

ICICI Securities Limited  
is the author and  
distributor of this report

# Ambuja Cements

BUY

Maintained

AR analysis – Focus on completion of expansion **Rs157**

**Key takeaways from Ambuja Cements' (ACEM) CY19 annual report include: i) company has increased focus on cost efficiencies and value-added products (VAP); synergies from MSA with ACC is expected to increase in CY20-CY21E; ii) company is aiming to complete Marwah Mundra expansion projects by CY20-end; volume growth / profitability to pick up from CY21E; iii) EBITDA to OCF conversion stood strong at 133% in (vs 45% in CY18); net cash increased by Rs13.7bn in CY19 to Rs46.6bn. Post recent 25% correction, the stock is trading at an attractive valuation of 6.3x CY21E EV/E and US\$60/te (for consolidated ~71mnte capacity) – more than 40% discount to past 10-year average. Maintain BUY with a target price of Rs205/share (9x Mar'22E EV/E).**

► **Capex to improve cost efficiencies:** ACEM plans to set up WHRS plants at Darlaghat and Bhatpara (19.5MW at each location) at capex of Rs3.8bn, which are expected to be commissioned by Q2CY21. Subsequently, ACEM is looking to set up WHRS plants at Maratha and Ambujanagar and also solar plants totalling 40MW. Railway sidings project at capex of Rs2.1bn at Rabriyawas, Rajasthan, and underground mining at the auctioned Gare-Palma coal block (at Rs3.6bn capex) are expected to be complete by H1CY20. The group has also likely achieved savings of Rs40mn-50mn p.m. (to be shared between ACC and ACEM) under MSA and can double the same over CY20-CY21E. Management is targeting to increase VAP volumes to 15% of trade sales (vs ~10% now) in coming years.

► **Realisation grew by a healthy 4.4% in CY19** mainly owing to sharp price increases in North and Gujarat regions. This resulted in 14% YoY increase in EBITDA despite 1% YoY decline in volumes. Government incentives declined 11% YoY to Rs2.1bn (Rs86/te) while incentive receivables rose Rs1.7bn to Rs5bn in CY19. With expiry of all major incentives from Mar'20, incentive income would almost cease.

► **Targeting to complete 3.1mnte greenfield clinkerisation plant at Marwar Mundwa** in Rajasthan, cement grinding capacity of 1.8mnte and WHRS at a total capex of Rs23.5bn by Dec'20. 40% of civil work has been completed and mechanical erection commenced in Q1CY20. This will take total cement capacity to ~32mnte, strengthen the company's position in the core markets of North and Gujarat and aid volume growth / profitability from CY21E. ACEM has paid ~Rs1bn towards purchase of fixed assets to parent Holcim during CY19.

► **EBITDA to OCF conversion stood at 133% in CY19 (vs 45% in CY18):** Net cash increased by Rs13.7bn in CY19 to Rs46.6bn as the company generated FCF of Rs16.9bn post capex of Rs11bn and dividend payment of Rs3.3bn. Post recent 25% correction, the stock trades at an attractive valuation of 6.3x CY21E EV/E and US\$60/te (for consolidated ~71mnte capacity) – more than 40% discount to past 10-year average.

CY19 annual report  
analysis

## Cement

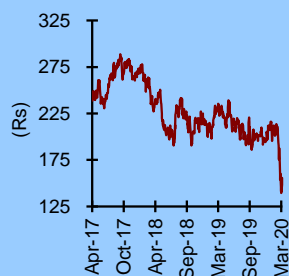
Target price Rs205

### Shareholding pattern

	Jun '19	Sep '19	Dec '19
Promoters	63.5	63.4	63.4
Institutional investors	28.9	29.7	29.7
MFs and others	4.5	4.8	5.5
FIs/Bank/Ins	6.7	7.9	7.8
FPI	17.7	17.0	16.4
Others	7.6	6.9	6.9

Source: NSE

### Price chart



### Research Analysts:

Krupal Maniar, CFA

krupal.maniar@icicisecurities.com

+91 22 6637 7254

Dharmesh Shah

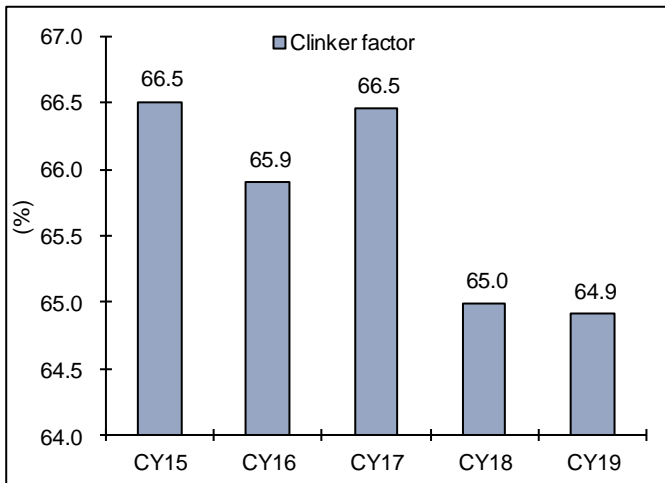
shah.dharmesh@icicisecurities.com

+91 22 6637 7480

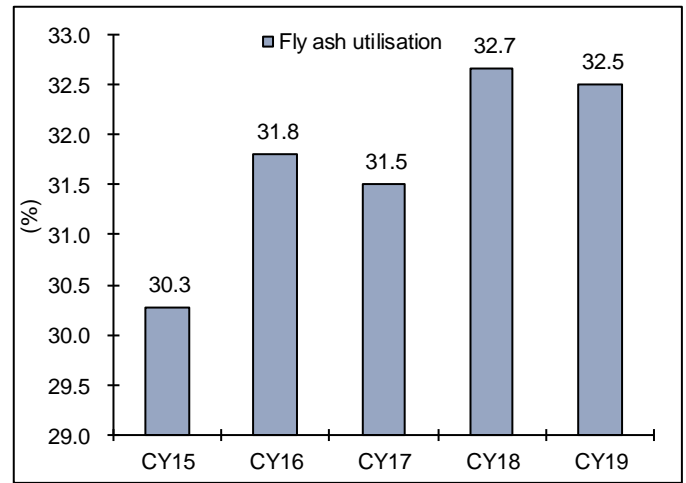
Market Cap	Rs312bn/US\$4.0bn
Reuters/Bloomberg	ABUJ.BO/ACEM IN
Shares Outstanding (mn)	1,985.6
52-week Range (Rs)	239/136
Free Float (%)	38.6
FII (%)	16.4
Daily Volume (US\$'000)	9,626
Absolute Return 3m (%)	(24.8)
Absolute Return 12m (%)	(32.5)
Sensex Return 3m (%)	(32.7)
Sensex Return 12m (%)	(29.4)

Year to Dec	CY18	CY19	CY20E	CY21E
Revenue (Rs mn)	260,409	2,71,036	2,53,814	2,92,634
EBITDA (Rs mn)	40,108	45,970	40,388	49,042
Net Income (Rs)	13,687	18,407	17,626	21,424
% Chg YoY	(4.8)	34.5	(4.2)	21.5
P/E (x)	22.2	16.5	17.2	14.2
CEPS (Rs)	12.7	15.1	14.8	17.3
EV/E (x)	8.2	6.5	7.5	6.3
Dividend Yield	1.0	1.0	0.8	0.9
RoCE (%)	6.6	8.0	7.3	8.3
RoE (%)	6.4	7.9	7.1	8.1

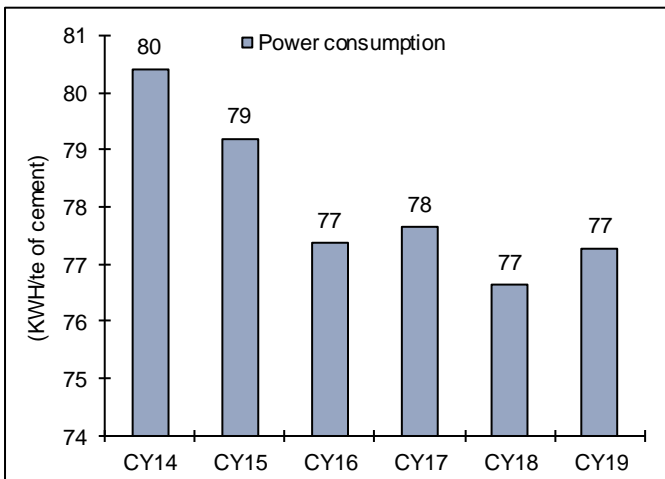
**Chart 1: Clinker factor improved marginally YoY in CY19**



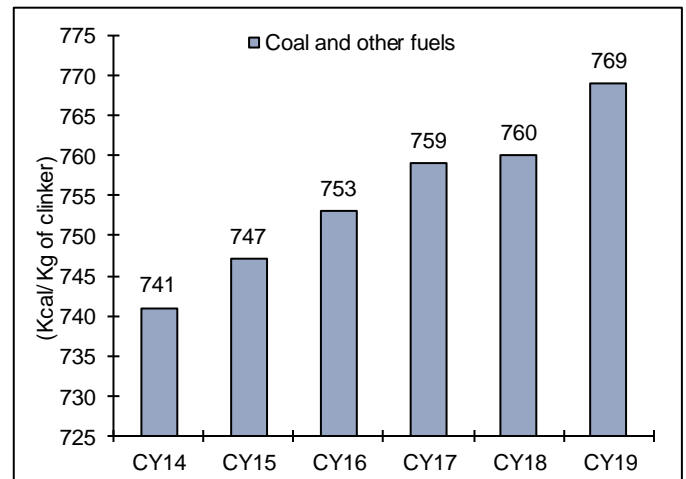
**Chart 2: Fly ash utilisation broadly flat YoY in CY19**



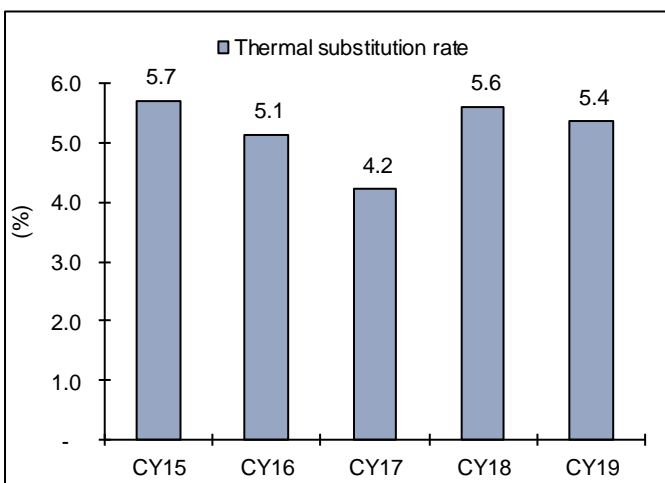
**Chart 3: Power consumptions broadly stood flat YoY...**



**Chart 4: ...while fuel consumption has increased**

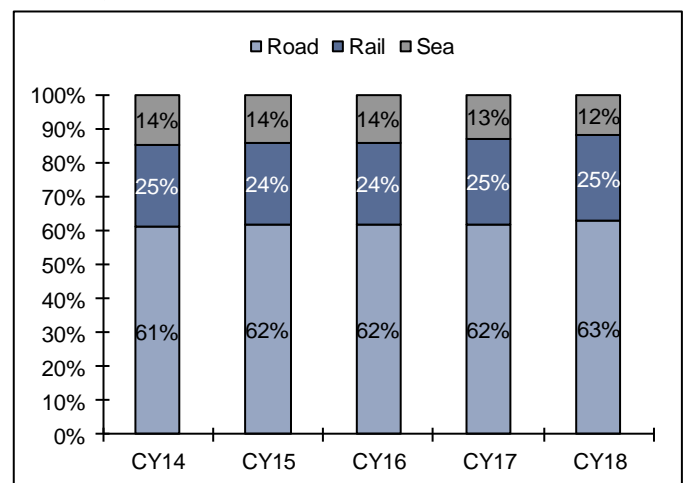


**Chart 5: AFR usage remained at >5% in CY19**



Source: Company data, I-Sec research

**Chart 6: Share of road despatches has increased steadily**



Source: Company data, I-Sec research

**Chart 7: ACEM launched 14 new products and services in CY19**



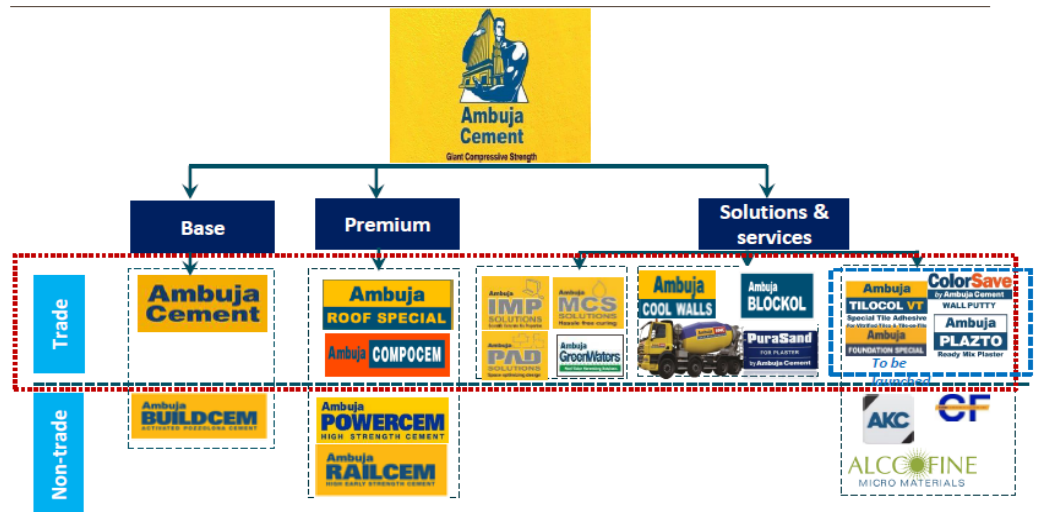
Source: Company data, I-Sec research

**Chart 8: Launch of Ambuja RMC in Chandigarh on 26th Jun'19**



Source: Company data, I-Sec research

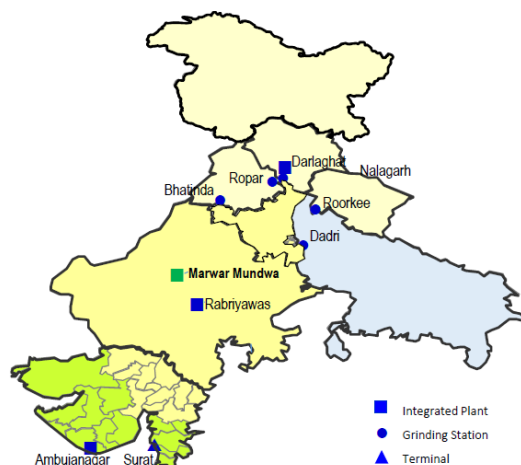
**Chart 9: ACEM products and solutions**



Source: Company data, I-Sec research

- ▶ **ACEM launched 14 new products and services in CY19.** It includes eight types of RMC and plaster applications based products, five décor leakage-proofing and tile adhesive application based solution products, and one PPC cement product (*Ambuja Kawach*) with high strength and water-shielding properties. Management is targeting to increase VAP volumes to 15% of trade sales (vs currently ~10%) in coming years.

**Chart 10: Greenfield plant (Marwar Mundwa) will cater to North and West regions**



#### Capacity

- Clinkerisation 9,500 te Per Day
- Cement Grinding 1.8mnte
- 15 MW Waste Heat Recovery System

Source: Company data, I-Sec research

**Table 1: ACEM generated strong standalone FCF of Rs17bn in CY19**

(Rs mn)	CY18	CY19	% YoY
Operating Cash flow	11,372	20,405	79.4
Working Capital changes	(6,166)	3,877	NA
Capital Commitments	(5,936)	(11,114)	87.2
Investing Activities	3,393	3,734	10.1
<b>Net Operating FCF</b>	<b>2,663</b>	<b>16,902</b>	<b>534.8</b>
Inc(Dec) in Borrowings	216	-	NA
Dividend paid	(4,498)	(3,320)	(26.2)
Others	12	11	(8.6)
<b>Change in Cash &amp; Bank</b>	<b>(1,608)</b>	<b>13,592</b>	<b>NA</b>

Source: Company data, I-Sec research

**Table 2: Standalone EBITDA to OCF conversion stood at >100% in CY19**

(Rs mn)	CY18	CY19	% YoY
OCF before w/cap changes	18,135	21,771	20.0
W/cap changes	(6,166)	3,877	NA
Taxes paid	(6,250)	(808)	(87.1)
<b>OCF</b>	<b>5,719</b>	<b>24,840</b>	<b>334.4</b>
EBITDA	18,915	21,489	13.6
<b>EBITDA:OCF</b>	<b>30%</b>	<b>116%</b>	
Interest	(513)	(558)	8.8
Other income	3,391	4,265	25.8
<b>EBITDA:OCF (post int./OI)</b>	<b>45%</b>	<b>133%</b>	

**Table 3: Performance trend and assumptions for estimates (standalone)**

(mnte)	CY16	CY17	CY18	CY19	CY20E	CY21E
Capacity	29.7	29.7	29.7	29.7	29.7	31.5
Production	21.2	23.0	24.2	24.0	22.5	26.0
Capacity utilisation (%)	77	82	87	86	81	83
Volume (incl clinker)	21.6	23.0	24.3	24.1	22.6	26.1
Growth (%)	(1.1)	6.7	5.4	(0.8)	(6.0)	15.4
Realisation (Rs/te)	4,257	4,455	4,525	4,719	4,744	4,810
Growth (%)	(0.5)	4.7	1.6	4.3	0.5	1.4

Source: Company data, I-Sec research; Financials from CY17 based on Ind-AS

**Table 4: Per-tonne analysis (standalone)**

(Rs/te)	CY16	CY17	CY18	CY19	CY20E	CY21E
<b>Net sales</b>	<b>4,249</b>	<b>4,455</b>	<b>4,525</b>	<b>4,719</b>	<b>4,744</b>	<b>4,810</b>
Raw material consumed	616	655	696	755	782	795
Power & Fuel costs	850	970	1,051	1,075	1,066	1,087
Freight costs	877	961	1,044	998	972	987
Other expenses	1,176	1,134	1,111	1,128	1,159	1,112
<b>Total operating expenses</b>	<b>3,518</b>	<b>3,721</b>	<b>3,902</b>	<b>3,956</b>	<b>3,979</b>	<b>3,981</b>
Other operating income	50	89	157	131	53	44
<b>EBITDA</b>	<b>780</b>	<b>824</b>	<b>780</b>	<b>893</b>	<b>818</b>	<b>872</b>

Source: Company data, I-Sec research; Financials from CY17 based on Ind-AS

**Table 5: SoTP-based valuation (standalone) based on 9x Mar'22 EV/E**

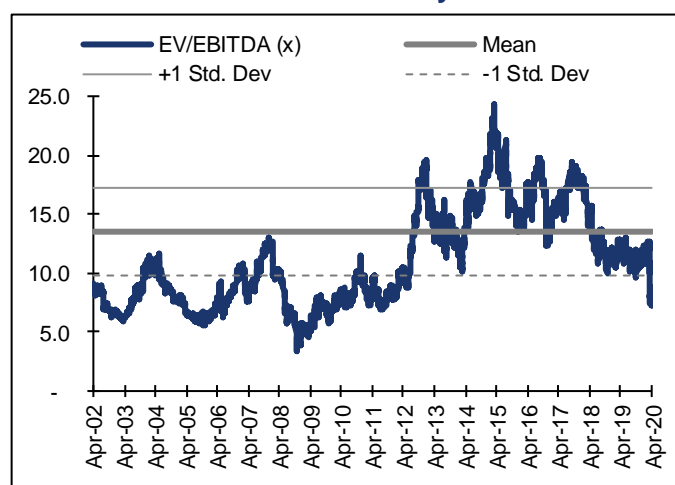
(Rs mn)	
Target EV/ EBITDA multiple (x)	9
Target EV (Rs mn)	2,10,987
Net debt / (cash) (Rs mn)	(53,770)
Target value (Rs mn)	2,64,757
No. of shares (mn)	1,986
<b>Target price per share (Rs) for core ACEM</b>	<b>133</b>
<b>Proportionate 50% stake in ACC - per share</b>	<b>72</b>
<b>Target price per share (Rs)</b>	<b>205</b>

Source: I-Sec research

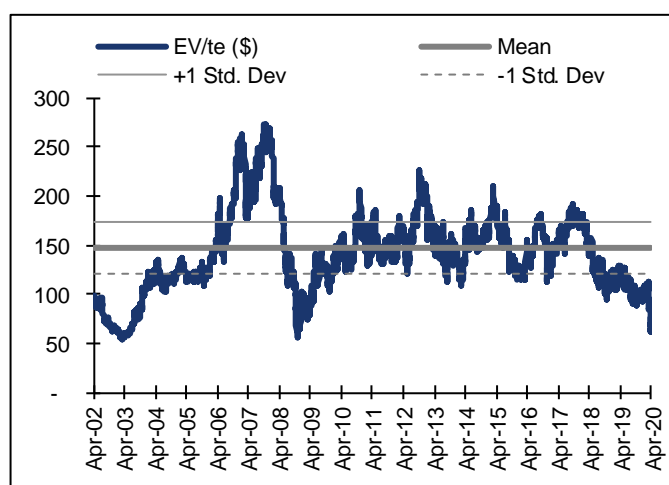
**Table 6: SoTP-based valuation (consolidated) based on 9x Mar'22 EV/E**

(Rs mn)	
Target multiple	9
Target EV	4,61,687
Add: Net cash	(87,406)
Target equity value	5,49,093
<b>Target equity value/ share</b>	<b>277</b>
<b>Less: Minority interest in ACC at our target price</b>	<b>72</b>
<b>Target price per share (Rs)</b>	<b>205</b>

Source: I-Sec research

**Chart 11: EV/EBITDA at near 10-year low**

Source: I-Sec research

**Chart 12: EV/te at all-time low**

## Financial summary (standalone)

Table 7: Profit and loss statement

(Rs mn, year ending December 31)

	CY18	CY19	CY20E	CY21E
<b>Operating Income (Sales)</b>	<b>1,09,770</b>	<b>1,13,530</b>	<b>1,07,323</b>	<b>1,25,593</b>
Other operating income	3,798	3,149	1,197	1,137
<b>Operating Expenses</b>	<b>94,653</b>	<b>95,190</b>	<b>90,016</b>	<b>1,03,970</b>
<b>EBITDA</b>	<b>18,915</b>	<b>21,489</b>	<b>18,504</b>	<b>22,760</b>
% margin	16.7	18.4	17.1	18.0
Depreciation & Amortisation	5,481	5,438	5,389	6,394
Gross Interest	823	835	851	861
Other Income	3,391	4,265	4,501	4,506
<b>Recurring PBT</b>	<b>16,002</b>	<b>19,480</b>	<b>16,765</b>	<b>20,012</b>
Add: Extraordinaries	3,229	1,549	-	-
Less: Taxes	4,361	5,743	4,275	5,103
- Current tax	5,230	6,246	4,221	5,048
- Deferred tax	(869)	(502)	54	55
<b>Net Income (Reported)</b>	<b>14,870</b>	<b>15,285</b>	<b>12,490</b>	<b>14,909</b>
<b>Recurring Net Income</b>	<b>11,641</b>	<b>13,737</b>	<b>12,490</b>	<b>14,909</b>

Source: Company data, I-Sec research

Table 8: Balance sheet

(Rs mn, year ending December 31)

	CY18	CY19	CY20E	CY21E
<b>Assets</b>				
Total Current Assets	43,736	55,549	53,631	59,107
Current Liab. & Prov.	37,623	45,342	45,775	48,057
<b>Net Current Assets</b>	<b>6,113</b>	<b>10,207</b>	<b>7,857</b>	<b>11,050</b>
<b>Investments of which</b>	<b>1,45,394</b>	<b>1,45,147</b>	<b>1,45,147</b>	<b>1,45,147</b>
Strategic/Group	1,18,138	1,17,890	1,17,890	1,17,890
Marketable	27,257	27,257	27,257	27,257
<b>Net Fixed Assets*</b>	<b>62,736</b>	<b>69,212</b>	<b>81,794</b>	<b>90,756</b>
of which				
Capital Work-in-Progress	6,100	11,087	1,109	1,164
<b>Total Assets</b>	<b>2,14,244</b>	<b>2,24,565</b>	<b>2,34,798</b>	<b>2,46,953</b>
of which cash & cash equi.	33,300	46,995	42,293	43,073
<b>Liabilities</b>				
<b>Borrowings</b>	<b>397</b>	<b>353</b>	<b>353</b>	<b>353</b>
<b>Deferred Tax Liability</b>	<b>3,722</b>	<b>2,161</b>	<b>2,215</b>	<b>2,270</b>
Equity Share Capital	3,971	3,971	3,971	3,971
Face value per share (Rs)	2	2	2	2
Reserves & Surplus	2,06,154	2,18,081	2,28,259	2,40,359
Less: Misc. Exp	-	-	-	-
<b>Net Worth</b>	<b>2,10,125</b>	<b>2,22,052</b>	<b>2,32,230</b>	<b>2,44,330</b>
<b>Total Liabilities</b>	<b>2,14,244</b>	<b>2,24,565</b>	<b>2,34,798</b>	<b>2,46,953</b>

Source: Company data, I-Sec research

Table 9: Quarterly trend

(Rs mn, year ending December 31)

	Mar-19	Jun-19	Sep-19	Dec-19
Net sales	28,470	29,120	25,560	30,380
% growth (YoY)	3.0	(0.5)	1.3	9.9
Recurring EBITDA	4,633	6,984	4,398	5,474
Margin (%)	16.3	24.0	17.2	18.0
Other income	1,886	580	628	656
Extraordinaries Inc / (Loss)	-	-	-	-
<b>Recurring Net Income</b>	<b>3,754</b>	<b>4,121</b>	<b>2,346</b>	<b>3,516</b>

Source: Company data

Table 10: Cashflow statement

(Rs mn, year ending December 31)

	CY18	CY19	CY20E	CY21E
<b>Operating Cashflow</b>	<b>11,372</b>	<b>20,405</b>	<b>13,643</b>	<b>17,009</b>
Working Capital changes	(6,166)	3,877	(2,562)	(2,570)
Capital Commitments	(5,936)	(11,114)	(17,972)	(15,355)
<b>Net Operating FCF</b>	<b>(730)</b>	<b>13,168</b>	<b>(6,891)</b>	<b>(917)</b>
<b>Investing Activities</b>	<b>3,393</b>	<b>3,734</b>	<b>4,501</b>	<b>4,506</b>
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc(Dec) in Borrowings	216	-	-	-
Dividend paid	(4,498)	(3,320)	(2,311)	(2,809)
Others	12	11	(0)	0
Extraordinary Items	-	-	-	-
<b>Chg. in Cash &amp; Bank</b>	<b>(1,608)</b>	<b>13,592</b>	<b>(4,701)</b>	<b>779</b>

Source: Company data, I-Sec research

Table 11: Key ratios

(Year ending December 31)

	CY18	CY19	CY20E	CY21E
<b>Per Share Data (Rs)</b>				
EPS(Basic)	7.5	7.7	6.3	7.5
Diluted Recurring EPS	5.9	6.9	6.3	7.5
Diluted Recurring CEPS	8.6	9.7	9.0	10.7
Dividend per share	1.5	1.5	1.2	1.4
Book Value	46	52	58	64
<b>Growth Ratios (% YoY)</b>				
Operating Income	8.6	2.7	(7.0)	16.8
EBITDA	(0.2)	13.6	(13.9)	23.0
Recurring Net Income	(3.4)	18.0	(9.1)	19.4
Diluted Recurring EPS	(3.4)	18.0	(9.1)	19.4
Diluted Recurring CEPS	(3.7)	12.0	(6.8)	19.1
<b>Valuation Ratios (x)</b>				
P/E	26.1	22.1	24.3	20.4
P/CEPS	17.7	15.8	17.0	14.3
P/BV	3.3	2.9	2.7	2.4
EV / EBITDA	9.5	7.7	9.2	7.6
EV / te (US\$)	82	75	78	74
EV / Operating Income	2.4	2.2	2.4	2.1
EV / Operating FCF	28.7	6.9	15.4	18.1
<b>Operating Ratios (%)</b>				
Raw Material / Sales	26	27	27	27
Other expenses / Sales	60	57	57	56
Other Income / PBT	21	22	27	23
Effective Tax Rate	27	29	26	26
NWC / Total Assets	0.0	(0.0)	(0.0)	(0)
Inventory (x)	5.1	5.5	5.8	6
Receivables (days)	13	16	17	16
Payable (days)	42	39	36	32
D/E Ratio (x)	(0.1)	(0.2)	(0.2)	(0.2)
<b>Profitability Ratios (%)</b>				
Rec. Net Income Margins	10.0	11.4	11.1	11.4
RoCE	11.9	12.8	10.6	11.6
RoNW	11.8	12.7	10.2	11.3
Dividend Payout	25.6	21.7	18.5	18.8

Source: Company data, I-Sec research

## Financial summary (consolidated)

Table 12: Profit and loss statement

(Rs mn, year ending December 31)

	CY18	CY19	CY20E	CY21E
<b>Operating Income (Sales)</b>	<b>2,60,409</b>	<b>2,71,036</b>	<b>2,53,814</b>	<b>2,92,634</b>
<b>Operating Expenses</b>	<b>2,20,302</b>	<b>2,25,066</b>	<b>2,13,426</b>	<b>2,43,593</b>
<b>EBITDA</b>	<b>40,108</b>	<b>45,970</b>	<b>40,388</b>	<b>49,042</b>
% margin	15.4	17.0	15.9	16.8
Depreciation & Amortisation	11,539	11,525	11,743	12,908
Gross Interest	1,705	1,699	1,757	1,785
Other Income	3,356	4,813	5,613	5,518
<b>Recurring PBT</b>	<b>30,219</b>	<b>37,559</b>	<b>32,669</b>	<b>40,051</b>
Add: Extraordinaries	8,095	2,543	-	-
Less: Taxes	8,704	12,470	8,925	10,854
- Current tax	9,886	13,163	8,527	10,373
- Deferred tax	(1,182)	(693)	398	481
Less: Minority interest	7,953	6,882	6,286	7,774
<b>Net Income (Reported)</b>	<b>21,782</b>	<b>20,950</b>	<b>17,626</b>	<b>21,424</b>
<b>Recurring Net Income</b>	<b>13,687</b>	<b>18,407</b>	<b>17,626</b>	<b>21,424</b>

Source: Company data, I-Sec research

Table 13: Balance sheet

(Rs mn, year ending December 31)

	CY18	CY19	CY20E	CY21E
<b>Assets</b>				
Total Current Assets	1,00,888	1,07,591	1,25,725	1,29,965
Current Liab. & Prov.	85,841	93,956	97,145	1,03,481
<b>Net Current Assets</b>	<b>15,047</b>	<b>13,636</b>	<b>28,580</b>	<b>26,484</b>
<b>Investments of which</b>	<b>55,962</b>	<b>71,633</b>	<b>55,644</b>	<b>55,644</b>
Strategic/Group	1,332	1,459	1,015	1,015
Marketable	54,630	70,174	54,630	54,630
<b>Net Fixed Assets*</b>	<b>1,37,742</b>	<b>1,43,743</b>	<b>1,65,606</b>	<b>1,92,719</b>
of which				
Capital Work-in-Progress	10,082	15,544	10,902	3,123
<b>Goodwill</b>	<b>78,815</b>	<b>78,815</b>	<b>78,815</b>	<b>78,815</b>
<b>Total Assets</b>	<b>2,87,566</b>	<b>3,07,826</b>	<b>3,28,646</b>	<b>3,53,662</b>
of which cash & cash equi.	64,393	93,583	90,925	85,213
<b>Liabilities</b>				
<b>Borrowings</b>	<b>397</b>	<b>353</b>	<b>353</b>	<b>353</b>
<b>Deferred Tax Liability</b>	<b>11,153</b>	<b>9,326</b>	<b>8,903</b>	<b>9,092</b>
Minority Interest	52,312	57,368	63,295	69,508
Equity Share Capital	3,971	3,971	3,971	3,971
Face value per share (Rs)	2	2	2	2
Reserves & Surplus	2,19,734	2,36,809	2,52,124	2,70,738
Less: Misc. Exp	-	-	-	-
<b>Net Worth</b>	<b>2,23,705</b>	<b>2,40,780</b>	<b>2,56,095</b>	<b>2,74,709</b>
<b>Total Liabilities</b>	<b>2,87,566</b>	<b>3,07,826</b>	<b>3,28,646</b>	<b>3,53,662</b>

Source: Company data, I-Sec research

Table 14: Quarterly trend

(Rs mn, year ending December 31)

	Mar-19	Jun-19	Sep-19	Dec-19
Net sales	66,940	69,250	59,570	69,630
% growth (YoY)	6.0	3.6	1.4	6.4
Recurring EBITDA	9,970	14,839	9,989	11,173
Margin (%)	14.9	21.4	16.8	16.0
Other income	1,115	1,104	1,125	952
Extraordinary Inc / (Loss)	1,511	-	-	-
Recurring Net Income	3,444	6,229	3,851	4,883

Table 15: Cashflow statement

(Rs mn, year ending December 31)

	CY18	CY19	CY20E	CY21E
<b>Operating Cashflow</b>	<b>26,373</b>	<b>39,745</b>	<b>25,900</b>	<b>29,664</b>
Working Capital changes	(10,261)	6,512	(3,899)	(3,985)
Capital Commitments	(10,918)	(16,070)	(33,066)	(40,020)
<b>Net Operating FCF</b>	<b>5,194</b>	<b>30,186</b>	<b>(11,066)</b>	<b>(14,342)</b>
<b>Investing Activities</b>	<b>3,256</b>	<b>4,142</b>	<b>21,158</b>	<b>5,518</b>
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc(Dec) in Borrowings	216	-	-	-
Dividend paid	(6,495)	(5,174)	(2,311)	(2,809)
Others	12	11	5,106	5,921
Extraordinary Items	-	-	-	-
<b>Chg. in Cash &amp; Bank</b>	<b>2,182</b>	<b>29,165</b>	<b>12,887</b>	<b>(5,712)</b>

Source: Company data, I-Sec research

Table 16: Key ratios

(Year ending December 31)

	CY18	CY19	CY20E	CY21E
<b>Per Share Data (Rs)</b>				
EPS(Basic)	11.0	10.6	8.9	10.8
Diluted Recurring EPS	6.9	9.3	8.9	10.8
Diluted Recurring CEPS	12.7	15.1	14.8	17.3
Dividend per share	1.5	1.5	1.2	1.4
Book Value	113	121	129	138
<b>Growth Ratios (% YoY)</b>				
Operating Income	10.3	4.1	(6.4)	16.8
EBITDA	6.2	14.6	(12.1)	23.0
Recurring Net Income	(4.8)	34.5	(4.2)	19.4
Diluted Recurring EPS	(4.8)	34.5	(4.2)	21.5
Diluted Recurring CEPS	(5.0)	18.7	(1.9)	16.9
<b>Valuation Ratios (x)</b>				
P/E	22.2	16.5	17.2	14.2
P/CEPS	12.0	10.2	10.3	8.9
P/BV	1.4	1.3	1.2	1.1
EV / EBITDA	8.2	6.5	7.5	6.3
EV / te (US\$)	70	64	65	59
EV / Operating Income	0.9	0.8	0.8	0.7
EV / Operating FCF	27.8	5.3	9.7	8.5
<b>Operating Ratios (%)</b>				
Raw Material / Sales	17	18	17	17
Other expenses / Sales	58	52	54	53
Other Income / PBT	11	13	17	14
Effective Tax Rate	29	33	27	27
NWC / Total Assets	0.0	(0.0)	(0.0)	(0.0)
Inventory (x)	1.7	1.9	2.0	2.1
Receivables (days)	16	16	16	15
Payable (days)	48	43	40	38
D/E Ratio (x)	(0.2)	(0.3)	(0.3)	(0.3)
<b>Profitability Ratios (%)</b>				
Rec. Net Income Margins	5.2	6.7	6.8	7.2
RoCE	6.6	8.0	7.3	8.3
RoNW	6.4	7.9	7.1	8.1
Dividend Payout	21.8	16.2	13.1	13.1

Source: Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)  
**BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return**

#### ANALYST CERTIFICATION

1/We, *Krupal Maniar, CA, CFA; Dharmesh Shah, CA* authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.