

# India Cements

Estimate change 

TP change 

Rating change 

**CMP: INR216**

**TP: INR150 (-31%)**

**Sell**

## Operating losses continue in the cement segment

### Hired consultant to drive variable cost savings of INR200/t by Mar'24E

- India Cements (ICEM) reported yet another disappointing quarter as its EBITDA dipped 84% YoY to INR50m (vs. estimated INR362m). On the other hand, operating loss stood at INR91m in its cement division (vs. an EBITDA of INR263m in 1QFY23; reported losses for the last four quarters). ICEM's net loss stood at INR753m (vs. our est. of INR538m net loss) during the quarter.
- ICEM has engaged Boston Consulting Group (BCG), which would suggest measures to improve operational efficiency (to help cost reduction to the tune of INR200/t by Mar'24E) at its three plants in Andhra Pradesh. ICEM has also engaged with equipment experts to refurbish and modernize a few plants to bring efficiency into operations. Its estimated capex for FY24 is INR3.5b. It also plans to monetize a land parcel of ~INR1b in 2QFY24.
- We cut our FY24E earnings (EBITDA cut ~40%) considering lower-than-expected cost savings in 1HFY24, while we maintain our FY25 estimates. We reiterate **Sell** with a TP of INR150 (premised on 10.5x FY25E EV/EBITDA).



Bloomberg	ICEM IN
Equity Shares (m)	308
M.Cap.(INRb)/(USD\$b)	66.9 / 0.8
52-Week Range (INR)	298 / 167
1, 6, 12 Rel. Per (%)	1/4/1
12M Avg Val (INR M)	1090

### Financial Snapshot (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	53.8	55.5	58.7
EBITDA	-1.7	2.5	6.9
Adj. PAT	-4.7	-1.3	1.9
EBITDA Margin (%)	-3.2	4.6	11.7
Adj. EPS (INR)	-15.2	-4.1	6.2
EPS Gr. (%)	n/m	n/m	n/m
BV/Sh. (INR)	180.7	176.1	181.3

### Ratios

Net D:E	0.5	0.5	0.5
RoE (%)	-8.2	-2.3	3.5
RoCE (%)	-1.9	0.6	4.3
Payout (%)	0.0	0.0	16.1

### Valuations

P/E (x)	n/m	n/m	34.7
P/BV (x)	1.2	1.2	1.2
EV/EBITDA(x)	n/m	n/m	13.6
EV/ton (USD)	73	72	71
Div. Yield (%)	0.0	0.2	0.5

### Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	28.4	28.4	28.4
DII	9.4	9.4	7.7
FII	13.7	13.2	13.4
Others	48.5	49.1	50.5

FII Includes depository receipts

### Volumes flat YoY; blended realization down 3% YoY

- ICEM's revenue declined 4% YoY to INR14b in 1QFY24 (in line). Sales volume was flat YoY at 2.7mt, whereas blended realization/t declined 3% YoY. Cement realization/t declined 4% YoY to INR5,058.
- Opex/t declined 2% YoY led by 1%/8% YoY drop in variable cost/freight cost. However, other expenses/t increased 4% YoY. Lower realization led to 84% YoY decline in EBITDA to INR50m. While, operating loss for the cement division stood at INR91m vs. EBITDA of INR263m in 1QFY23.
- Other income was down 15% YoY. ICEM reported a net loss of INR753m vs. adjusted net loss of INR720m in 1QFY23.

### Highlights from the management commentary

- Cement prices have not gone up (suppressed for last two years) even though the costs increased. However, management believes that prices are at the bottom levels and should improve from hereon.
- Fuel cost stood at INR2.3/kcal v/s INR2.7/kcal in 4QFY23. Fuel cost is estimated at INR2.2Kcal in 2QFY24 and should decline further in 2HFY24.
- Revenue and EBITDA for Shipping/Windmill/RMC stood at INR136m/INR52m/INR260m and INR97m/INR32m/INR12m, respectively, in 1QFY24.

### Valuation expensive; reiterate Sell

- ICEM lost significant market share (800bp+ over FY10-23) due to lack of capacity additions. We expect its market share loss in the South to continue given the capacity additions by peers.
- ICEM's total debt stood at INR29.5b as of Jun'23 vs. INR29b as of Mar'23. We would monitor the progress on divestment of non-core assets (land) and cost reduction initiatives. ICEM's valuation at 13.6x FY25E EV/EBITDA appears unattractive. **Reiterate Sell with a TP of INR150 premised on 10.5x FY25E EV/EBITDA.**

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

## Standalone quarterly performance

(INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE		
Sales Volumes (mt)	2.7	2.3	2.2	2.8	2.7	2.4	2.6	3.0	9.9	10.6	2.7	(1)
Change (YoY %)	37.4	(4.5)	3.5	4.8	(0.2)	6.5	17.7	6.0	9.1	7.0	0.6	
<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>5,211</b>	<b>5,247</b>	<b>5,280</b>	<b>5,439</b>	<b>5,243</b>	<b>5,209</b>	0
Change (YoY %)	3.0	10.4	6.3	0.1	(3.5)	(6.4)	(6.1)	0.7	4.7	(3.6)	(3.8)	
Change (QoQ %)	3.3	2.8	0.4	(6.2)	(0.4)	(0.3)	0.7	0.6			(0.7)	
<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>12.5</b>	<b>13.5</b>	<b>15.6</b>	<b>53.8</b>	<b>55.5</b>	<b>14.0</b>	(0)
Change (YoY %)	41.4	5.4	10.0	4.9	(3.7)	(0.3)	10.5	6.8	14.2	3.1	(3.2)	
<b>EBITDA</b>	<b>0.3</b>	<b>(0.9)</b>	<b>(0.7)</b>	<b>(0.4)</b>	<b>0.1</b>	<b>0.3</b>	<b>0.7</b>	<b>1.4</b>	<b>(1.7)</b>	<b>2.5</b>	<b>0.4</b>	(86)
Margin (%)	2.1	(7.3)	(5.7)	(3.0)	0.4	2.8	5.4	9.0	(3.2)	4.6	2.6	
Depreciation	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	2.1	2.2	0.5	(1)
Interest	0.6	0.7	0.6	0.5	0.6	0.6	0.6	0.6	2.3	2.3	0.6	(5)
Other Income	0.1	0.0	0.0	0.2	0.1	0.1	0.1	0.1	0.3	0.3	0.1	25
<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>(0.7)</b>	<b>(0.3)</b>	<b>0.3</b>	<b>(5.9)</b>	<b>(1.7)</b>	<b>(0.7)</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>(0.7)</b>	<b>(0.3)</b>	<b>0.3</b>	<b>(4.1)</b>	<b>(1.7)</b>	<b>(0.7)</b>	NM
Tax	(1.5)	(0.7)	0.2	(0.2)	(0.2)	(0.2)	(0.1)	0.1	(2.2)	(0.4)	(0.2)	
Rate (%)	205.7	33.5	20.5	10.1	23.9	23.9	23.9	15.1	53.7	25.7	25.7	
<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>(0.6)</b>	<b>(0.2)</b>	<b>0.3</b>	<b>(1.9)</b>	<b>(1.3)</b>	<b>(0.5)</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>(0.6)</b>	<b>(0.2)</b>	<b>0.3</b>	<b>(4.7)</b>	<b>(1.3)</b>	<b>(0.5)</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)	(4.5)	(1.8)	1.9	(8.7)	(2.3)	(3.8)	

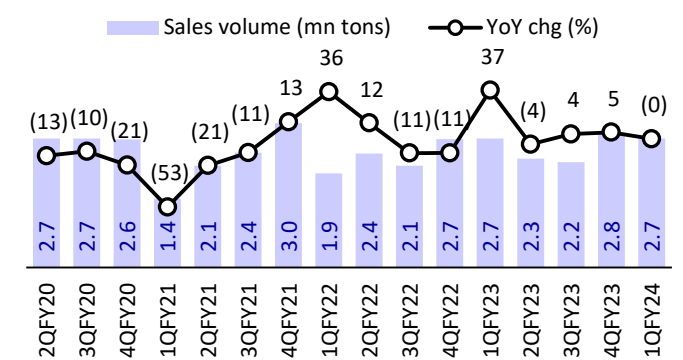
## Per tonne analysis

(INR/t)

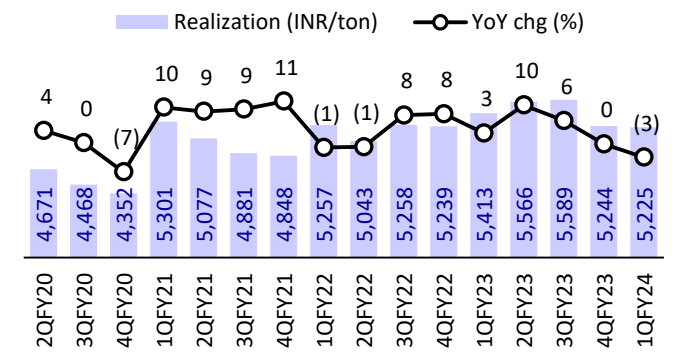
RM Cost	769	1,042	945	1,043	1,068	890	970	847	947	942	900	19
Employee Expenses	340	394	443	294	345	385	375	354	362	364	343	1
Power, Oil, and Fuel	2,370	2,709	2,602	2,211	2,046	1,996	1,816	1,813	2,454	1,914	2,061	(1)
Freight cost	1,199	1,145	1,158	1,160	1,104	1,120	1,135	1,163	1,167	1,132	1,145	(4)
Other Expenses	619	681	759	696	643	674	668	626	686	651	625	3
<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>5,065</b>	<b>4,964</b>	<b>4,803</b>	<b>5,615</b>	<b>5,003</b>	<b>5,074</b>	3
<b>EBITDA</b>	<b>115</b>	<b>(405)</b>	<b>(319)</b>	<b>(160)</b>	<b>19</b>	<b>146</b>	<b>283</b>	<b>477</b>	<b>-176</b>	<b>239</b>	<b>135</b>	(86)
YoY (%)	(86.2)	NM	NM	NM	(83.6)	(136.0)	(188.8)	(398.8)	NM	NM	16.9	

## Story in charts

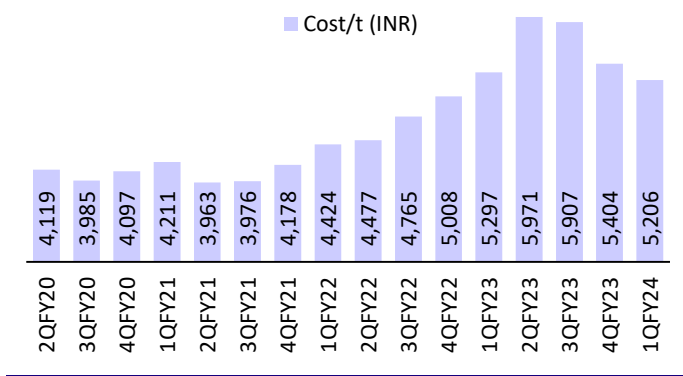
**Exhibit 1: Sales volumes flat YoY**



**Exhibit 2: Blended realization declined 3% YoY**

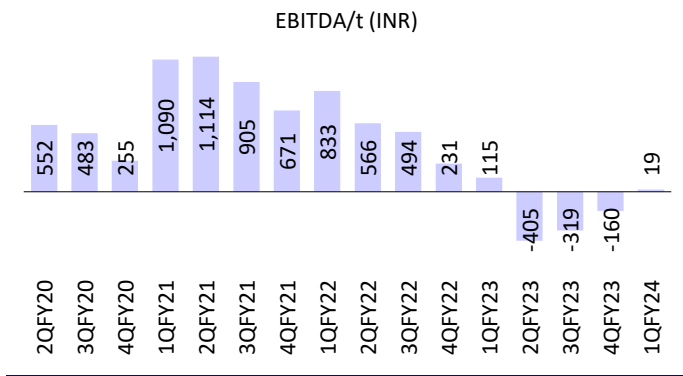


**Exhibit 3: OPEX/t down 2% YoY**



Source: Company, MOFSL

**Exhibit 4: Blended EBITDA/t declined 84% YoY to INR19**



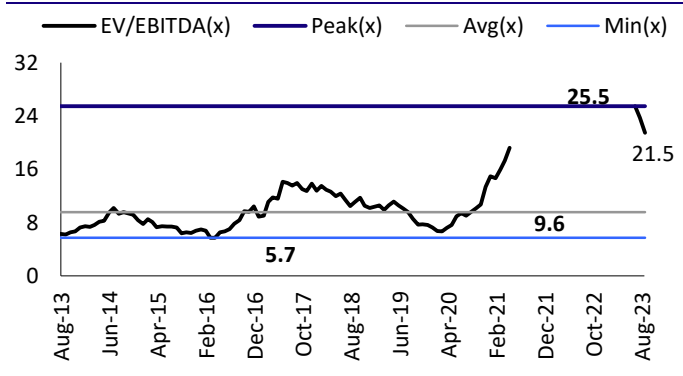
Source: Company, MOFSL

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

INR/t	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)
<b>Blended realization</b>	<b>5,225</b>	<b>5,413</b>	<b>(3)</b>	<b>5,244</b>	<b>(0)</b>
Raw Material Cost	1,068	769	39	1,043	2
Staff Cost	345	340	1	294	17
Power and fuel	2,046	2,370	(14)	2,211	(7)
Freight and selling Exp.	1,104	1,199	(8)	1,160	(5)
Other Exp.	643	619	4	696	(8)
<b>Total Exp.</b>	<b>5,206</b>	<b>5,297</b>	<b>(2)</b>	<b>5,404</b>	<b>(4)</b>
<b>EBITDA</b>	<b>19</b>	<b>115</b>	<b>NM</b>	<b>(160)</b>	<b>NM</b>

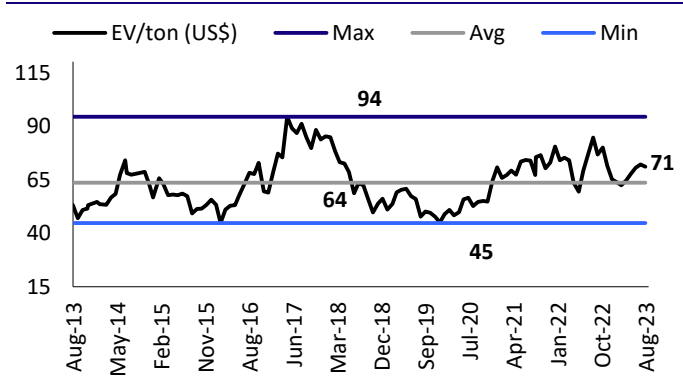
Source: Company, MOFSL

**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	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net Sales</b>	<b>51,692</b>	<b>56,280</b>	<b>50,575</b>	<b>44,367</b>	<b>47,131</b>	<b>53,808</b>	<b>55,496</b>	<b>58,707</b>
Change (%)	1.8	8.9	-10.1	-12.3	6.2	14.2	3.1	5.8
<b>EBITDA</b>	<b>6,928</b>	<b>6,379</b>	<b>5,852</b>	<b>8,061</b>	<b>4,611</b>	<b>-1,745</b>	<b>2,534</b>	<b>6,859</b>
Margin (%)	13.4	11.3	11.6	18.2	9.8	-3.2	4.6	11.7
Depreciation	2,559	2,513	2,469	2,419	2,198	2,130	2,183	2,339
<b>EBIT</b>	<b>4,369</b>	<b>3,866</b>	<b>3,384</b>	<b>5,642</b>	<b>2,413</b>	<b>-3,875</b>	<b>351</b>	<b>4,520</b>
Int. and Finance Charges	3,402	3,242	3,345	2,650	2,040	2,342	2,340	2,236
Other Income – Rec.	194	310	277	235	167	343	290	300
<b>PBT bef. EO Exp.</b>	<b>1,161</b>	<b>934</b>	<b>316</b>	<b>3,227</b>	<b>540</b>	<b>-5,874</b>	<b>-1,699</b>	<b>2,583</b>
EO Expense/(Income)	0	0	1,000	0	0	-1,805	0	0
<b>PBT after EO Exp.</b>	<b>1,161</b>	<b>934</b>	<b>-684</b>	<b>3,227</b>	<b>540</b>	<b>-4,069</b>	<b>-1,699</b>	<b>2,583</b>
Current Tax	179	325	69	1,380	393	0	-437	664
Deferred Tax	-24	-85	-398	-373	-243	-2,184	0	0
Tax Rate (%)	13.3	25.7	48.1	31.2	27.9	53.7	25.7	25.7
<b>Reported PAT</b>	<b>1,006</b>	<b>694</b>	<b>-355</b>	<b>2,220</b>	<b>390</b>	<b>-1,886</b>	<b>-1,262</b>	<b>1,919</b>
<b>PAT Adj. for EO items</b>	<b>1,006</b>	<b>694</b>	<b>212</b>	<b>2,220</b>	<b>390</b>	<b>-4,682</b>	<b>-1,262</b>	<b>1,919</b>
Change (%)	-42.0	-31.0	-69.5	947.7	-82.4	n/m	n/m	n/m
Margin (%)	1.9	1.2	0.4	5.0	0.8	-8.7	-2.3	3.3

### Balance Sheet

	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	3,082	3,099	3,099	3,099	3,099	3,099	3,099	3,099
Total Reserves	48,922	49,298	51,050	53,081	55,082	52,890	51,472	53,082
<b>Net Worth</b>	<b>52,003</b>	<b>52,397</b>	<b>54,149</b>	<b>56,180</b>	<b>58,181</b>	<b>55,989</b>	<b>54,571</b>	<b>56,181</b>
Deferred Liabilities	6,532	6,308	5,910	5,538	5,295	2,836	2,836	2,836
Secured Loan	28,180	26,433	23,750	19,798	19,287	17,992	17,592	16,092
Unsecured Loan	3,049	7,237	11,581	10,196	11,345	11,193	10,993	10,543
Total Loans	31,229	33,670	35,331	29,995	30,632	29,186	28,586	26,636
<b>Capital Employed</b>	<b>89,764</b>	<b>92,375</b>	<b>95,391</b>	<b>91,712</b>	<b>94,107</b>	<b>88,011</b>	<b>85,993</b>	<b>85,653</b>
Gross Block	75,794	77,438	81,024	81,871	84,244	84,964	88,464	91,464
Less: Accum. Deprn.	7,831	10,308	12,766	15,171	17,369	19,498	21,681	24,021
<b>Net Fixed Assets</b>	<b>67,963</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>67,444</b>
Capital WIP	1,712	1,770	1,958	1,871	2,715	3,134	1,634	634
<b>Total Investments</b>	<b>5,884</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>Curr. Assets, Loans, and Adv.</b>	<b>31,700</b>	<b>35,203</b>	<b>36,939</b>	<b>32,708</b>	<b>40,462</b>	<b>38,319</b>	<b>36,992</b>	<b>38,066</b>
Inventory	6,723	8,232	8,263	5,838	8,344	7,748	6,842	7,238
Account Receivables	6,295	7,290	7,163	5,413	9,213	8,141	7,602	8,364
Cash and Bank Balance	84	67	66	68	18	157	375	242
Loans and Advances	18,599	19,614	21,447	21,390	22,887	22,273	22,173	22,223
Real Estate Projects WIP	0	0	0	0	0	0	0	0
<b>Curr. Liability and Prov.</b>	<b>17,495</b>	<b>18,675</b>	<b>19,134</b>	<b>17,028</b>	<b>23,740</b>	<b>23,846</b>	<b>24,352</b>	<b>25,428</b>
Account Payables	11,759	13,163	13,342	10,763	12,875	13,300	13,684	14,476
Other Current Liabilities	4,307	4,106	4,566	5,301	8,580	8,240	8,362	8,846
Provisions	1,428	1,405	1,225	964	2,285	2,306	2,306	2,106
<b>Net Current Assets</b>	<b>14,205</b>	<b>16,528</b>	<b>17,805</b>	<b>15,680</b>	<b>16,722</b>	<b>14,474</b>	<b>12,639</b>	<b>12,638</b>
<b>Appl. of Funds</b>	<b>89,764</b>	<b>92,375</b>	<b>95,391</b>	<b>91,712</b>	<b>94,107</b>	<b>88,011</b>	<b>85,993</b>	<b>85,653</b>

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>								
<b>Standalone EPS</b>	<b>3.3</b>	<b>2.3</b>	<b>0.7</b>	<b>7.2</b>	<b>1.3</b>	<b>-15.2</b>	<b>(4.1)</b>	<b>6.2</b>
Cash EPS	11.6	10.4	8.6	15.0	8.4	-8.2	3.0	13.7
BV/Share	168.8	169.1	174.7	181.3	187.7	180.7	176.1	181.3
DPS	0.8	0.8	0.6	1.0	1.0	0.0	0.5	1.0
Payout (%)	29.5	43.0	(52.4)	14.0	79.5	-	(12.3)	16.1
<b>Valuation (x)</b>								
P/E ratio	66.1	95.8	314.0	30.0	170.7	n/m	(52.7)	34.7
Cash P/E ratio	18.7	20.9	25.0	14.4	25.9	n/m	72.7	15.7
P/BV ratio	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2
EV/Sales ratio	1.9	1.8	2.0	2.2	2.1	1.8	1.7	1.6
EV/EBITDA ratio	14.1	15.8	17.5	12.0	21.2	n/m	37.5	13.6
EV/t (USD)	74	76	78	74	74	73	72	71
Dividend Yield (%)	0.4	0.4	0.3	0.5	0.5	0.0	0.2	0.5
<b>Return Ratios (%)</b>								
RoIC	4.4	3.2	1.9	4.2	1.9	-2.0	0.3	4.0
RoE	2.0	1.3	0.4	4.0	0.7	-8.2	(2.3)	3.5
RoCE	4.8	3.7	2.2	4.6	2.1	-1.9	0.6	4.3
<b>Working Capital Ratios</b>								
Asset Turnover ratio (x)	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.7
Inventory (Days)	47.5	53.4	59.6	48.0	64.6	52.6	45.0	45.0
Debtor (Days)	43	47	52	45	71	55	50	52
<b>Leverage Ratio (x)</b>								
Current Ratio	1.8	1.9	1.9	1.9	1.7	1.6	1.5	1.5
Debt/Equity ratio	0.6	0.6	0.7	0.5	0.5	0.5	0.5	0.5

### Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,257	853	282	3,221	540	(5,874)	(1,699)	2,583
Depreciation	2,559	2,513	2,469	2,419	2,198	2,130	2,183	2,339
Interest and Finance Charges	3,220	3,074	3,050	2,591	1,899	2,082	2,340	2,236
Direct Taxes Paid	(384)	(88)	(312)	(507)	(401)	(42)	437	(664)
(Inc.)/Dec. in WC	(2,072)	(3,069)	(1,269)	2,592	(542)	1,319	2,052	(132)
<b>CF from Operations</b>	<b>4,580</b>	<b>3,283</b>	<b>4,220</b>	<b>10,317</b>	<b>3,694</b>	<b>(385)</b>	<b>5,312</b>	<b>6,363</b>
Others	105	(119)	(81)	39	4	279	-	-
<b>CF from Operations incl. EO</b>	<b>4,685</b>	<b>3,164</b>	<b>4,139</b>	<b>10,356</b>	<b>3,699</b>	<b>(106)</b>	<b>5,312</b>	<b>6,363</b>
(Inc.)/Dec. in FA	(1,902)	(1,712)	(1,365)	(1,256)	(1,296)	(1,112)	(2,000)	(2,000)
<b>Free Cash Flow</b>	<b>2,783</b>	<b>1,452</b>	<b>2,774</b>	<b>9,100</b>	<b>2,402</b>	<b>(1,218)</b>	<b>3,312</b>	<b>4,363</b>
(Pur.)/Sale of Investments	344	(923)	(278)	6	(309)	4,666	-	-
Others	(1,385)	231	(1,759)	(708)	(460)	741	-	-
<b>CF from Investments</b>	<b>(2,942)</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>(2,000)</b>
Issue of Shares	-	18	-	-	-	-	-	-
Inc.)/(Dec.) in Debt	9,583	5,424	2,562	(5,401)	637	(1,476)	(600)	(1,950)
Interest Paid	(3,411)	(3,136)	(3,000)	(2,809)	(2,011)	(2,264)	(2,340)	(2,236)
Dividend Paid	(371)	(336)	(300)	(187)	(309)	(309)	(155)	(310)
Others	(7,528)	(2,746)	-	-	-	-	-	-
<b>CF from Fin. Activity</b>	<b>(1,727)</b>	<b>(776)</b>	<b>(738)</b>	<b>(8,396)</b>	<b>(1,683)</b>	<b>(4,049)</b>	<b>(3,095)</b>	<b>(4,496)</b>
<b>Inc./Dec. in Cash</b>	<b>16</b>	<b>(16)</b>	<b>(1)</b>	<b>1</b>	<b>(49)</b>	<b>139</b>	<b>218</b>	<b>(133)</b>
Opening Balance	68	84	68	67	68	19	158	375
<b>Closing Balance</b>	<b>84</b>	<b>68</b>	<b>67</b>	<b>68</b>	<b>19</b>	<b>158</b>	<b>375</b>	<b>242</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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