

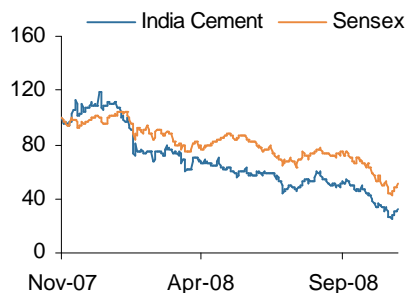
# India Cements Ltd (Q2 FY09)

**November 04, 2008**
**Stock data**

Sensex:	10,338
CMP (Rs):	88
52 Week h/l (Rs):	333/69
Market cap (Rs cr)	2,493
6m Avg vol BSE&NSE ('000 nos):	1,281
No of o/s shares (mn):	282
FV (Rs):	10
Bloomberg code:	ICEM IN
Reuters code:	ICMN.BO
BSE code:	530005
NSE code	INDIACEM

**Shareholding pattern**

<b>September 2008</b>	<b>(%)</b>
Promoters	28.1
FII & institutions	48.2
Non promoter corp hold	11.1
Others	12.6

**Share price trend**

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- ↗ Q2 topline rises 25% yoy to Rs9.5bn due to higher realization and volume growth
- ↗ OPM margin dips by 910bps yoy on rising coal cost and steep increase in other expenditure
- ↗ Net profit falls by 41% on account of higher tax and depreciation
- ↗ Capex: Parli and Malkapur units to commence operation this quarter

**Result table \***

Period to	Q2 FY09	Q2 FY08	yoy growth	Q1 FY09	qoq growth
(Rs mn)	(3)	(3)	(%)	(3)	(%)
Net sales	9,546	7,623	25.2	8,374	14.0
Expenditure	(6,554)	(4,539)	44.4	(5,393)	21.5
Operating profit	2,992	3,084	(3.0)	2,981	0.4
Other income	-	59	-	131	(99.8)
Interest	(248)	(283)	(12.3)	(230)	7.8
Depreciation	(498)	(303)	64.1	(490)	1.6
PBT	2,246	2,557	(12.2)	2,392	(6.1)
Tax	(608)	(320)	90.0	(754)	(19.4)
PAT	1,639	2,237	(26.8)	1,638	0.0
Exceptional items	(296)	47	-	(218)	-
APAT	1,343	2,285	(41.2)	1,421	(5.4)
OPM (%)	31.3	40.5	910bps	35.6	430bps
Equity	2,819	2,604	-	2,819	-
EPS (Rs) Annualized	19.1	35.1	-	20.2	-
P/E (x), CMP	4.6	2.5	-	4.4	-

Source: Company, India Infoline Research

\* Sales figure has been adjusted to facilitate comparison

**Q2 topline up 25.2% yoy to Rs9.5bn on account of volume growth**

In Q2 FY09, India Cements Ltd (ICL) has reported a 25.2% growth in net sales to Rs9.5bn, which includes revenue of ~Rs410mn booked under India Premier League (IPL). The jump was primarily on account of volume spurt due to de-bottlenecking of several plants and commencement of 1mtpa grinding unit at Chennai in August. ICL's net realization for the quarter stood at Rs3,764, up 12.1% yoy mainly on account of strong pricing scenario in southern India. The current demand environment remains buoyant in South India with states like Andhra Pradesh registering 24% growth in the first half of the current fiscal year.

**OPM margin dips by 910bps due to higher coal cost and other expenditure**

Operating margin declines by 910bps on yoy basis. The drop in OPM was largely on the back of increase in power and fuel cost (increase of 195bps) and other expenditure (up by 600bps). The surge in other expenditure was on account of dry docking expenses for one of its ships, and outgo towards IPL. Management expects cost pressures to ease in the last quarter of the current fiscal, as globally, coal prices have fallen sharply from their peak. However, we believe that the rupee depreciation may to some extent neutralize this positive effect.

### Cost Analysis

Period	Q2 FY09	Q2 FY08	Inc/Dec	Q1 FY09	Inc/Dec
<b>As % of net sales</b>	<b>(3)</b>	<b>(3)</b>	<b>bps</b>	<b>(3)</b>	<b>Bps</b>
Raw Materials	11.3	7.8	345	10.1	120
Staff	4.3	7.0	(265)	5.4	(101)
Power and fuel	23.7	21.8	195	23.6	12
Freight and handling	13.4	13.1	30	14.7	(129)
Other expenditure	16.0	9.9	607	10.8	523
<b>Total expenditure</b>	<b>68.7</b>	<b>59.5</b>	<b>912</b>	<b>64.4</b>	<b>425</b>

Source: Company, India Infoline Research

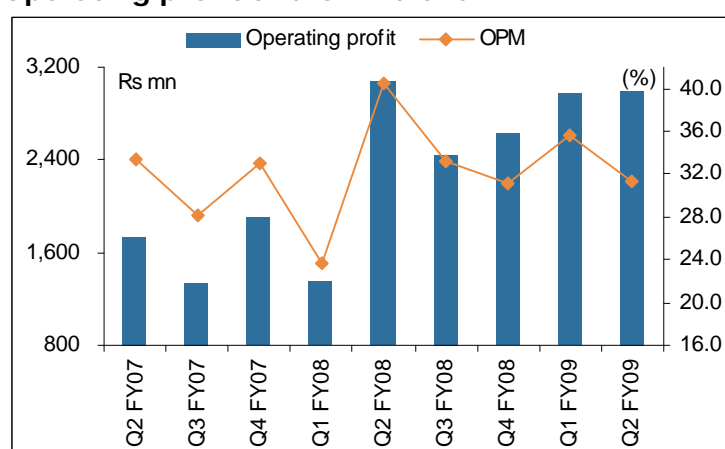
### Margin contraction, higher depreciation and taxes drag net profit

Margin contraction along with higher depreciation and tax rate dragged the PAT (before exceptional item) lower by 24.8% yoy. New capacity addition in the previous few quarters resulted in depreciation cost rising by 64.1% yoy. ICL reported a forex loss of Rs296mn due to FCCB accounting norms, which dragged the adjusted PAT by 41%.

### Capex: Parli and Malkapur units to commence operation this quarter

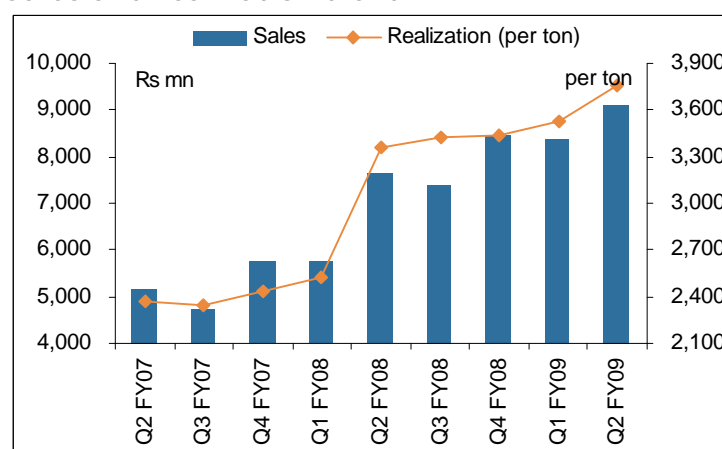
ICL is enhancing its cement capacity to 14mtpa by the end of FY09 from the current 10.4mtpa. The company has commenced operation at the Chennai grinding unit in the current quarter. We expect ICL to start commercial production at Malkapur and Parli next month. Further, the company is planning to upgrade Kiln at its Vishnupuram plant this quarter to boost capacity. ICL has ordered equipment for 1.5mtpa plant in Rajasthan (by FY11). The management has lowered production volume guidance to 10.4mtpa from 11mtpa in FY09, and to 12.5mtpa from 13mtpa in FY10.

### Operating profit and OPM trend



Source: Company, India Infoline Research

### Sales and realization trend



Source: Company, India Infoline Research

### Financials

y/e March, Rs mn	FY07	FY08	FY09E	FY10E
	<b>(12)</b>	<b>(12)</b>	<b>(12)</b>	<b>(12)</b>
Revenues	26,107	30,443	38,366	41,256
yoy growth (%)	42.7	16.6	26.0	7.5
Operating Profit	7,342	10,794	10,890	10,320
OPM (%)	28.1	35.5	28.4	25.0
PAT	4,788	6,375	5,478	4,625
yoy growth (%)	-	33.1	(14.1)	(15.6)
EPS (Rs)	18.4	22.5	19.1	16.3
P/E (x)	4.8	3.9	4.6	5.4
EV/EBITDA (x)	5.8	3.4	2.9	2.8

Source: Company, India Infoline Research

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