



NEUTRAL

Price	Rs142
Target Price	-
Investment Period	-

Stock Info

Sector	Cement
Market Cap (Rs cr)	4,005
Beta	0.9
52 WK High / Low	180/69
Avg. Daily Volume	316098
Face Value (Rs)	10
BSE Sensex	15,231
Nifty	4,524
BSE Code	530005
NSE Code	INDIACEM
Reuters Code	ICMN.BO
Bloomberg Code	ICEM@IN

Shareholding Pattern (%)

Promoters	28.0
MF/Banks/Indian FIs	36.0
FII/ NRIs/ OCBs	28.3
Indian Public/others	7.7

Abs.	3m	1yr	3yr
Sensex (%)	36.8	1.9	51.0
India Cem (%)	17.2	(4.2)	(15.9)

Pawan Burde

Tel: 022 – 4040 3800 Ext: 348
e-mail: pawan.burde@angeltrade.com

Laxmikant Waghmare

Tel: 022 – 4040 3800 Ext: 313
e-mail: laxmikant.w@angeltrade.com

Performance Highlights

- Top-line grows in line by 10%:** India Cements posted 10.1% yoy growth in Top-line to Rs953cr (Rs866cr) for 1QFY2010, which was in line with our expectation. Top-line growth came mainly on the back of higher cement realisations and higher volumes during the quarter. Cement realisation was higher by 6.7% yoy to Rs3,677/tonne (Rs3,446/tonne). Cement and clinker sales volumes were up by 3.9% yoy to 2.46mn tonnes (2.37mn tonnes). During the quarter, India Cements also posted Revenues of Rs13.5cr (Rs19.1cr) and Rs3.0cr (Rs3.6cr) from its Freight and Wind Power business, respectively.
- Margins declined on higher costs:** On the Operating front, the company reported a decline in Margins by 470bp to 30.0% (34.7%) primarily due to the increase in Power costs, Employee costs and other expenses, which increased by 24%, 15% and 35% yoy respectively, during the quarter. EBIDTA/tonne during the quarter declined to Rs1,164/tonne (Rs1,269/tonne).
- Bottom-line flat and below estimates:** Despite the decent growth in Top-line, the company's Net Profit came almost flat yoy at Rs144cr (Rs142cr) mainly on account of the Margin erosion by 470bp. Higher Depreciation and Interest costs during the quarter also impacted Bottom-line growth. Interest and Depreciation costs were higher by 67% and 16% yoy at Rs38.5cr and Rs57.1cr respectively, during the quarter. However, foreign exchange translation gains of Rs21 as against loss of Rs22cr during 1QFY2009, supported the Profit.

Key Financials (Standalone)

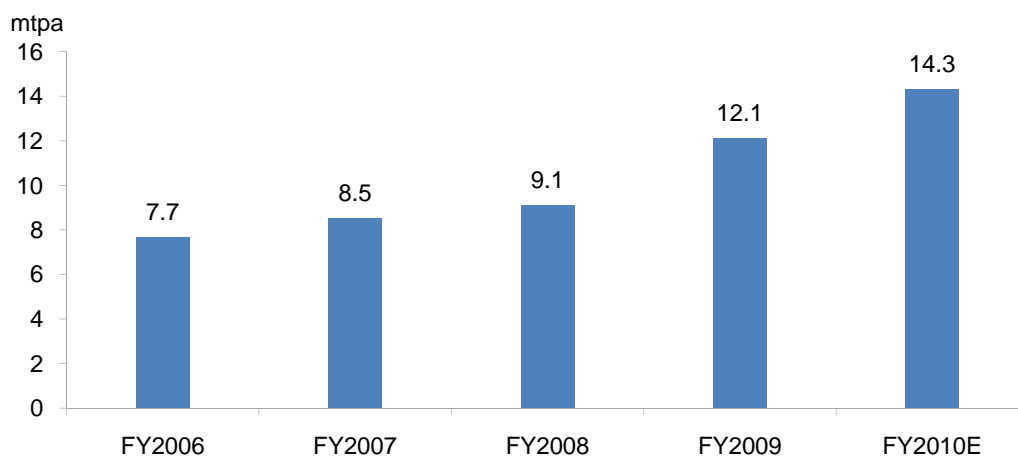
Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
Net Sales	3,058	3,427	3,815	4,165
% chg	35.6	12.1	11.3	9.2
Net Profit	638	432	533	519
% chg	33.1	(32.2)	23.3	(2.6)
OPM (%)	35.7	29.1	29.2	26.3
FDEPS (Rs)	22.1	15.3	18.9	18.4
P/E (x)	6.4	9.3	7.5	7.7
P/BV (x)	1.2	1.1	1.0	0.9
RoE (%)	23.1	12.3	13.5	11.7
RoCE (%)	14.7	9.2	10.4	9.3
EV/Sales (x)	1.8	1.6	1.3	1.2
EV/tonne (US \$/t)	146	84	77	73
EV/EBITDA (x)	5.0	5.4	4.5	4.4

Source: Company, Angel Research

Capacity expansions well on track

The new grinding unit with a capacity of 1mn tonnes at Chennai was completed in August 2008 and is now operational. Upgradation of the company's other units, viz. enhancement of line I capacity at Vishnupuram was completed in March 2009, addition of 1.2mn tonnes capacity in Malkapur is also complete and an additional 1mn tonne grinding unit at Parli in Maharashtra was also completed in April 2009. Apart from the brown-field expansions, the company is also setting up a 1.5mtpa green-field plant at Rajasthan for which work orders have been released.

Exhibit 1: Capacity ramp up



Source: Company, Angel Research

Outlook and Valuation

We expect the domestic Cement Industry to witness substantial bunching up of capacities over the next couple of years. As per the announced capacity additions plans, around 85mn tonnes of cement capacity is expected to come on-stream going ahead. However, assuming 20% slippage due to delays in equipment procurement, land acquisitions, fund raising plans, etc. such huge capacity addition (70mn tonnes) is bound to create an oversupply situation and exert pressure on the cement prices.

At the CMP of Rs142, India Cements is trading at an EV/EBIDTA of 4.5x and 4.4x FY2010E and FY2011E EBIDTA and EV/tonne of US \$77/tonne and US \$73/tonne on FY2010E and FY2011E capacities, respectively. We believe that owing to the imminent downturn in the cement cycle on account of the bunching of substantial capacity and concerns of falling prices, India Cements at current valuations, which is at 40% discount (US \$73/tonne on FY2011 capacity) to its Replacement cost is fairly valued. **Hence, we remain Neutral on the stock.**

Exhibit 2: 1QFY2010 Performance (Standalone)

Y/E March (Rs cr)	1QFY2010	1QFY2009	% chg	FY2009	FY2008	% chg
Net Sales	953	866	10.1	3,427	3,058	12.1
Cons of Raw Material	84.4	84.2	0.2	356.5	282.6	26.1
(% of Net Sales)	8.9	9.7		10.4	9.2	
Power& Fuel	243.8	197.5	23.4	891.6	690.7	29.1
(% of Net Sales)	25.6	22.8		26.0	22.6	
Staff Costs	51.6	44.9	15.1	198.3	187.7	5.6
(% of Net Sales)	5.4	5.2		5.8	6.1	
Freight & Forwarding	130.8	122.8	6.5	486.0	460.0	5.6
(% of Net Sales)	13.7	14.2		14.2	15.0	
Other expenses	156.6	115.8	35.2	498.2	343.7	44.9
(% of Net Sales)	16.4	13.4		14.5	11.2	
Total Expenditure	667	565	18.1	2,431	1,965	23.7
Operating Profit	286.3	300.5	(4.7)	996.2	1,093	(8.8)
OPM (%)	30.0	34.7		29.1	35.7	
Interest	38.5	23.0	67.2	112.2	109.9	2.1
Depreciation	57.1	49.0	16.4	203.3	127.9	58.9
Other Income	6.8	10.7	(36.8)	47.0	27.5	70.8
Exceptional Items	21.0	(21.8)		(79.4)	(38.0)	
Profit Before Tax	218.5	217.5	0.5	648.3	844.6	(23.2)
Current Tax	74.3	75.4	(1.4)	216.1	207.1	4.4
(% of PBT)	34.0	34.7		33.3	24.5	
Profit After Tax	144.3	142.1	1.5	432.2	637.5	(32.2)
(% of Net Sales)	15.1	16.4		12.6	20.9	
FDEPS (Rs)	5.1	5.0	1.4	15.3	22.1	(30.6)

Source: Company, Angel Research



Research Team: Tel: 4040 3800

E-mail: research@angeltrade.com

Website: www.angeltrade.com

DISCLAIMER: This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

Opinion expressed is our current opinion as of the date appearing on this material only. While we endeavor 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. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

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 and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of 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. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions - futures, options and other derivatives as well as non-investment grade securities - involve substantial risks and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement 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.

We do not undertake to advise you as to any change of our views expressed in this document. While we would endeavor to update the information herein on a reasonable basis, Angel Broking, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent Angel Broking and affiliates from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

Angel Broking Limited and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions.

Angel Broking Limited and 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.

Sebi Registration No : INB 010996539

Ratings (Returns) : Buy (Upside > 15%)
Reduce (Downside upto 15%)

Accumulate (Upside upto 15%)
Sell (Downside > 15%)

Neutral (5 to -5%)