



India Cements

 Relative to sector: **Neutral**
Jagdishwar Toppo

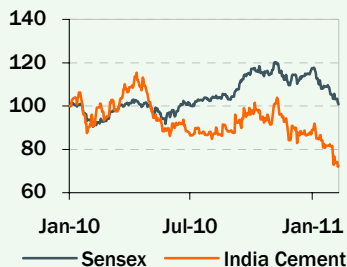
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Relative Performance


Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 307 mn
Market cap	: Rs 27.6 bn
52 week high/low	: Rs 143/ Rs 81
Avg. daily vol. (6mth)	: 1.6 mn shares
Bloomberg code	: ICEM IB
Reuters code	: ICMN.BO

Shareholding (%)

	Dec-10	QoQ chg
Promoters	: 25.2	0.0
FIs	: 28.7	(0.7)
MFs / UTI	: 5.9	0.2
Banks / FIs	: 9.5	0.1
Others	: 30.7	0.4

Financial Summary

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2009	32,788	5,115	-	18.1	(28)	-	18.5	18.0	-	2.3
2010	36,800	3,120	-	10.2	(44)	-	9.8	11.9	-	2.3
2011E	33,793	737	4.8	2.4	(76)	37.4	2.2	4.2	11.9	2.3
2012E	39,180	2,056	7.1	6.7	179	13.4	5.9	7.9	7.1	2.6

Source: *Consensus broker estimates, Company, ENAM estimates

MARGIN BOOST FROM PRODUCTION CUTBACKS

India Cements' EBITDA was flat YoY at Rs 1.3 bn despite volumes falling 26% YoY, due to improved realizations (+21% YoY). Revenues, however, fell 11% YoY to Rs 7.8 bn due to lower volumes. Adj. PAT for the quarter stood at Rs 197 mn.

Key highlights

- **Realizations:** Avg. realization rose 21% YoY as prices remained strong in South India. Volumes, however, declined 26% YoY and 23% QoQ to 2.04 mnt, **in line with production cuts by cement cos in south.**
- **EBITDA:** EBITDA/t for the quarter was at Rs 631 (vs. Rs 465 in 3QFY10 and Rs 114 in 2QFY11) led by the strong realizations.

Outlook

Cement prices in south have rebounded from lows of Rs 145-200/bag in August 2010 to Rs 220-270/bag during Q3FY11. This has resulted in a strong improvement in profitability for the industry, from the dismal levels of Q2, despite cost pressures. The prices currently have sustained at higher levels largely on the back of price discipline exhibited by the industry. A few more sizable projects in south are slated to be commissioned during the next fiscal. We expect demand from AP market (largest market in south) to remain subdued till the time Telangana issue is resolved. Our EBITDA/t estimate for India Cements is Rs 650/t for FY12E as against an EBITDA/t of Rs 716 in FY10. Our volume assumption for FY12E is 11 mn tonnes.

Valuations

We maintain our EPS estimates for FY11 and FY12 at Rs 2.4 and Rs 6.7 respectively. However, we reduce our target price to Rs 99 (v/s Rs 109 earlier) largely due to reduction in the valuation of IPL biz to Rs 9/share (vs. Rs 18 earlier) on lower ad revenue growth assumption. We **maintain HOLD** rating on the stock.

Results update

(Rs mn)	Quarter ended					12 months ended		
	Dec-10	Dec-09	% Chg	Sep-10	% Chg	Mar-11E	Mar-10	% Chg
Net Sales	7,835	8,760	(10.6)	8,428	(7.0)	33,793	36,800	(8.2)
EBITDA	1,288	1,284	0.3	303	324.9	4,352	8,243	(47.2)
Other income	38	0	-	6	507.9	537	427	25.8
PBIDT	1,326	1,284	3.3	309	328.6	4,889	8,670	(43.6)
Depreciation	617	573	7.7	610	1.2	2,450	2,345	4.5
Interest	407	299	36.0	280	45.4	1,430	1,428	0.1
PBT	303	412	(26.5)	(580)	-	1,010	4,897	(79.4)
Tax	106	180	(41.2)	(131)	-	273	1,777	(84.7)
Adjusted PAT	197	232	(15.0)	(449)	-	737	3,120	(76.4)
Extra ordinary income/ (exp.)	18	117	(84.5)	113	(84.0)	0	376	-
Reported PAT	215	348	(38.3)	(336)	-	737	3,496	(78.9)
No. of shares (mn)	307	283	-	307	-	307	307	-
EBITDA margin (%)	16.4	14.7	-	3.6	-	12.9	22.4	-
PBIDT margin (%)	16.9	14.7	-	3.7	-	14.5	23.6	-
EPS - annualized (Rs.)	2.6	3.3	(21.8)	(5.8)	(143.8)	2.4	10.2	(76.4)

Source: Company, ENAM Research

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