

## India Cements

### Performance Highlights

#### Quarterly results (standalone)

Y/E Mar (₹ cr)	4QFY13	3QFY13	% chg qoq	4QFY12	% chg yoy
Net revenue	1,199	1,082	10.8	1,109	8.1
Operating profit	176	193	(8.5)	209	(15.6)
OPM (%)	14.7	17.8	(310)bp	18.8	(412)bp
Reported Net profit	26	26	1	68	(61.3)

Source: Company, Angel Research

India Cements (ICEM) posted a 61.3% yoy decline in bottom-line to ₹26cr on account of flat realization on a yoy basis and steep increase in freight costs. Although net realization was flat yoy, the company's net plant realization was down by 6.2% yoy at ₹3,250/tonne. The company's net realization declined 2.8% on a sequential basis due to the steep price correction in Andhra Pradesh during the quarter. Operating profit is down by 15.6% on a yoy basis. Volume growth was moderate at 6.7% yoy.

**OPM down 412bp yoy:** ICEM posted a 8.1% yoy growth in top-line to ₹1,199cr, which was in-line with our estimates. The top-line growth was aided by a 6.7% increase in sales volume during the quarter. The company's OPM fell by 310bp yoy to 14.7% on account of steep increase in freight costs. The company's freight cost/tonne rose by 21.5% yoy to ₹990. Despite the fall in imported coal prices, P&F costs remained flat on a yoy basis due to higher prices charged by Singareni collieries and purchase of high cost power for Andhra Pradesh plants.

**Outlook and valuation:** We expect ICEM's return ratios to remain subdued due to substantial investments in subsidiaries. At the current market price, though the stock is trading at a low valuation of EV/tonne of US\$64 on FY2015E capacity, we believe the same is justified considering the company's unfavorable locational presence. **Hence, we maintain our Neutral recommendation on the stock.**

#### Key Financials (Standalone)

Y/E March (₹ cr)	FY2012	FY2013	FY2014E	FY2015E
Net sales*	4,066	4,461	4,929	5,434
% chg	19.0	9.7	10.5	10.2
Net profit	297	184	273	335
% chg	641.1	(38.2)	49.0	22.6
FDEPS (₹)	9.7	6.0	8.9	10.9
OPM (%)	18.8	15.8	17.4	17.1
P/E (x)	7.3	11.8	7.9	6.5
P/BV (x)	0.6	0.6	0.6	0.6
RoE (%)	8.6	5.3	7.7	9.0
RoCE (%)	7.2	5.5	7.1	7.7
EV/Sales (x)	1.1	1.1	1.0	0.9
EV/Tonne (US \$)	61	60	58	64
EV/EBITDA (x)	6.0	6.9	5.6	5.1

Source: Company, Angel research; \*does not include IPL revenue

## NEUTRAL

CMP	₹70
Target Price	-
Investment Period	-

#### Stock Info

Sector	Cement
Market Cap (₹ cr)	2,163
Net Debt (₹ cr)	2,863
Beta	1.1
52 Week High / Low	105/68
Avg. Daily Volume	153,761
Face Value (₹)	10
BSE Sensex	20,031
Nifty	6,083
Reuters Code	ICMN.BO
Bloomberg Code	ICEM@IN

#### Shareholding Pattern (%)

Promoters	28.2
MF / Banks / Indian FIs	15.8
FII / NRIs / OCBs	35.6
Indian Public / Others	20.3

Abs. (%)	3m	1yr	3yr
Sensex	3.7	23.5	20.2
ICEM	(16.8)	(7.6)	(35.6)

V Srinivasan

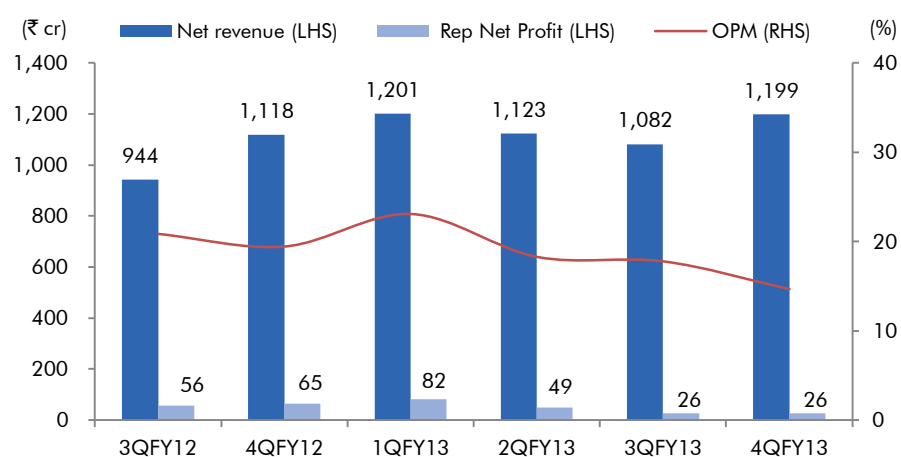
022-39357800

v.srinivasan@angelbroking.com

**Exhibit 1: 4QFY2013 performance (Standalone)**

Y/E March (₹ cr)	4QFY13	3QFY13	% chg qoq	4QFY12	% chg yoy
<b>Net Revenue*</b>	<b>1,199</b>	<b>1,082</b>	<b>10.8</b>	<b>1,109</b>	<b>8.1</b>
Net Raw-Material Costs	153	129	18.3	148	3.2
(% of Sales)	12.8	10.8		12.4	
Power & Fuel	341	297	14.7	317	7.5
(% of Sales)	28.5	24.8		26.5	
Staff Costs	92	83	11.2	92	(0.2)
(% of Sales)	7.7	6.9		7.7	
Freight & Forwarding	275	237	15.7	212	29.6
(% of Sales)	22.9	19.8		17.7	
Other Expenses	162	143	13.3	131	23.6
(% of Sales)	13.5	11.9		10.9	
<b>Total Expenditure</b>	<b>1,023</b>	<b>890</b>	<b>15.0</b>	<b>901</b>	<b>13.6</b>
<b>Operating Profit</b>	<b>176</b>	<b>193</b>	<b>(8.5)</b>	<b>209</b>	<b>(15.6)</b>
OPM (%)	14.7	17.8	(310)bp	18.8	(412)bp
Interest	64	82	(22.3)	64	(0.2)
Depreciation	72	71	1.8	65	11.5
Other Income	-	3	(100.0)	16.3	(100.0)
<b>Recurring PBT</b>	<b>40</b>	<b>43</b>	<b>(6.3)</b>	<b>96</b>	<b>(58.2)</b>
Extraordinary expense	-	-		-	
<b>PBT</b>	<b>40</b>	<b>43</b>	<b>(6.3)</b>	<b>96</b>	<b>(58.2)</b>
Provision for Taxation	14	17	(17.0)	29	(50.9)
(% of PBT)	34.8	39.3		29.6	
<b>Reported PAT</b>	<b>26</b>	<b>26</b>	<b>0.7</b>	<b>68</b>	<b>(61.3)</b>
PATM (%)	2.2	2.4	(0.2)	6.1	(3.9)

Source: Company, Angel Research; Note: \* includes IPL revenue

**Exhibit 2: Financial performance**


Source: Company, Angel Research

**Exhibit 3: 4QFY2013 – Actual vs Angel estimates**

(₹ cr)	Actual	Estimates	Variation (%)
Net revenue	1,199	1,180	1.6
Operating profit	176	209	(15.8)
OPM (%)	14.7	17.7	(304)bp
Reported net profit	26	57	(54.1)

Source: Company, Angel Research

**Operating performance**

During the quarter, ICEM sold 2.78mn tonne of cement (incl. clinker), registering a 6.7% yoy growth. However, net plant realization was down by 6.2% yoy and stood at ₹3,250/tonne, due to the sharp correction in cement prices in Andhra Pradesh during the quarter and the steep increase in freight costs.

The raw-material cost per tonne remained flat on yoy basis. Power and fuel cost per tonne stood at ₹1,229, flat on a yoy basis. Despite the fall in imported coal prices, P&F costs remained flat on a yoy basis due to higher prices charged by Singareni collieries and purchase of high cost power for Andhra Pradesh plants.

Freight cost per tonne rose by 21.5% yoy to ₹990 due to increased costs of diesel, and higher railway freight charges. Other costs per tonne too rose by 15.8% on yoy basis. The operating profit per tonne of cement stood at ₹630 down 4.7% on yoy basis.

**Exhibit 4: Per tonne analysis**

Particulars (₹/tonne)	4QFY13	3QFY13	4QFY12	yoy chg (%)	qoq chg (%)
Net Realization/tonne	4,251	4,373	4,220	0.7	(2.8)
Net Plant Realization/tonne	3,250	3,359	3,465	(6.2)	(3.2)
Raw-Material Cost/tonne	559	588	558	0.1	(4.9)
Power and Fuel cost/tonne	1,229	1,232	1,220	0.8	(0.2)
Freight Cost/tonne	990	983	815	21.5	0.7
Other Cost/tonne	584	592	504	15.8	(1.4)
Operating Profit/tonne	600	794	803	(25.3)	(24.5)

Source: Company, Angel Research

ICEM's subsidiary, Trinetra Cement (Trinetra) posted an EBITDA of ₹30cr during the quarter. Trinetra posted a profit of ₹4cr for the first time during the quarter.

## Performance of other divisions

The company's IPL franchise, shipping business and the windmill division posted revenues of ₹0.3cr, ₹18.4cr and ₹0.7cr respectively during the quarter. On the operating front, the IPL franchise posted a loss of ₹1cr, while the windmill division and the shipping business reported an EBITDA of ₹0.7cr and ₹10cr respectively during the quarter.

## Recommendation rationale

**Pre-dominant presence in low growth Southern region :** About 93% of ICEM's consolidated total capacity is located in Tamil Nadu (TN), Andhra Pradesh (AP) and Rajasthan. The company has a pre-dominant presence in southern region which has been facing a problem of low growth and large capacity additions. Infact the company's main market is in Andhra Pradesh which is the worst affected in terms of demand over the last few years due to political uncertainty. For FY2013 the company's capacity utilization stood at a low 71.5%.

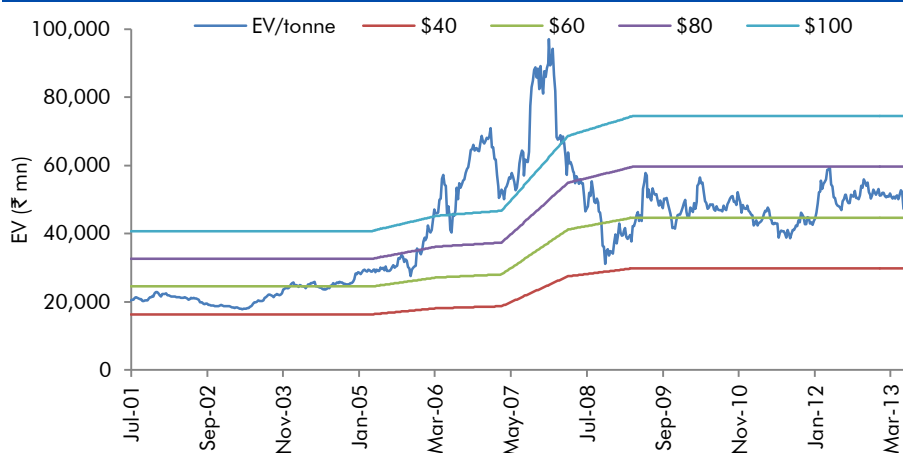
## Outlook and valuation

We expect ICEM's return ratios to remain subdued due to substantial investments in subsidiaries. At the current market price, though the stock is trading at a low valuation of EV/tonne of US\$64 on FY2015E capacity, we believe the same is justified considering the company's unfavorable locational presence. **Hence, we maintain our Neutral recommendation on the stock.**

### Exhibit 5: Change in estimates

(₹ cr)	FY2014E			FY2015E		
	Earlier	Revised	Var (%)	Earlier	Revised	Var (%)
Net Sales	4,777	4,929	3.2	5,276	5,434	3.0
Operating Exp	3,951	4,071	3.0	4,374	4,507	3.0
Operating Profit	826	859	3.9	902	927	2.8
Depreciation	296	294	(0.7)	311	307	(1.3)
Interest	301	334	10.7	284	315	11.2
PBT	400	405	1.3	492	496	0.9
Tax	130	132	1.3	160	161	0.8
PAT	270	273	1.3	332	335	0.9

Source: Company, Angel Research

**Exhibit 6: EV/tonne band**


Source: BSE, Company, Angel Research

**Exhibit 7: Recommendation summary**

Company	Reco	CMP (₹)	Tgt. Price (₹)	Upside (%)	FY2015E P/BV (x)	FY2015E P/E (x)	FY2013-15E EPS CAGR	FY2015E RoE (%)	EV/tonne <sup>^</sup> US \$
ACC*	Accum	1,243	1,361	9.5	2.6	13.6	10.6	20.0	116
Ambuja Cements*	Neutral	186	-	-	2.7	15.3	9.1	18.6	157
<b>India Cements</b>	<b>Neutral</b>	<b>70</b>	-	-	<b>0.6</b>	<b>6.5</b>	<b>35.1</b>	<b>9.0</b>	<b>59</b>
JK Lakshmi	Buy	102	143	39.8	0.7	4.6	13.9	15.8	38
Madras Cement	Neutral	249	-	-	1.7	8.8	24.6	21.3	92
Shree Cements	Neutral	4,978	-	-	3.1	13.5	15.2	25.4	164
UltraTech Cements	Neutral	2,007	-	-	2.7	16.8	9.3	17.3	191

Source: Company, Angel Research; Note: \*Y/E December; ^ Computed on TTM basis

## Company Background

India Cements is the largest cement company in south India, with a capacity of 14mtpa spread across four plants each in TN and AP and a plant at Parli in Maharashtra (1.1mtpa). It has also commissioned a plant of 1.5mtpa capacity at Banswara in Rajasthan through its subsidiary, Trinetra Cement, thereby taking its consolidated capacity to 15.6mtpa. The company has bought franchise rights of IPL team - Chennai Super Kings, for ten years in 2008 for US\$91mn.

**Profit and loss statement – standalone**

Y/E March (₹ cr)	FY2010	FY2011	FY2012	FY2013	FY2014E	FY2015E
<b>Total operating income</b>	<b>3,687</b>	<b>3,417</b>	<b>4,066</b>	<b>4,461</b>	<b>4,929</b>	<b>5,434</b>
% chg	9.8	(7.3)	19.0	9.7	10.5	10.2
<b>Total Expenditure</b>	<b>2,945</b>	<b>3,067</b>	<b>3,300</b>	<b>3,754</b>	<b>4,071</b>	<b>4,507</b>
Net Raw Materials	480	505	544	559	631	711
Other Mfg costs	999	1,020	1,094	1,255	1,257	1,383
Personnel	250	253	303	334	361	390
Other	1,215	1,289	1,359	1,606	1,822	2,024
<b>EBITDA</b>	<b>743</b>	<b>350</b>	<b>766</b>	<b>707</b>	<b>859</b>	<b>927</b>
% chg	(19.9)	(52.9)	118.9	(7.8)	21.5	8.0
(% of Net Sales)	20.1	10.2	18.8	15.8	17.4	17.1
Depreciation & amortization	233	244	251	282	294	307
<b>EBIT</b>	<b>509</b>	<b>106</b>	<b>515</b>	<b>425</b>	<b>564</b>	<b>621</b>
% chg	(29.7)	(79.2)	385.7	(17.5)	32.8	10.0
(% of Net Sales)	13.8	3.1	12.7	9.5	11.4	11.4
Interest & other charges	143	142	287	308	334	315
Other Income	121	98	157	155	175	191
(% of PBT)	22.8	108.5	41.1	61.5	43.1	38.5
<b>Recurring PBT</b>	<b>488</b>	<b>62</b>	<b>385</b>	<b>272</b>	<b>405</b>	<b>496</b>
% chg	(32.9)	(87.3)	522.5	(29.2)	48.7	22.6
Extraordinary expense/(inc.)	(44)	(28)	4	20	-	-
<b>PBT (reported)</b>	<b>531</b>	<b>90</b>	<b>381</b>	<b>252</b>	<b>405</b>	<b>496</b>
Tax	177	22	88	89	132	161
(% of PBT)	33.3	24.2	23.1	35.2	32.5	32.5
<b>PAT (reported)</b>	<b>354</b>	<b>68</b>	<b>293</b>	<b>164</b>	<b>273</b>	<b>335</b>
<b>ADJ. PAT</b>	<b>311</b>	<b>40</b>	<b>297</b>	<b>184</b>	<b>273</b>	<b>335</b>
% chg	(39.2)	(87.1)	641.1	(38.2)	49.0	22.6
(% of Net Sales)	8.4	1.2	7.3	4.1	5.5	6.2
<b>Basic EPS (₹)</b>	<b>10.1</b>	<b>1.3</b>	<b>9.7</b>	<b>6.0</b>	<b>8.9</b>	<b>10.9</b>
<b>Fully Diluted EPS (₹)</b>	<b>10.1</b>	<b>1.3</b>	<b>9.7</b>	<b>6.0</b>	<b>8.9</b>	<b>10.9</b>
% chg	(44.1)	(87.1)	641.1	(38.2)	49.0	22.6

Note: Some of the figures from FY2011 onwards are reclassified; hence not comparable with previous year numbers

**Balance sheet – standalone**

Y/E March (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E	FY2015E
<b>SOURCES OF FUNDS</b>						
Equity Share Capital	307	307	307	307	307	307
Reserves & Surplus	3,829	3,783	3,760	3,782	3,919	4,087
<b>Shareholders' Funds</b>	<b>4,136</b>	<b>4,090</b>	<b>4,068</b>	<b>4,090</b>	<b>4,226</b>	<b>4,394</b>
Total Loans	2,133	1,837	2,269	2,717	2,667	2,567
Deferred Tax Liability	269	274	325	330	330	330
Other Long term liab		195	160	160	160	160
Long term provisions		508	609	609	609	609
<b>Total Liabilities</b>	<b>6,538</b>	<b>6,904</b>	<b>7,430</b>	<b>7,906</b>	<b>7,992</b>	<b>8,060</b>
<b>APPLICATION OF FUNDS</b>						
Gross Block	5,710	5,928	6,502	6,802	7,102	7,402
Less: Acc. Depreciation	1,792	2,093	2,369	2,651	2,945	3,252
<b>Net Block</b>	<b>3,919</b>	<b>3,834</b>	<b>4,133</b>	<b>4,151</b>	<b>4,157</b>	<b>4,150</b>
Capital Work-in-Progress	703	288	145	330	280	230
<b>Investments</b>	<b>314</b>	<b>160</b>	<b>852</b>	<b>958</b>	<b>958</b>	<b>1,058</b>
Long term loans and adv.		2,537	1,916	1,916	1,916	1,916
<b>Current Assets</b>	<b>2,645</b>	<b>1,118</b>	<b>1,204</b>	<b>1,447</b>	<b>1,574</b>	<b>1,704</b>
Cash	54	33	3	5	41	58
Loans & Advances	1,869	334	465	481	481	481
Other	722	752	736	962	1,053	1,164
Current liabilities	1,042	1,035	820	897	893	998
<b>Net Current Assets</b>	<b>1,602</b>	<b>84</b>	<b>384</b>	<b>550</b>	<b>681</b>	<b>706</b>
Mis. Exp. not written off	-	-	-	-	-	-
<b>Total Assets</b>	<b>6,538</b>	<b>6,904</b>	<b>7,430</b>	<b>7,906</b>	<b>7,992</b>	<b>8,060</b>

**Cash flow statement - standalone**

Y/E March (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E	FY2015E
Profit before tax	531	90	381	252	405	496
Depreciation	233	244	251	282	294	307
Change in Working Capital	(644)	(204)	292	(165)	(95)	(7)
Less: Other income	121	98	157	155	175	191
Direct taxes paid	177	22	88	89	132	161
<b>Cash Flow from Operations</b>	<b>(177)</b>	<b>11</b>	<b>680</b>	<b>125</b>	<b>298</b>	<b>444</b>
(Inc)/ Dec in Fixed Assets	(195)	(553)	(431)	(485)	(250)	(250)
(Inc)/ Dec in Investments	(155)	154	(692)	(106)	-	(100)
Other income	121	98	157	155	175	191
<b>Cash Flow from Investing</b>	<b>(229)</b>	<b>(302)</b>	<b>(966)</b>	<b>(436)</b>	<b>(75)</b>	<b>(159)</b>
Issue of Equity	284	-	-	-	-	-
Inc/(Dec) in loans	145	323	432	449	(50)	(100)
Dividend Paid (Incl. Tax)	72	54	147	82	137	168
Others	(18)	(0)	29	55	-	-
<b>Cash Flow from Financing</b>	<b>375</b>	<b>270</b>	<b>256</b>	<b>312</b>	<b>(187)</b>	<b>(268)</b>
Inc/(Dec) in Cash	(31)	(21)	(30)	2	36	18
<b>Opening Cash balances</b>	<b>85</b>	<b>54</b>	<b>33</b>	<b>3</b>	<b>5</b>	<b>41</b>
<b>Closing Cash balances</b>	<b>54</b>	<b>33</b>	<b>3</b>	<b>5</b>	<b>41</b>	<b>58</b>



### Key ratios

Y/E March	FY2010	FY2011	FY2012	FY2013E	FY2014E	FY2015E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	7.0	54.0	7.3	11.8	7.9	6.5
P/CEPS	3.7	6.9	4.0	4.9	3.8	3.4
P/BV	0.6	0.6	0.6	0.6	0.6	0.6
Dividend yield (%)	3.3	2.5	6.8	3.8	6.3	7.7
EV/Sales	0.9	1.2	1.1	1.1	1.0	0.9
EV/EBITDA	4.7	11.3	6.0	6.9	5.6	5.1
EV / Total Assets	0.5	0.6	0.6	0.6	0.6	0.6
<b>Per Share Data (₹)</b>						
EPS (Basic)	10.1	1.3	9.7	6.0	8.9	10.9
EPS (fully diluted)	10.1	1.3	9.7	6.0	8.9	10.9
Cash EPS	19.1	10.2	17.7	14.5	18.5	20.9
DPS	2.3	1.7	4.8	2.7	4.5	5.5
Book Value	113.0	113.4	112.6	113.4	117.8	123.3
<b>Dupont Analysis (%)</b>						
EBIT margin	13.8	3.1	12.7	9.5	11.4	11.4
Tax retention ratio	66.7	75.8	76.9	64.8	67.5	67.5
Asset turnover (x)	0.6	0.5	0.6	0.6	0.6	0.7
ROIC (Post-tax)	5.5	1.2	5.5	3.6	4.8	5.3
Cost of Debt (Post Tax)	4.6	5.4	10.7	8.0	8.4	8.1
Leverage (x)	0.5	0.5	0.5	0.6	0.6	0.6
Operating ROE	6.0	(0.8)	2.9	0.9	2.5	3.5
<b>Returns (%)</b>						
ROCE (Pre-tax)	8.2	1.6	7.2	5.5	7.1	7.7
Angel ROIC (Pre-tax)	9.6	1.7	7.4	5.7	7.4	8.0
ROE	9.7	1.2	8.6	5.3	7.7	9.0
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	0.7	0.6	0.7	0.7	0.7	0.7
Inventory / Sales (days)	40	50	46	42	38	38
Receivables (days)	30	27	21	28	36	36
Payables (days)	136	124	103	84	80	77
WC cycle (ex-cash) (days)	121	85	19	38	44	43
<b>Solvency ratios (x)</b>						
Net debt to equity	0.5	0.4	0.6	0.7	0.6	0.6
Net debt to EBITDA	2.8	5.1	3.0	3.8	3.1	2.7
Interest Coverage (EBIT / Int.)	3.6	0.7	1.8	1.4	1.7	2.0

Research Team Tel: 022 - 39357800

 E-mail: [research@angelbroking.com](mailto:research@angelbroking.com)

 Website: [www.angelbroking.com](http://www.angelbroking.com)

## DISCLAIMER

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Angel Broking Limited, its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. The views contained in this document are those of the analyst, and the company may or may not subscribe to all the views expressed within.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavours to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Angel Broking Limited and its affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

**Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Limited and its affiliates may have investment positions in the stocks recommended in this report.**

Disclosure of Interest Statement	India Cements
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

<b>Ratings (Returns):</b>	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
---------------------------	-------------------------------------	---	--------------------