

India Cements

Estimate change

TP change

Rating change



Bloomberg	ICEM IN
Equity Shares (m)	308
M.Cap.(INRb)/(USDb)	59.8 / 0.8
52-Week Range (INR)	260 / 146
1, 6, 12 Rel. Per (%)	2/-10/0
12M Avg Val (INR M)	735

Financial Snapshot (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	47.1	55.1	57.3
EBITDA	4.6	2.7	6.8
Adj. PAT	0.4	-1.0	1.9
EBITDA Margin (%)	9.8	5.0	11.8
Adj. EPS (INR)	1.3	-3.3	6.0
EPS Gr. (%)	-82.4	-363.3	NM
BV/Sh. (INR)	187.7	189.2	194.7

Ratios

Net D:E	0.5	0.5	0.4
RoE (%)	0.7	-1.8	3.1
RoCE (%)	2.1	-0.3	3.8
Payout (%)	79.5	0.0	8.3

Valuations

P/E (x)	152.6	-58.0	32.0
P/BV (x)	1.0	1.0	1.0
EV/EBITDA(x)	19.6	32.2	12.7
EV/ton (USD)	71	70	68
Div. Yield (%)	0.5	0.0	0.3

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	28.4	28.4	28.4
DII	7.7	8.8	7.6
FII	13.4	13.3	13.3
Others	50.5	49.5	50.7

FII Includes depository receipts

CMP: INR193
TP: INR165 (-14%)
Downgrade to Sell
Weak performance continues; significant cost pressure hurts
Higher-than-estimated opex leads to earnings miss

- India Cements (ICEM)'s 1QFY23 result was significantly below our estimate with EBITDA at INR308m (est. INR618m) and EBITDA/t at INR115 (est. INR250), the second lowest in the last 15 years. ICEM reported a net loss (adjusted for DTL reversal) of INR720m (est. net loss of INR280m).
- We cut our FY23E EBITDA by 19% due to significant cost pressures, but keep our FY24 estimates largely intact. **We downgrade our rating for ICEM to Sell (from Neutral)** given the recent rise in stock price, continuous market share loss (800bp+ over FY10-22), lack of clarity over expansion plans and high leverage (net debt/ EBITDA at 10x/4x in FY23E/FY24E, respectively). Its valuations at 32.2x/12.7x on FY23E/ FY24E EV/EBITDA appear expensive.

Better realization and volume offset by unabated cost increase

- ICEM's revenue/EBITDA stood at INR14.5b/INR308m (+41%/-81% YoY and +11%/-50% v/s our estimates), respectively. Sales volume (up 37% YoY) was 8% above our estimate. Blended realization improved 3% YoY/QoQ and was 2% above our estimate.
- However, Opex/t rose 20% YoY/6% QoQ led by 43% YoY/8% QoQ increase in variable costs. Employee expense increased 10% YoY/15% QoQ.
- Higher opex led to 81% YoY decline in EBITDA and 13.7pp YoY drop in OPM to 2.1%. Blended EBITDA/t was at INR115 (at 47-quarter low and second lowest in the last 15 years) v/s INR833/INR231 in 1Q/4QFY22, respectively. Cement EBITDA/t was at INR98 v/s INR768/INR197 in 1Q/4QFY22, respectively.

Highlights from the management commentary

- Unprecedented cost increase and inability to pass on the same through price hikes impacted ICEM's performance severely. Fuel cost was at INR2.7/Kcal in 1QFY23 v/s INR1.6/kcal in 1QFY22. Average coal consumption cost was at INR17,300/t. Cost of power generation from CPP was higher than grid prices.
- The company is now focusing on improving equipment efficiency, wherever necessary, based on revenue raising program. Further, it aims to improve the net plant realization by selling more to the markets near to plants.
- Revenue for Shipping/Windmill/RMC stood at INR33m/INR56m/INR260m, respectively. EBITDA for Windmill/RMC stood at INR44m/INR15m, while in Shipping there was an operating loss of INR14m. Shipping business revenue was lower mainly due to maintenance work.

Valuation expensive; downgrade to Sell

- The lack of capacity additions has led to significant market share loss (800bp+ over FY10-22) for the company. We project ICEM's market share loss to continue going forward due to the absence of any clarity on its future expansion plans.
- ICEM trades at 32.2x/12.7x FY23E/FY24E EV/EBITDA. We downgrade ICEM to Sell (from Neutral) and value the stock at 11x FY24E EV/EBITDA to arrive at our TP of INR165 (v/s INR155 earlier).

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Quarterly Performance (Standalone)

(INR m)

Y/E March	FY22				FY23				FY22	FY23E	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales Volumes (m ton)	1.95	2.36	2.11	2.66	2.67	2.46	2.26	2.86	9.07	10.25	2.47	8
YoY Change (%)	36.2	12.0	(11.3)	(11.1)	37.4	4.2	7.3	7.5	1.9	13.0	27.0	
Realization (INR/ton)	5,257	5,043	5,258	5,239	5,413	5,373	5,409	5,333	5,196	5,380	5,287	2
YoY Change (%)	(0.8)	(0.7)	7.7	8.1	3.0	6.5	2.9	1.8	4.2	3.5	0.6	
QoQ Change (%)	8.4	(4.1)	4.3	(0.4)	3.3	(0.7)	0.7	(1.4)			0.9	
Net Sales	10,225	11,902	11,085	13,920	14,462	13,207	12,232	15,237	47,131	55,139	13,059	11
YoY Change (%)	35.1	11.3	(4.5)	(4.0)	41.4	11.0	10.4	9.5	6.2	17.0	27.7	
EBITDA	1,620	1,336	1,041	615	308	233	645	1,560	4,611	2,746	618	(50)
Margins (%)	15.8	11.2	9.4	4.4	2.1	1.8	5.3	10.2	9.8	5.0	4.7	(260)
Depreciation	545	564	546	543	522	525	530	542	2,198	2,119	535	(2)
Interest	545	511	501	483	586	570	560	541	2,040	2,258	550	7
Other Income	31	32	58	47	80	55	50	39	167	225	55	46
PBT before EO expense	561	293	52	-365	-720	-807	-395	516	540	-1,406	-412	NM
Extra-Ord expense	0	0	0	0	0	0	0	0			0	
PBT	561	293	52	-365	-720	-807	-395	516	540	-1,406	-412	NM
Tax	186	73	19	-128	-1,481	-258	-126	5	151	-1,861	-132	
Rate (%)	33.3	24.9	36.2	35.0	205.7	32.0	32.0	1.0	27.9	132.4	32.0	
Reported PAT	374	220	33	-237	761	-549	-269	511	390	455	-280	NM
Adj PAT	374	220	33	-237	-720	-549	-269	511	390	-1,026	-280	NM
YoY Change (%)	120.6	(69.2)	(94.7)	(133.1)	(292.4)	(349.8)	(913.7)	(315.6)	(82.4)	(363.3)	(174.9)	
Margins (%)	3.7	1.8	0.3	(1.7)	(5.0)	(4.2)	(2.2)	3.4	0.8	(1.9)	(2.1)	

Per ton analysis

(INR/t)

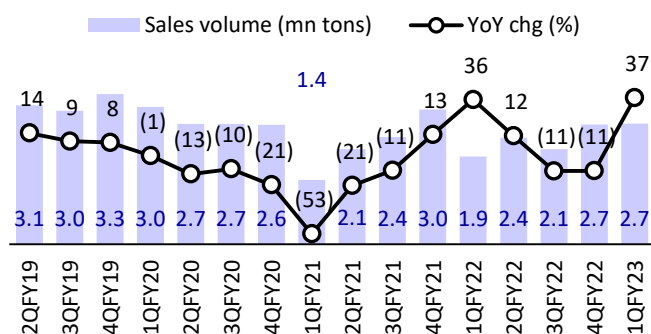
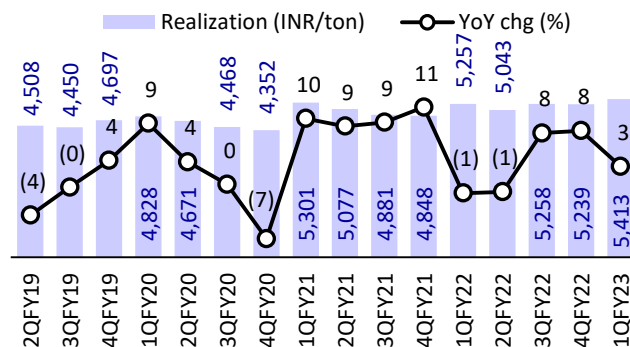
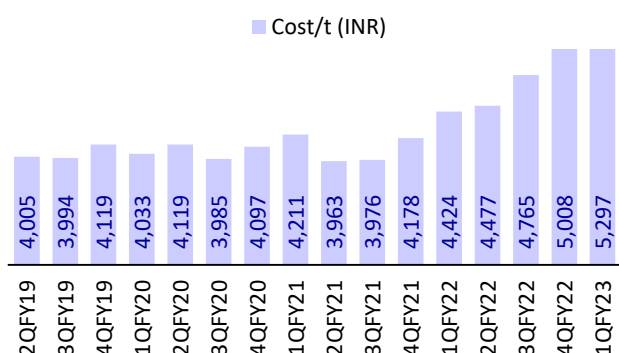
Sales Volumes (m ton)	1.95	2.36	2.11	2.66	2.67	2.46	2.26	2.86	9.07	10.25	2.47	8
YoY Change (%)	36.2	12.0	(11.3)	(11.1)	37.4	4.2	7.3	7.5	1.9	13.0	27.0	
Net Realizations	5,257	5,043	5,258	5,239	5,413	5,373	5,409	5,333	5,196	5,380	5,287	2
YoY (%)	(0.8)	(0.7)	7.7	8.1	3.0	6.5	2.9	1.8	4.2	3.5	0.6	
RM Cost	624	822	880	963	769	719	739	1,101	834	843	850	(10)
Employee Expenses	425	374	390	298	340	346	376	302	366	339	324	5
Power, Oil & Fuel	1,570	1,503	1,669	1,936	2,370	2,420	2,170	1,648	1,683	2,137	2,136	11
Freight cost	1,195	1,178	1,174	1,165	1,199	1,160	1,140	1,117	1,177	1,154	1,150	4
Other Expenses	610	599	652	646	619	633	699	619	628	640	577	7
Total Expense	4,424	4,477	4,765	5,008	5,297	5,278	5,124	4,787	4,688	5,112	5,036	5
EBITDA	833	566	494	231	115	95	285	546	508	268	250	(54)
YoY (%)	(23.6)	(49.2)	(45.5)	(65.5)	(86.2)	(83.3)	(42.2)	136.1	(43.9)	(47.3)	(70.0)	

Exhibit 1: Revisions to our estimates

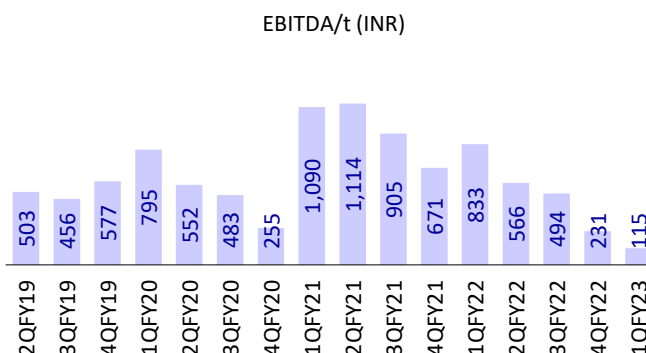
(INR m)	Revised estimate		Old estimate		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Net Sales	55,139	57,342	51,201	52,749	7.7	8.7
EBITDA	2,746	6,768	3,376	6,847	(18.7)	(1.2)
Net Profit	-1,026	1,859	-562	1,876	nm	(0.9)
EPS (INR)	-3.3	6.0	-1.8	6.1	nm	(0.9)

Source: MOFSL Estimates

Story in Charts

Exhibit 2: Sales volumes grew 37% YoY and 1% QoQ

Exhibit 3: Blended realization up 3% YoY and QoQ

Exhibit 4: Opex/t up 20% YoY/6% QoQ...


Source: Company, MOFSL

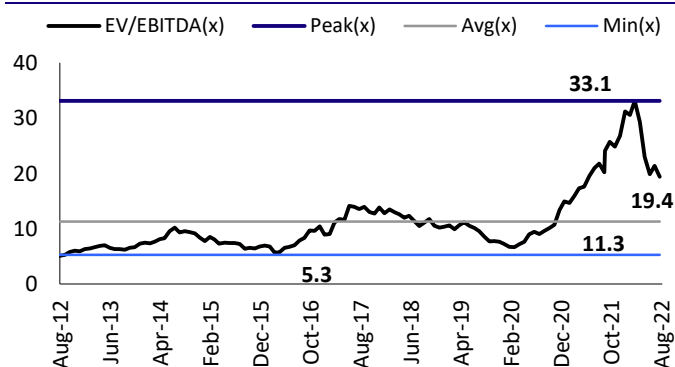
Exhibit 5: ...leading to 86% YoY/50% QoQ drop in EBITDA/t


Source: Company, MOFSL

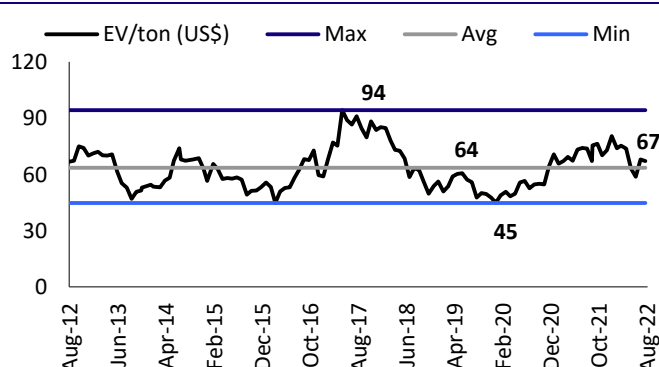
Exhibit 6: Key operating metrics (blended)

INR/t	1QFY23	1QFY22	YoY (%)	4QFY22	QoQ (%)
Blended realization	5,413	5,257	3	5,239	3
Raw Material Cost	769	624	23	963	(20)
Staff Cost	340	425	(20)	298	14
Power & fuel	2,370	1,570	51	1,936	22
Freight & selling Exp	1,199	1,195	0	1,165	3
Other Exp	619	610	1	646	(4)
Total Exp	5,297	4,424	20	5,008	6
EBITDA	115	833	(86)	231	(50)

Source: Company, MOFSL

Exhibit 7: One-year forward EV/EBITDA chart


Source: Company, MOFSL

Exhibit 8: One-year forward EV/ton chart


Source: Company, MOFSL

Financials and valuations

Standalone Income Statement

	(INR m)							
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	50,795	51,692	56,280	50,575	44,367	47,131	55,139	57,342
Change (%)	5.6	1.8	8.9	-10.1	-12.3	6.2	17.0	4.0
EBITDA	8,610	6,928	6,379	5,852	8,061	4,611	2,746	6,768
Margin (%)	17.0	13.4	11.3	11.6	18.2	9.8	5.0	11.8
Depreciation	2,571	2,559	2,513	2,469	2,419	2,198	2,119	2,150
EBIT	6,040	4,369	3,866	3,384	5,642	2,413	627	4,618
Int. and Finance Charges	3,605	3,402	3,242	3,345	2,650	2,040	2,258	2,098
Other Income - Rec.	165	194	310	277	235	167	225	235
PBT bef. EO Exp.	2,600	1,161	934	316	3,227	540	-1,406	2,754
EO Expense/(Income)	0	0	0	1,000	0	0	0	0
PBT after EO Exp.	2,600	1,161	934	-684	3,227	540	-1,406	2,754
Current Tax	867	179	325	69	1,380	393	-380	895
Deferred Tax	0	-24	-85	-398	-373	-243	-1,481	0
Tax Rate (%)	33.3	13.3	25.7	48.1	31.2	27.9	132.4	32.5
Reported PAT	1,734	1,006	694	-355	2,220	390	455	1,859
PAT Adj for EO items	1,734	1,006	694	212	2,220	390	-1,026	1,859
Change (%)	31.3	-42.0	-31.0	-69.5	947.7	-82.4	-363.3	-281.2
Margin (%)	3.4	1.9	1.2	0.4	5.0	0.8	-1.9	3.2

Balance Sheet

	(INR m)							
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	3,082	3,082	3,099	3,099	3,099	3,099	3,099	3,099
Total Reserves	48,018	48,922	49,298	51,050	53,081	55,082	55,537	57,241
Net Worth	51,099	52,003	52,397	54,149	56,180	58,181	58,636	60,340
Deferred Liabilities	6,556	6,532	6,308	5,910	5,538	5,295	3,814	3,814
Secured Loan	23,797	28,180	26,433	23,750	19,798	19,287	17,587	16,237
Unsecured Loan	5,416	3,049	7,237	11,581	10,196	11,345	11,195	10,195
Total Loans	29,213	31,229	33,670	35,331	29,995	30,632	28,782	26,432
Capital Employed	86,868	89,764	92,375	95,391	91,712	94,107	91,231	90,585
Gross Block	75,015	75,794	77,438	81,024	81,871	84,244	85,244	86,744
Less: Accum. Deprn.	5,286	7,831	10,308	12,766	15,171	17,369	19,489	21,641
Net Fixed Assets	69,729	67,963	67,130	68,258	66,700	66,876	65,755	65,103
Capital WIP	1,278	1,712	1,770	1,958	1,871	2,715	2,715	2,715
Total Investments	6,190	5,884	6,946	7,369	7,462	7,795	7,795	7,795
Curr. Assets, Loans&Adv.	29,256	31,700	35,203	36,939	32,708	40,462	40,885	41,835
Inventory	7,450	6,723	8,232	8,263	5,838	8,344	8,309	8,641
Account Receivables	5,089	6,295	7,290	7,163	5,413	9,213	9,064	9,112
Cash and Bank Balance	68	84	67	66	68	18	125	195
Loans and Advances	16,649	18,599	19,614	21,447	21,390	22,887	23,387	23,887
Real Estate Projects WIP	0	0	0	0	0	0	0	0
Curr. Liability & Prov.	19,584	17,495	18,675	19,134	17,028	23,740	25,919	26,863
Account Payables	13,180	11,759	13,163	13,342	10,763	12,875	13,596	14,139
Other Current Liabilities	4,796	4,307	4,106	4,566	5,301	8,580	10,038	10,439
Provisions	1,608	1,428	1,405	1,225	964	2,285	2,285	2,285
Net Current Assets	9,671	14,205	16,528	17,805	15,680	16,722	14,966	14,972
Appl. of Funds	86,868	89,764	92,375	95,391	91,712	94,107	91,231	90,585

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
Standalone EPS	5.6	3.3	2.3	0.7	7.2	1.3	(3.3)	6.0
Cash EPS	14.0	11.6	10.4	8.6	15.0	8.4	3.5	12.9
BV/Share	165.8	168.8	169.1	174.7	181.3	187.7	189.2	194.7
DPS	1.0	0.8	0.8	0.6	1.0	1.0	-	0.5
Payout (%)	21.4	29.5	43.0	(52.4)	14.0	79.5	-	8.3
Valuation (x)								
P/E		59.1	85.6	280.6	26.8	152.6	(58.0)	32.0
Cash P/E		16.7	18.6	22.3	12.9	23.1	54.8	14.9
P/BV		1.1	1.1	1.1	1.1	1.0	1.0	1.0
EV/Sales		1.8	1.7	1.9	2.0	1.9	1.6	1.5
EV/EBITDA		13.1	14.6	16.2	11.1	19.6	32.2	12.7
EV/Ton (USD)		71.6	73.8	75.1	70.9	71.4	69.9	67.9
Dividend Yield (%)		0.4	0.4	0.3	0.5	0.5	-	0.3
Return Ratios (%)								
RoIC	4.7	4.4	3.2	1.9	4.2	1.9	(0.2)	3.5
RoE	3.4	2.0	1.3	0.4	4.0	0.7	(1.8)	3.1
RoCE	5.1	4.8	3.7	2.2	4.6	2.1	(0.3)	3.8
Working Capital Ratios								
Asset Turnover (x)	0.6	0.6	0.6	0.5	0.5	0.5	0.6	0.6
Inventory (Days)	53.5	47.5	53.4	59.6	48.0	64.6	55.0	55.0
Debtor (Days)	32	43	47	52	45	71	60	58
Leverage Ratio (x)								
Current Ratio	1.5	1.8	1.9	1.9	1.9	1.7	1.6	1.6
Debt/Equity	0.6	0.6	0.6	0.7	0.5	0.5	0.5	0.4

Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	2,517	1,257	853	282	3,221	540	(1,406)	2,754
Depreciation	2,571	2,559	2,513	2,469	2,419	2,198	2,119	2,150
Interest & Finance Charges	3,528	3,220	3,074	3,050	2,591	1,899	2,258	2,098
Direct Taxes Paid	(637)	(384)	(88)	(312)	(507)	(401)	380	(895)
(Inc)/Dec in WC	112	(2,072)	(3,069)	(1,269)	2,592	(542)	1,864	66
CF from Operations	8,090	4,580	3,283	4,220	10,317	3,694	5,215	6,173
Others	30	105	(119)	(81)	39	4	-	-
CF from Operating incl EO	8,121	4,685	3,164	4,139	10,355	3,698	5,215	6,173
(Inc)/Dec in FA	(788)	(1,902)	(1,712)	(1,365)	(1,256)	(1,296)	(1,000)	(1,500)
Free Cash Flow	7,332	2,783	1,452	2,774	9,100	2,402	4,215	4,673
(Pur)/Sale of Investments	(683)	344	(923)	(278)	6	(309)	-	-
Others	(405)	(1,385)	231	(1,759)	(708)	(460)	-	-
CF from Investments	(1,876)	(2,942)	(2,404)	(3,403)	(1,958)	(2,065)	(1,000)	(1,500)
Issue of Shares	-	-	18	-	-	-	-	-
Inc/(Dec) in Debt	16,880	9,583	5,424	2,562	(5,401)	637	(1,850)	(2,350)
Interest Paid	(3,537)	(3,411)	(3,136)	(3,000)	(2,809)	(2,011)	(2,258)	(2,098)
Dividend Paid	(370)	(371)	(336)	(300)	(187)	(309)	-	(155)
Others	(19,217)	(7,528)	(2,746)	-	-	-	-	-
CF from Fin. Activity	(6,243)	(1,727)	(776)	(738)	(8,396)	(1,683)	(4,108)	(4,603)
Inc/Dec of Cash	1	16	(16)	(1)	1	(50)	107	70
Opening Balance	67	68	84	68	67	68	18	125
Closing Balance	68	84	68	67	68	18	125	195

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 within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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