India Equity Analytics

Results Preview 4QFY20 - Building Materials

Narnolia®

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ACC Limited

ACC IN

CMP	**1000**
Target	**1430**
Upside	**43%**
Rating	**NEUTRAL**

	CY17	CY18	CY19	CY20E
Roe%	10%	14%	12%	11%
Roce%	14%	14%	16%	15%
PE	35.2	17.8	20.5	13.5
PB	3.5	2.6	2.4	1.5
EV/Ebdita	15.6	11.7	9.8	5.3

	CY17	CY18	CY19	CY20E	1QCY19	4QCY19	1QCY20E
Cement Vol.(MT)	26.2	28.4	28.9	29.0	7.50	7.76	7.02
Growth YoY	*14%*	*8%*	*2%*	*0%*	*5%*	*3%*	*-6%*
Cement Real.Rs./Tn)	5,060	4,827	4,971	4,846	4,783	4,774	4,846
Growth YoY	*-1%*	*-5%*	*3%*	*-3%*	*1%*	*0%*	*1%*
RMC Vol.(MCM)	2.84	3.20	3.53	3.79	0.94	0.93	1.01
Financials							
Sales	13,285	14,802	15,658	15,633	3,919	4,060	3,825
Sales Gr%	*21%*	*11%*	*7%*	*-1%*	*8%*	*4%*	*-2%*
Ebdita	1,912	2,048	2,413	2,559	532	541	607
Ebdita Gr%	*29%*	*7%*	*18%*	*6%*	*8%*	*11%*	*14%*
Net Profits	925	1,521	1,378	1,391	347	273	315
Profit Gr%	*40%*	*64%*	*-9%*	*1%*	*40%*	*-63%*	*-9%*
Ebdita Margin%	14.3%	13.7%	15.1%	16.1%	13.6%	13.3%	15.9%
Net Profit Margin%	7.0%	10.3%	8.8%	8.9%	8.8%	6.6%	8.2%

Cons./ Fig in Rs Cr

❑ The realization is expected to grow by 1.5% QoQ to Rs. 4846/ton led by led by increase in cement prices in South, North, West and East India (contributes to the extent of 30%/18%/12%/27% to the revenue) while prices in central India (contributes 13% to the revenue) has remained flat.

❑ In 1QCY20, we expect volume de-growth of 6.4% YoY to 7.02 MT with revenue de-growth of 2.4% YoY to Rs. 3825 cr. with 84% capacity utilization. Volumes are expected to remain impacted on account of turbulence caused by COVID-19 in last week of 1QCY20.

❑ Ready Mix Concrete volumes are expected to increase by 7% YoY to 1 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 7 new plants in previous quarter. ACC now has 90 operational ready mix plants in India.

❑ EBITDA Margin is expected to expand by 230 bps to 15.9% YoY led by slight increase in realization, increased focus on premium product, and decline in operational expense.

Key Trackable this Quarter

❑ Volume growth in all regions and also volume which got impacted due to COVID-19.

❑ Performance of RMC business despite consumption slowdown.

The Company currently trades at 5.3x CY20E EV/EBITDA. NEUTRAL

Ambuja Cements Limited

ACEM IN

CMP	**159**
Target	**190**
Upside	**20%**
Rating	**NEUTRAL**

	CY17	CY18	CY19	CY20E
Roe%	6%	7%	7%	6%
Roce%	6%	7%	7%	6%
PE	43.1	30.8	27.1	21.3
PB	2.7	2.2	1.9	1.4
EV/Ebdita	26.0	22.5	17.1	12.0

	CY17	CY18	CY19	CY20E	1QCY19	4QCY19	1QCY20E
Cement Vol.(MT)	23.0	24.2	24.0	24.1	6.37	6.54	5.70
Growth YoY	*9%*	*5%*	*-1%*	*1%*	*2%*	*7%*	*-11%*
Cement Real.Rs./Tn)	4,550	4,697	4,870	4,862	4,596	4,795	4,843
Growth YoY	*4%*	*3%*	*4%*	*1%*	*0%*	*3%*	*5%*
Financials							
Sales	10,447	11,357	11,668	11,700	2,928	3,136	2,761
Sales Gr%	*14%*	*9%*	*3%*	*0%*	*2%*	*10%*	*-5.7%*
Ebdita	1,940	1,891	2,149	2,287	463	547	585
Ebdita Gr%	*15%*	*-3%*	*14%*	*6%*	*-9%*	*36%*	*26%*
Net Profits	1,250	1,487	1,529	1,481	427	455	383
Profit Gr%	*34%*	*19%*	*3%*	*-3%*	*57%*	*-15%*	*-10%*
Ebdita Margin%	18.6%	16.7%	18.4%	19.5%	15.8%	17.5%	21.2%
Net Profit Margin%	12.0%	13.1%	13.1%	12.7%	14.6%	14.5%	13.9%

Std/ Fig in Rs Cr

❑ We expect 11% YoY decline in volumes from cement business at 5.70 MT for 1QCY20. Cement volumes are expected to remain subdued on account of weak demand while impact due to lockdown on account of COVID-19 is also expected to pull down volumes in 1QCY20.

❑ The Company's Sales is expected to decline by 6.6% YoY to Rs. 2734 cr. in 1QCY20 led by decline in volumes while slight increase in realization in North India (contributes ~40% to the revenue) and Eastern region has reduced sales value de-growth.

❑ The average price in North, East, South and West showed improvement in cement prices while prices in central India has remained flat.

❑ EBITDA Margin is expected to improve by 536 bps to 21.2% YoY led by improvement in cement prices, company's increased focus on its premium products and lower Power & Fuel cost on the back of declining diesel prices.

❑ The Company's Greenfield project to add 4.5 MTPA at Marwar Mundwa, Rajasthan, is on track and is expected to commission by year end.

Key Trackable this Quarter

❑ Impact on cement volumes due to COVID-19.

❑ Performance of Premium Portfolio.

❑ Update on Greenfield project at Mundwa, Rajasthan.

The Company currently trades at 12x CY20E EV/EBITDA. NEUTRAL

Century Plyboards (India) Limited

Building Materials

CPBI IN

CMP	**113**
Target	**133**
Upside	**18%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20E
Roe%	30%	20%	18%	19%
Roce%	22%	17%	18%	20%
P/E	31.0	46.3	29.2	12.7
EV/Sales	3.3	3.8	2.1	1.1
EV/Ebdita	21.4	24.2	15.8	7.3

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Segmental Revenue							
Plywood - Revenue	1,261	1,263	1,273	1,273	323	322	321
Plywood - EBITDA	216	181	174	125	32	(6)	35
Laminates - Revenue	364	370	432	495	121	113	144
Laminates - EBITDA	59	61	39	59	11	16	15
MDF - Revenue	-	112	295	347	76	96	81
MDF - EBITDA	-	21	38	77	12	24	14
Particle Board - Revenue	23	73	97	94	24	25	18
Particle Board - EBITDA	4	13	22	26	6	7	5
Sales	1,782	1,967	2,264	2,357	583	595	599
Sales Gr%	*9%*	*10%*	*15%*	*4%*	*7%*	*3%*	*3%*
COGS	918	1,023	1,182	1,209	303	304	317
Ebdita	292	306	300	356	64	94	77
Ebdita Gr%	*3%*	*5%*	*-2%*	*19%*	*-23%*	*24%*	*21%*
Net Profits	186	157	159	197	34	19	39
Profit Gr%	*9%*	*-16%*	*1%*	*24%*	*-4%*	*-54%*	*15%*
Ebdita Margin%	16.4%	15.6%	13.3%	15.1%	10.9%	15.8%	12.8%
Net Profit Margin%	10.4%	8.0%	7.0%	8.4%	5.9%	3.2%	6.6%

Std/Fig in Rs Cr

❑CENTURYPLY is expected to report revenue growth of 2.7% YoY to Rs 599 crs led by positive segmental volume growth in spite of low demand sentiments and outbreak of COVID-19 affecting production and sales as well post mid march 2020.

❑Plywood, laminates and MDF segments is expected to report volume growth of 3.3%, 6% and 4.4% YoY respectively while particle board segment is expected to report de-growth of 18.5% YoY on account of some technical issues with pre-laminating facility.

❑Gross margin is expected to decline by 106 bps YoY to 47% on account decline in plywood segment margin.

❑EBITDA margin is expected to increase by 190 bps YoY to 12.8% on back of decrease in other expenses.

❑Closure of Laos Units: The company's subsidiaries at Laos has taken impairment in value of its assets to the tune of Rs. 63.81 Cr in 3QFY20. The company's is discussing with an alternate local partner for revival of Laos operations to make it productive and viable.

Key Trackable this Quarter

❑ Capex plans of the company.

❑ Demand/Supply dynamics of the MDF industry.

The Company is currently trading at 13 times FY20E EPS. NEUTRAL

Cera Sanitaryware Ltd

CRS IN

CMP	**2185**
Target	**2850**
Upside	**30%**
Rating	**BUY**

	FY17	FY18	FY19	FY20E
Roe%	21%	18%	17%	16%
Roce%	27%	23%	23%	18%
P/E	38.1	45.1	35.2	24.5
EV/Sales	3.8	3.7	2.9	2.0
EV/Ebdita	22.3	25.6	20.3	15.5

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Segmental Revenue							
Sanitaryware	60%	56%	53%	48%	50%	46%	47%
Faucets	21%	22%	24%	25%	25%	25%	26%
Tiles	16%	20%	21%	23%	21%	25%	22%
Others	3%	3%	3%	4%	3%	4%	4%
Sales	1,011	1,182	1,344	1,343	413	321	427
Sales Gr%	*10%*	*17%*	*14%*	*0%*	*14%*	*1%*	*3%*
COGS	481	563	646	679	207	163	233
Ebdita	171	171	191	174	64	43	54
Ebdita Gr%	*21%*	*0%*	*12%*	*-9%*	*25%*	*-7%*	*-15%*
Net Profits	104	100	115	116	38	28	40
Profit Gr%	*25%*	*-4%*	*15%*	*1%*	*24%*	*0%*	*5%*
Ebdita Margin%	16.9%	14.4%	14.2%	12.9%	15.4%	13.4%	12.6%
Net Profit Margin%	10.3%	8.5%	8.6%	8.7%	9.2%	8.8%	9.4%

Std/Fig in Rs Cr

- CERA is expected to report sales growth of 3.4% YoY to Rs Rs 427 crs in 4QFY20 led by strong growth in affordable housing segment amid subdued demand environment and COVID -19 led nationwide lockdown in later half of March 2020.
- Faucets and Tiles is expected to grow by 7.8% and 8% YoY respectively. Sanitary ware and allied services is expected to decline by 2% YoY on account of low consumer demand sentiment.
- EBITDA margin is expected to decline by 282 bps YoY to 12.6% on account of declining gross margin however, decreased other expenses will provide cushioning to margin.
- Company's retail business share is 75% (through dealers) and institutional is 25%.
- The company has 387 SKUs in Sanitary ware, 905 SKUs in Faucets. 50 SKUs increased in total (sanitary+ faucets) in 3QFY20. 20% of total SKUs were launched in last 18 months and they constitute ~10% of its top line.

Key Trackable this Quarter

- Overall market environment in the real estate sector.
- Capex & company's expansion plan.

The Company is currently trading at 13 times FY20E EPS. BUY

Greenlam Industries Limited

GRLM IN

CMP	**495**
Target	**700**
Upside	**41%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20E
Roe%	18%	19%	20%	18%
Roce%	17%	19%	19%	17%
P/E	30.7	42.7	29.7	14.1
EV/Sales	1.7	2.6	2.0	1.0
EV/Ebdita	12.9	19.9	15.8	7.8

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Laminates Volume*	12.8	13.8	13.5	13.8	3.8	3.5	4.0
Laminate Realisation	681	693	764	835	807	799	806
Segment Mix							
Laminates - Revenue	939	984	1,085	1,159	303	297	320
Laminates - EBITDA	136	134	148	175	43	55	44
Veneer - Revenue	137	160	196	218	58	61	60
Veneer - EBITDA	3	16	10	5	1	-	3
Sales	1,076	1,145	1,281	1,377	360	358	381
Sales Gr%	*4%*	*6%*	*12%*	*8%*	*16%*	*14%*	*6%*
COGS	567	598	688	714	203	178	205
Ebdita	138	149	159	180	44	55	47
Ebdita Gr%	*9%*	*8%*	*6%*	*13%*	*14%*	*33%*	*5%*
Net Profits	50	65	77	85	24	29	20
Profit Gr%	*32%*	*30%*	*19%*	*10%*	*33%*	*47%*	*-18%*
Ebdita Margin%	12.9%	13.0%	12.4%	13.0%	12.3%	15.3%	12.2%
Net Profit Margin%	4.6%	5.6%	6.0%	6.1%	6.6%	8.1%	5.1%

*(in mn sheets)

Conso/Fig in Rs Cr

❑GREENLAM is expected to report sales growth of 5.7% YoY to Rs 381 crs on account of improved demand environment in 4QFY20.

❑Laminates & Allied products is expected to give volume growth of 6%. Veneers is expected to report revenue growth of 4.8% led by improved growth of engineered wood floors and doors.

❑Gross margin is expected to improve by 250 bps to 46.2% due to improved margin of laminates however, EBITDA margin will remain flat at 12.2% on account of increased employee expenses.

❑Greenlam South Limited (GSL), a wholly owned subsidiary of GREENLAM has approved to set up a manufacturing facility at Naidupeta, Nellore in Andhra Pradesh for manufacturing of Laminates and allied products. Capacity addition to be done is 1.50 million laminate sheets/boards p.a

❑Total Capex of Rs 175 cr for Nellore plant will be as: 50cr in FY20 and balance in FY21 & FY22.

Key Trackable this Quarter

❑ Overall demand environment and product pricing in market.

❑ Sustainable EBITDA margin for the wooden doors segment.

The Company is currently trading at 13 times FY20E EPS. NEUTRAL

Heidelberg Cement India Ltd

HEIM IN

CMP	**154**
Target	**185**
Upside	**20%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20E
Roe%	8%	13%	19%	20%
Roce%	5%	9%	14%	16%
PE	35.2	24.2	18.8	13.3
PB	2.8	3.1	3.5	2.6
EV/Ebdita	11.6	9.6	8.7	6.6

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Cement Vol.(MT)	4.39	4.65	4.82	4.74	1.21	1.22	1.13
Growth YoY	-1%	6%	4%	-2%	-5%	-5%	-7%
Realization(Rs./Ton)	3,914	4,066	4,429	4,564	4,487	4,485	4,485
Growth YoY	5.5%	3.9%	8.9%	3.1%	7.3%	2.9%	0.0%
Financials							
Sales	1,717	1,889	2,133	2,165	543	548	505
Sales Gr%	*4%*	*10%*	*13%*	*1%*	*2%*	*-3%*	*-7%*
Ebdita	279	363	483	496	125	120	95
Ebdita Gr%	*21%*	*30%*	*33%*	*3%*	*4%*	*-2%*	*-24%*
Net Profits	76	133	221	263	61	65	61
Profit Gr%	*115%*	*75%*	*66%*	*19%*	*17%*	*10%*	*0%*
Ebdita Margin%	16.2%	19.2%	22.7%	22.9%	23.0%	21.9%	18.9%
Net Profit Margin%	4.4%	7.0%	10.3%	12.1%	11.2%	11.8%	12.1%

Std/ Fig in Rs Cr

❑ Heidelberg volume for 4QFY20 is expected to be at 1.13 MT with a decline in volumes by 7% YoY. Lower volumes are majorly due to capacity constraint, softness in cement demand and also on account of turbulence caused by COVID-19 in last month of 4QFY20.

❑ Revenue is expected to de-grow by 7.1% YoY to Rs. 505 cr. on account of lower volumes; Realization is expected to remain stable as the cement price in central India (which contributes to the extent ~94% of total cement volumes) has remained flat.

❑ Gross margin is expected to decline by 310 bps to 83% YoY which may be due to higher procurement cost for fly ash & increase in prices of other inputs like gypsum.

❑ EBITDA margin is expected to decline by 409 bps to 21.8% YoY mainly on gross margin deterioration and increase in other expense. However, savings in Power & Fuel and freight cost on account of lower Petcoke, increased WHRS power generation and lower diesel price reduced EBITDA margin contraction.

❑ The debottlenecking projects at Imlai and Jhansi plants have been duly completed within the scheduled timelines and the grinding capacity of these plants stand enhanced to 2.50 MTPA and 3.25 MTPA respectively.Thus, the aggregate cement grinding capacity of the Company stands enhanced to 6.26 MTPA.

Key Trackable this Quarter

❑ Impact on volumes due to COVID-19.

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

The Company currently trades at 6.6x FY20E EV/EBITDA. NEUTRAL

JK Cement Limited

JKCE IN

CMP	**971**
Target	**1230**
Upside	**27%**
Rating	**BUY**

	FY17	FY18	FY19	FY20E
Roe%	11%	16%	11%	17%
Roce%	5%	8%	7%	10%
PE	31.0	20.8	18.3	11.9
PB	3.5	3.3	2.1	2.0
EV/Ebdita	12.3	11.5	9.4	7.8

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Blend Sales vol. (MT)	7.92	9.41	9.80	9.80	2.88	2.49	2.69
Vol. growth YoY	1%	19%	4%	0%	6%	3%	-6.6%
Realization.(Rs./Tn)	4,742	4,879	5,083	5,635	5,182	5,637	5,705
Realization Gr. YoY	4%	3%	4%	11%	7%	7%	10%
Financials							
Sales	3,756	4,591	4,981	5,520	1,492	1,404	1,534
Sales Gr%	*6%*	*22%*	*8%*	*11%*	*13%*	*10%*	*3%*
Ebdita	693	761	810	1,181	279	278	345
Ebdita Gr%	*34%*	*10%*	*7%*	*46%*	*54%*	*32%*	*24%*
Net Profits	211	342	325	573	150	138	173
Profit Gr%	*107%*	*62%*	*-5%*	*76%*	*55%*	*126%*	*15%*
Ebdita Margin%	18.5%	16.6%	16.3%	21.4%	18.7%	19.8%	22.5%
Net Profit Margin%	5.6%	7.4%	6.5%	10.4%	10.1%	9.8%	11.3%

Std/ Fig in Rs Cr

❑ JKCEMENT volume is expected to de-grow by 6.6% YoY to 2.69 MT. Cement volumes in 4QFY20 is expected to remain impacted due to lockdown on account of COVID-19 which has impacted the volumes in last week of 4QFY20.

❑ Grey cement (contributed ~86% to volumes in 3QFY20) is expected to post volume de-growth of 7.5%/ YoY while white cement & putty business (contributed ~14% to the volumes in 3QFY20) is expected to remain flat mainly on account of lockdown. The Company is focusing more on white cement & Putty thus will commission additional putty capacity by 3 lakh tone by June-20.

❑ EBITDA margin is expected to expand by 378 bps to 22.5% YoY in 4QFY20 led by better realization, product mix, benign input price and cost saving measures taken with regard to logistic cost.

❑ Other expense is expected to remain high led by 681 bps on account of charges paid to Boston Consultancy, A&P expense on account of commissioning of Mangrol unit while freight and Power cost is expected to decline by 175/249 bps on account of supply chain efficiency and declining diesel prices.

Key Trackable this Quarter

❑ Impact on volumes due to lockdown on account of COVID-19.

❑ Saving in Freight cost and power & fuel prices and spike in other expense.

The Company currently trades at 7.8x FY20E EV/EBITDA. BUY

Kajaria Ceramics Ltd

KJC IN

Building Materials

CMP	**368**
Target	**436**
Upside	**18%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20E
Roe%	23%	19%	15%	16%
Roce%	30%	24%	21%	20%
P/E	36.9	38.4	41.3	32.0
EV/Sales	3.7	3.3	3.1	2.8
EV/Ebdita	19.0	19.9	20.5	17.9

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Tiles Volume Growth	5%	6%	12%	4%	11%	0%	5%
Segmental Revenue							
Own Mfg (Tiles)	54%	56%	56%	53%	64%	60%	65%
JVs (Tiles)	31%	24%	23%	22%	30%	25%	31%
Outsourcing (Tiles)	10%	14%	14%	17%	21%	18%	24%
Sanitaryware/Faucet	5%	5%	6%	7%	8%	8%	10%
Plywood	0%	0%	1%	1%	1%	1%	1%
Sales	2,550	2,711	2,956	3,017	815	741	861
Sales Gr%	*6%*	*6%*	*9%*	*2%*	*9%*	*-2%*	*6%*
COGS	919	1,060	1,146	1,206	355	289	345
Ebdita	496	456	449	471	123	111	148
Ebdita Gr%	*8%*	*-8%*	*-2%*	*5%*	*2%*	*-8%*	*21%*
Net Profits	253	235	227	272	66	61	68
Profit Gr%	*9%*	*-7%*	*-4%*	*20%*	*0%*	*-5%*	*3%*
Ebdita Margin%	19.5%	16.8%	15.2%	15.6%	15.1%	15.0%	17.2%
Net Profit Margin%	9.9%	8.7%	7.7%	9.0%	8.1%	8.3%	7.9%

Conso/Fig in Rs Cr

❑KAJARIACER is expected to report revenue growth of 5.6% YoY to Rs 861 crs led by improved demand scenario in 4QFY20.

❑Overall volume growth is expected to be 5% YoY. Volume is expected to improve in 2HFY21 on account various positive measures taken by government to boost demand with a special focus on incomplete housing projects by infusion of Rs. 25000 crore; improving liquidity by reforms in banking sector and tightening of GST compliances.

❑Revenue Contribution: Own manufactured tiles, JVs and Outsourced tiles is expected to contribute to revenue as 50%, 24% and 18% respectively.

❑EBITDA margin is expected to improve by 216 bps to 17.2% due to improved product mix and better operating leverage.

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.

The Company is currently trading at 32 times FY20E EPS. NEUTRAL

The Ramco Cements Limited

Building Materials

RAMCO IN

CMP	**495**
Target	**600**
Upside	**21%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20E
Roe%	17%	14%	11%	12%
Roce%	15%	12%	9%	9%
PE	25.6	31.1	33.7	19.9
PB	4.5	4.3	3.8	2.3
EV/Ebdita	14.8	16.5	17.7	12.2

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Total Cement Vol.(MT)	8.4	9.3	10.6	11.4	3.3	2.8	3.10
Growth YoY	17%	11%	14%	8%	20%	4%	-6%
Blend. Realiz.(Rs./Tn)	4,702	4,733	4,869	4,759	4,658	4,494	4,606
Growth YoY	-5%	1%	3%	-2%	2%	2%	-1%
Financials							
Sales	3,950	4,406	5,146	5,412	1,532	1,278	1,433
Sales Gr%	*11%*	*12%*	*17%*	*5%*	*22%*	*6%*	*-6%*
Ebdita	1,195	1,099	1,037	1,116	325	203	259
Ebdita Gr%	*11%*	*-8%*	*-6%*	*8%*	*19%*	*-5%*	*-20%*
Net Profits	649	556	506	587	165	95	132
Profit Gr%	*20%*	*-14%*	*-9%*	*16%*	*52%*	*-6%*	*-20%*
Ebdita Margin%	30.2%	25.0%	20.1%	20.6%	21.2%	15.9%	18.0%
Net Profit Margin%	16.4%	12.6%	9.8%	10.8%	10.8%	7.4%	9.2%

Std/ Fig in Rs Cr

❑ RAMCO volume for 4QFY20 is expected to decline by 5.8% YoY to 3.10 MT on a higher base (20% YoY volume growth in 4QFY19) and also on account of lockdown due to COVID-19.

❑ The Company revenue is expected to de-grow by 6.4% YoY to Rs. 1433 cr. led by lower volumes. However. the improvement in cement prices in AP/Telangana (increased by Rs. 40/ bag while in prices in other regions in South increased by Rs. 15/bag) restricted value de-growth.

❑ EBITDA margin is expected to contract by 317 bps to 18% YoY led by increase in employee and other expense.

❑ The Company's freight cost is expected to decline by 26 bps to 22.3% YoY on the back of supply chain efficiency while employee and other expense are expected to increase by 123/140 bps to 6.6% and 14.8% YoY.

Key Trackable this Quarter

❑ Impact on volumes due to COVID-19.

❑ Cement prices sustainability in both South and East India.

The Company currently trades at 12.2x FY20E EV/EBITDA. NEUTRAL

Shree Cement Limited

SCRM IN

CMP	**18924**
Target	**24600**
Upside	**30%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19	FY20E
Roe%	17%	16%	10%	10%
Roce%	14%	13%	10%	12%
PE	44.3	40.7	68.0	51.5
PB	7.7	6.3	6.7	5.4
EV/Ebdita	24.1	24.1	25.3	19.2

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Cement Vol(Mn Ton)	20.6	22.5	25.9	24.4	7.3	6.0	6.6
Growth YoY	45%	9%	15%	-6%	13%	1%	-10%
Realization(Rs./Tn)	4,396	4,314	4,302	5,103	4,505	5,026	5,077
Growth YoY	-12%	-2%	0%	19%	8%	16%	13%
Power vol.(Mn Units)	2,066	1,197	1,677	1,480	380	400	300
Financials							
Sales	8,594	9,833	11,722	12,039	3,285	2,848	3,352
Sales Gr%	*56%*	*14%*	*19%*	*3%*	*17%*	*2%*	*2%*
Ebdita	2,513	2,473	2,653	3,530	848	849	934
Ebdita Gr%	*79%*	*-2%*	*7%*	*33%*	*35%*	*20%*	*10%*
Net Profits	1,339	1,384	951	1,325	321	310	343
Profit Gr%	*17%*	*3%*	*-31%*	*39%*	*-20%*	*3%*	*7%*
Adjusted Profits	1,339	1,384	1,129	1,325	321	310	343
Ebdita Margin%	29.2%	25.1%	22.6%	29.3%	25.8%	29.8%	27.9%
Net Profit Margin%	15.6%	14.1%	8.1%	11.0%	9.8%	10.9%	10.2%

Std/ Fig in Rs Cr

❑ The Company's cement business volume is expected to de-grow by 10% YoY in 4QFY20 to 6.57 MT impacted on account of higher base (13% YoY in 4QFY19), weak demand and also on account of turbulence caused by COVID-19 in the last week of quarter (25-30% volumes remained affected in Mar-20 as per Management).

❑ The Realization for cement business is expected to grow by 1% YoY to Rs. 5077/ton mainly led by slight increase in cement price in North India where company has significant exposure.

❑ The Company's power business (contributed ~ 10% in 3QFY20) is expected to sell 300 million units in 4QFY20.

❑ The Company's EBITDA margin is expected to expand by 206 bps to 27.9% YoY led by better realization, lower Power & Fuel and freight cost.

❑ Power & Fuel and freight cost are expected to decline by 444/78 bps led by benign Petcoke & diesel prices along with cost saving measures undertaken by the company.

Key Trackable this Quarter

❑ Volume growth in Cement and COVID-19 impact on volumes.

❑ Overall realization due to cement price correction in North where company has significant share.

❑ Status of capacity expansion in western market.

The Company currently trades at 19.2x FY20E EV/EBITDA. ACCUMULATE

UltraTech Cement Limited

Building Materials

UTCEM IN

CMP	**3367**
Target	**4594**
Upside	**36%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20E
Roe%	11%	10%	9%	11%
Roce%	13%	10%	10%	13%
PE	40.4	42.2	45.5	26.4
PB	4.5	4.1	3.9	2.9
EV/Ebdita	22.0	20.6	19.5	12.3

	FY18	FY17	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Total Cement Vol.(MT)	53.7	64.6	78.9	83.6	22.3	18.7	20.8
Growth YoY	-2%	21%	21%	21%	27%	-14%	-6%
Blend. Realiz.(Rs./Tn)	4,724	4,796	4,738	4,999	4,899	5,546	5,006
Growth YoY	-1%	2%	-1%	6%	1%	16%	2%
Financials							
Sales	25,375	30,979	37,379	41,810	10,905	10,354	10,431
Sales Gr%	*1%*	*22%*	*21%*	*12%*	*16%*	*-1%*	*-4%*
Ebdita	5,212	6,145	6,788	9,055	2,332	1,973	2,214
Ebdita Gr%	*6%*	*18%*	*10%*	*33%*	*31%*	*24%*	*-5%*
Net Profits	2,715	2,224	2,432	3,504	1,014	712	942
Profit Gr%	*10%*	*-18%*	*9%*	*44%*	*127%*	*80%*	*-7%*
Ebdita Margin%	20.5%	19.8%	18.2%	21.7%	21.4%	19.1%	21.2%
Net Profit Margin%	10.7%	7.2%	6.5%	8.4%	9.3%	6.9%	9.0%

Conso./ Fig in Rs Cr

❑ ULTRATECH 4QFY20 overall volume is expected to decline by 6.4% YoY to 21.3 MT on account of higher base of 14% YoY(in 4QFY19) and also due to lockdown on account of COVID-19.Blended realization is expected to be at Rs. 5006/Ton with 2.2% YoY growth driven by stable prices in Northern and Southern region while prices in central India remained stable.

❑ EBITDA margin of the company is expected to decline by 16 bps to 21.2% YoY led by increased in increase in employee and other expense while decline in logistics cost on account of benefit from axle load relaxation, softening of pet coke prices and increase in operational efficiency has reduced the decline.

❑ Employee and other expense are expected to increase by 95/49 bps to 5.6%/12.2% YoY while logistic and Power & Fuel declined by 49/154 bps to 22%/19.2% YoY.

❑ The Company is undertaking brownfield expansion and it will be in existing plant of Patliputra in bihar(0.6MT) and Dhankoni in West Bengal(0.6 MT) and Green field grinding unit will be setup in Odisha Cuttack (2.2 MT) for a total CAPEX of Rs. 9.4 bn.

Key Trackable this Quarter

❑ Volume growth considering slowdown and also COVID-19 impact on volumes.

❑ Performance of Company's premium portfolio.

❑ Movement in employee expense.

The Company currently trades at 12.3x FY20E EV/EBITDA. NEUTRAL

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