and Particle board are expected to report 18.5%, 10.1% and 4.8% while Plywood and Logistics will remain impacted are expected to report decline of 1.7% and 5% on YoY basis respectively.

❑ Gross margin is expected to expand by 83 bps to 52.5% led by improvement in gross margin of Laminates & Particle board.

❑ EBITDA margin is expected to expand by 132 bps to 14.4% on account of improved GM% and decline in other expenses by 75 bps although employee expenses are expected to show a rise of 26 bps.

❑ PAT is expected to grow by 18.6% to Rs 49 cr.

❑ The company is expected to have capex of Rs 13.93 cr for Gabon - Veneer Unit in H2FY20. Production will be started in February or early March 2020 and it will have capacity of around 2000 cubic meters of timber and 1500 cubic meters of veneer per month.

Key Trackable this Quarter

❑ Capex plans of the company.

❑ Demand/Supply dynamics of the MDF industry.

We value the stock at 10x FY21E EV/Ebdita. NEUTRAL

Cera Sanitaryware Ltd

CRS IN

CMP	**2637**
Target	**2932**
Upside	**11%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	18%	17%	18%	18%
Roce%	23%	23%	20%	20%
P/E	45.1	35.2	26.3	23.4
EV/Sales	3.7	2.9	2.4	2.0
EV/Ebdita	25.6	20.3	17.4	15.4

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Seg. Revenue Mix							
Sanitaryware	56%	53%	50%	48%	52%	49%	48%
Faucets	22%	24%	25%	25%	24%	24%	25%
Tiles	20%	21%	22%	22%	21%	23%	24%
Others	3%	3%	4%	5%	4%	4%	4%
Sales	1,182	1,344	1,366	1,601	319	327	329
Sales Gr%	*17%*	*14%*	*2%*	*17%*	*10%*	*-1%*	*3%*
COGS	563	646	658	776	150	160	156
Ebdita	171	191	188	209	46	42	43
Ebdita Gr%	*0%*	*12%*	*-1%*	*11%*	*13%*	*-9%*	*-6%*
Net Profits	100	115	131	147	28	30	29
Profit Gr%	*-4%*	*15%*	*14%*	*12%*	*23%*	*7%*	*2%*
Gross Margin%	52.3%	51.9%	51.8%	51.5%	52.9%	51.2%	52.6%
Other Expenses %	26.0%	26.1%	25.6%	25.3%	26.0%	26.1%	26.0%
Ebdita Margin%	14.4%	14.2%	13.8%	13.1%	14.4%	12.7%	13.2%
Net Profit Margin%	8.5%	8.6%	9.6%	9.2%	8.9%	9.2%	8.8%

Std/Fig in Rs Cr

❑ CERA is expected to report revenue growth of 3.1% to Rs 329 cr impacted by subdued demand and liquidity stress.

❑ Sanitary ware segment is expected to remain impacted and report revenue decline of 6%. However, Faucets, tiles and wellness are expected to report revenue growth of 8%, 20% and 5%.

❑ Gross margin is expected to decline by 31 bps to 52.6% led by increased share of outsourced sales

❑ EBITDA margin contraction is expected to be 122 bps to 13.2% on back of increased employee expenses by 91 bps.

❑ PAT is expected to grow by 1.5% to Rs 29 cr.

❑ Sanitary ware business of the company has ~21-22% market share of overall organized market. Faucet business has 6-7% of the organized market & 10% incremental market share.

❑ Capex FY20 is Rs 56 cr; this includes Rs 20 cr sanitary ware automation, 9 cr faucet automation cost, 6 cr for customer touch points, 17 cr for completion of staff colony at the plant, 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. ACCUMULATE

Greenlam Industries Limited

GRLM IN

CMP	**928**
Target	**867**
Upside	**-7%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	19%	20%	16%	16%
Roce%	19%	19%	17%	16%
P/E	42.7	29.7	29.7	26.2
EV/Sales	2.6	2.0	1.8	1.6
EV/Ebdita	19.9	15.8	13.8	12.5

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Laminates Volume*	13.8	13.5	13.8	14.7	3.3	3.5	3.5
Laminate Realisation	693	764	842	870	800	851	816
Segment Mix							
Laminates - Revenue	984	1,085	1,161	1,270	262	296	286
Laminates - EBITDA	134	148	168	183	35	46	42
Veneer - Revenue	160	196	218	247	52	53	56
Veneer - EBITDA	16	10	10	13	6	3	4
Sales	1,145	1,281	1,379	1,518	314	349	342
Sales Gr%	*6%*	*12%*	*8%*	*10%*	*12%*	*10%*	*9%*
COGS	598	688	733	812	162	185	179
Ebdita	149	159	178	196	41	49	47
Ebdita Gr%	*8%*	*6%*	*12%*	*10%*	*5%*	*23%*	*13%*
Net Profits	65	77	76	86	20	28	17
Profit Gr%	*30%*	*19%*	*-2%*	*13%*	*14%*	*51%*	*-16%*
Ebdita Margin%	13.0%	12.4%	12.9%	12.9%	13.1%	13.9%	13.6%
Net Profit Margin%	5.6%	6.0%	5.5%	5.6%	6.3%	7.9%	4.9%

*(in mn sheets) Conso/Fig in Rs Cr

❑ GREENLAM is expected to report sales growth of 9% to Rs 942 cr led by improved demand sentiment and strong brand presence in domestic and international markets.

❑ Laminates & allied products segment is expected to report volume growth of 7% on back of lower base and better performance in exports market.

❑ Veener & allied products are expected to report revenue growth of 8.5% led by improved performance of engineered wood floor and engineered door business.

❑ EBITDA margin is expected to improve by 54 bps to 13.6% led by decline in other expenses by 250 bps, although employee expenses are expected to go up by 119 bps

❑ PAT is expected to decline by 15.5% remain at Rs 17 cr.

❑ The company has capex guidance of Rs 25-30 cr per year for routine expenses and for now company is not looking for any further expansion (post laminates unit at Nalagarh, Himachal Pradesh commencement in Sep 2019).

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

CMP	**183**
Target	**197**
Upside	**7%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	13%	19%	23%	21%
Roce%	9%	14%	20%	19%
PE	24.2	18.8	13.1	12.6
PB	3.1	3.5	3.1	2.7
EV/Ebdita	9.6	8.7	7.4	7.0

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Cement Vol.(MT)	4.65	4.82	4.97	5.02	1.29	1.13	1.31
Volume Growth YoY	6%	4%	3%	1%	6%	1%	1%
Realisation Growth YoY	3.9%	8.9%	4.4%	-0.4%	8.0%	6.6%	5.7%
Financials							
Sales	1,889	2,133	2,299	2,313	564	522	602
Sales Gr%	*10%*	*13%*	*8%*	*1%*	*15%*	*7%*	*6.7%*
Ebdita	363	483	545	547	123	123	126
Ebdita Gr%	*30%*	*33%*	*13%*	*0%*	*48%*	*5%*	*3%*
Net Profits	133	221	317	329	59	58	83
Profit Gr%	*75%*	*66%*	*44%*	*4%*	*84%*	*16%*	*43%*
Ebdita Margin%	19.2%	22.7%	23.7%	23.7%	21.7%	23.5%	20.9%
Net Profit Margin%	7.0%	10.3%	13.8%	14.2%	10.4%	11.1%	13.9%

Std/ Fig in Rs Cr

❑ Heidelberg volume for 3QFY20 is expected to be at 1.31 MT with a volume growth of 1% YoY. Lower volumes are majorly due to capacity constraint, softness in cement demand due to dussehra & Diwali and lower clinker sale (existed in base) in current quarter.

❑ Revenue is expected to grow by 6.7% YoY to Rs. 602 cr. on the back of stable realization in Central India (which contributes to the extent ~94% of total cement volumes), lower salience on government projects and product mix.

❑ The Company's premium product Mycem power witnessed positive traction during the previous quarter, with volume growth of 29% YoY and contributed to the extent of 11% of trade volumes in 2QFY20 and we expect the product mix to improve further as the company is emphasizing on increasing the premium mix.

❑ Gross margin is expected to decline by 55 bps to 76.1% YoY which may be due to higher procurement cost for fly ash & increase in prices of other inputs like gypsum while EBITDA margin is expected to decline by 82 bps to 20.9% YoY mainly on gross margin deterioration & increase in power & fuel cost.

❑ We expect reduction in corporate taxes from 3QFY20 so have factored Rs. 20 cr. of excess PAT in 3QFY20 and Rs. 43 cr. in FY20.

Key Trackable this Quarter

❑ Cement demand condition due to prevailing macro economic issues .

❑ Status of debottlenecking process.

❑ Gross margin deterioration due to input inflation (Fly ash & Gypsum).

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

JK Cement Limited

JKCE IN

CMP	**1218**
Target	**1280**
Upside	**5%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	16%	11%	16%	14%
Roce%	8%	7%	8%	7%
PE	20.8	18.3	15.7	16.9
PB	3.3	2.1	2.6	2.3
EV/Ebdita	11.5	9.4	8.6	8.9

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Blend Sales vol. (MT)	9.41	9.80	10.21	10.40	2.50	2.31	2.57
Volume Growth YoY	19%	4%	4%	2%	8%	7%	3%
Realisation Growth YoY	3%	4%	8%	-1%	5%	7%	4%
Financials							
Sales	4,591	4,981	5,621	5,649	1,273	1,254	1,399
Sales Gr%	*22%*	*8%*	*13%*	*1%*	*13%*	*14%*	*10%*
Ebdita	761	810	1,214	1,208	211	254	308
Ebdita Gr%	*10%*	*7%*	*50%*	*0%*	*24%*	*50%*	*46%*
Net Profits	342	325	543	505	61	109	120
Profit Gr%	*62%*	*-5%*	*67%*	*-7%*	*-16%*	*68%*	*98%*
Ebdita Margin%	16.6%	16.3%	21.6%	21.4%	16.5%	20.3%	22.0%
Net Profit Margin%	7.4%	6.5%	9.7%	8.9%	4.8%	8.7%	8.6%

Std/ Fig in Rs Cr

❑ JKCEMENT volume is expected to grow by 3% YoY to 2.57 MT. Cement volumes in 3QFY20 is expected to remain subdued on account of demand slowdown due to festival and standstill of government spending in infra activities due to liquidity issues.

❑ On realization front, cement prices in North (contributes to the extent of ~49%) has remained stable while South witnessed rollback however will not impact more to overall realization.

❑ Grey cement and white cement & putty business which contributes ~80% & ~14% to the volumes is expected to post 2% & 10% YoY volume growth in 3QFY20. The Company is focusing more on white cement & Putty and are also gaining market share thus is intending to expand putty capacity by 4-7 lakh tone by June-20 with estimated CAPEX of Rs. 30 cr.

❑ EBITDA margin is expected to expand by 550 bps to 22% YoY in 3QFY20 led by better realization, product mix, benign input price and cost saving measures taken with regard to logistic cost.

❑ Other expense will remain high by 633 bps on account of charges paid to Boston Consultancy while freight and Power cost will decline by 215 bps & 228 bps on account of supply chain efficiency.

Key Trackable this Quarter

❑ Volume and Realization growth in both grey and white cement business.

❑ Saving in Freight cost and power & fuel prices.

❑ Gross margin and EBITDA margin expansion.

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

Kajaria Ceramics Ltd

KJC IN

Building Materials

CMP	**532**
Target	**583**
Upside	**10%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	19%	15%	16%	16%
Roce%	24%	21%	19%	18%
P/E	38.4	41.3	31.7	29.2
EV/Sales	3.3	3.1	2.7	2.5
EV/Ebdita	19.9	20.5	17.8	16.5

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Tiles Volume Growth	6%	12%	7%	3%	16%	1%	7%
Segmental Revenue							
Own Mfg (Tiles)	56%	56%	52%	51%	63%	59%	61%
JVs (Tiles)	24%	23%	21%	20%	26%	23%	25%
Outsourcing (Tiles)	14%	14%	20%	20%	17%	19%	26%
Sanitaryware/Faucet	5%	6%	6%	7%	7%	6%	7%
Plywood	0%	1%	1%	1%	1%	1%	1%
Sales	2,711	2,956	3,091	3,239	759	715	790
Sales Gr%	*6%*	*9%*	*5%*	*5%*	*15%*	*-1%*	*4%*
COGS	1,060	1,146	1,297	1,373	297	291	333
Ebdita	456	449	461	484	121	105	119
Ebdita Gr%	*-8%*	*-2%*	*2%*	*5%*	*10%*	*-3%*	*-2%*
Net Profits	235	227	267	290	65	93	56
Profit Gr%	*-7%*	*-4%*	*18%*	*8%*	*19%*	*85%*	*-13%*
Gross Margin%	60.9%	61.2%	58.1%	57.6%	60.9%	59.3%	57.8%
Ebdita Margin%	16.8%	15.2%	14.9%	14.9%	15.9%	14.7%	15.1%
Net Profit Margin%	8.7%	7.7%	8.6%	8.9%	8.5%	13.0%	7.1%

Conso/Fig in Rs Cr

- ❑ KAJARIACER is expected to report revenue growth of 4.1% to Rs 790 cr led by improvement in general consumer sentiments.
- ❑ The company's overall volume growth is expected to be 7% on back of increased sales of outsourced tiles.
- ❑ Gross margin contraction is expected by 341 bps to 57.5% on account of increase in share of outsourced sales.
- ❑ EBITDA margin contraction is expected by 116 bps to 14.8%, comparatively lower than GM% due to expected decline in cost of power & fuel expenses by 232 bps. Advertisement expenses are expected to rise by 110 bps and other expenses expected to decline by 102 bps.
- ❑ PAT is expected to decline by 13.2% to Rs 56 cr and PAT margin at 7.1%.
- ❑ In September 2019, commercial production commissioned at its manufacturing facility situated near Srikalahasti, Andhra Pradesh, it would support sales in South India once business sentiment improves in the region. Its capacity will be 5 million square metres (MSM) tiles per annum.

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. ACCUMULATE

The Ramco Cements Limited

Building Materials

RAMCO IN

CMP	**769**
Target	**915**
Upside	**19%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	14%	11%	15%	14%
Roce%	12%	9%	11%	12%
PE	31.1	33.7	24.1	21.9
PB	4.3	3.8	3.5	3.1
EV/Ebdita	16.5	17.7	14.7	12.7

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Total Cement Vol.(MT)	9.3	10.6	12.0	13.5	2.7	2.7	2.97
Volume Growth YoY	11%	14%	14%	12%	21%	10%	8%
Realisation Growth YoY	1%	3%	1%	1%	-5%	1%	10%
Financials							
Sales	4,406	5,146	5,911	6,681	1,210	1,317	1,439
Sales Gr%	*12%*	*17%*	*15%*	*13%*	*15%*	*11%*	*19%*
Ebdita	1,099	1,037	1,388	1,522	214	295	321
Ebdita Gr%	*-8%*	*-6%*	*34%*	*10%*	*-9%*	*19%*	*50%*
Net Profits	556	506	752	829	101	168	151
Profit Gr%	*-14%*	*-9%*	*49%*	*10%*	*-18%*	*47%*	*49%*
Ebdita Margin%	25.0%	20.1%	23.5%	22.8%	17.7%	22.4%	22.3%
Net Profit Margin%	12.6%	9.8%	12.7%	12.4%	8.3%	12.8%	10.5%

Std/ Fig in Rs Cr

❑ RAMCO volume for 3QFY20 is expected to be at 2.97 MT with 8% YoY volume growth. Volumes is expected to remain impacted due to weak demand condition in South (contributes ~70% to volumes) led by project cancellations, Diwali & Dussehra, liquidity issues and other prevailing macroeconomic factors.

❑ The demand revival in South will remain slow in coming quarter while cement prices are expected to remain flat in Southern markets.

❑ Gross margin is expected to expand by 4 bps to 83.5% YoY led by cost saving initiatives while EBITDA margin is expected to improve by 467 bps to 22.3% YoY on back of lower freight cost, employee cost and stable realization.

❑ The Company’s freight cost is expected to decline by 261 bps to 20.4% YoY on the back of supply chain efficiency; Power and fuel cost is expected to decline by 188 bps to 20.5% YoY while other expense is expected to decline by 28 bps to 13.9% YoY.

Key Trackable this Quarter

❑ Volume growth due to subdued demand scenario in South.

❑ Cement prices sustainability in both South and East India .

We value the stock at 15x FY21E EV/EBITDA. BUY

Shree Cement Limited

SCRM IN

Building Materials

CMP	**21222**
Target	**22800**
Upside	**7%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	16%	10%	15%	16%
Roce%	13%	10%	16%	16%
PE	40.7	68.0	44.8	35.6
PB	6.3	6.7	6.7	5.8
EV/Ebdita	24.1	25.3	20.7	18.5

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Cement Vol(Mn Ton)	22.5	25.9	25.3	26.9	5.9	5.6	6.1
Volume Growth YoY	9%	15%	-2%	6%	11%	0%	3%
Realisation Growth YoY	-2%	0%	17%	-5%	4%	16%	15%
Power vol.(Mn Units)	1,197	1,677	1,580	1,580	446	400	420
Financials							
Sales	9,833	11,722	12,863	13,972	2,781	2,802	3,227
Sales Gr%	*14%*	*19%*	*10%*	*9%*	*21%*	*8%*	*16%*
Ebdita	2,473	2,653	3,619	3,745	710	844	852
Ebdita Gr%	*-2%*	*7%*	*36%*	*3%*	*25%*	*62%*	*20%*
Net Profits	1,384	951	1,652	2,075	301	309	390
Profit Gr%	*3%*	*-31%*	*74%*	*26%*	*-10%*	*526%*	*29%*
Adjusted Profits	1,384	1,129	1,652	2,075	301	309	390
Adjusted Profit Gr%.	*3%*	*-18%*	*46%*	*26%*	*-10%*	*36%*	*29%*
Ebdita Margin%	25.1%	22.6%	28.1%	26.8%	25.5%	30.1%	26.4%
Net Profit Margin%	14.1%	8.1%	12.8%	14.8%	10.8%	11.0%	12.1%

Std/ Fig in Rs Cr

- The Company's cement business volume is expected to grow by 3% YoY in 3QFY20 to 6.11 MT. volumes are expected to remain impacted due to economy slowdown and liquidity issues.
- The Realization for cement business is expected to remain flat at Rs. 4953/ton mainly led by somewhat stable price in North India where company has significant exposure.
- The Company's power business (contributed ~ 13% in 2QFY20) is expected to sell 420 million units in 3QFY20.
- The Company's EBITDA margin is expected to expand by 86 bps to 26.4% YoY led by stable realization and lower Power & Fuel cost.
- Power & Fuel cost is expected to decline by 220 bps to 21.5% YoY led by cost saving measures while employee expense is expected to decline by 19 bps to 5.8% YoY on account of capacity expansion.

Key Trackable this Quarter

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

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

UltraTech Cement Limited

UTCEM IN

CMP	**4243**
Target	**5165**
Upside	**22%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	10%	9%	12%	11%
Roce%	10%	10%	13%	12%
PE	42.2	45.5	31.9	30.5
PB	4.1	3.9	3.7	3.4
EV/Ebdita	20.6	19.5	15.2	15.0

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Total Cement Vol.(MT)	64.6	78.7	83.4	90.9	19.3	18.7	19.8
Volume Growth YoY	21%	21%	21%	21%	1%	-1%	4%
Realisation Growth YoY	2%	-1%	8%	-3%	4%	4%	6%
Financials							
Sales	30,979	37,379	42,939	45,229	9,337	9,620	10,194
Sales Gr%	*22%*	*21%*	*15%*	*5%*	*18%*	*4%*	*9%*
Ebdita	6,145	6,788	8,959	8,845	1,453	1,918	1,768
Ebdita Gr%	*18%*	*10%*	*32%*	*-1%*	*9%*	*35%*	*22%*
Net Profits	2,224	2,432	3,656	3,816	410	579	618
Profit Gr%	*-18%*	*9%*	*50%*	*4%*	*-10%*	*62%*	*51%*
Ebdita Margin%	19.8%	18.2%	20.9%	19.6%	15.6%	19.9%	17.3%
Net Profit Margin%	7.2%	6.5%	8.5%	8.4%	4.4%	6.0%	6.1%

Conso./ Fig in Rs Cr

- ULTRATECH 3QFY20 overall volume is expected to remain at 19.82 MT with 4% YoY growth. The volumes are expected to remain comparatively subdued due to slowdown cement demand in housing sector, NHAI led projects and higher base. However, PMAY and PMGSY are continuing spends and are expected to lead revival of demand.
- Blended realization is expected to be at Rs. 5144/Ton with 6% YoY growth driven by stable prices in Central and Northern region while Southern region did witnessed decline in cement prices but we expect the decline to neutralise with stable prices in other region.
- EBITDA margin of the company is expected to improve by 178 bps to 17.3% YoY led by decline in logistics cost, benefit from softening of pet coke prices and increase in operational efficiency.
- The CAPEX up to Rs. 30 cr-Rs.40 cr. will be required for bringing 3 plants of century plant up to the standards of ultratech and will get done by Mar-20 while the total CAPEX at company level is expected to be at Rs. 2000 cr. for both FY20 and FY21.
- In order to expand the lucrative market in Eastern region, the board has already approved the investment to add 3.4 MT taking the overall capacity in East to 20.4 mn tons which constitute 2 brownfield expansion and 1 Green field grinding unit and is expected to get commissioned by Jan-Mar,21.
- The Company has guided that it would continue to remain under the old tax regime (effective tax rate 31%) in order to utilize MAT credits and incentives from recent capacity expansions and we have incorporated the same.

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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Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL

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