5 October 2020

Sagar Cements

On the path to enter the next league; re-rating on the cards; Buy

Rating: **Buy**
Target Price: Rs733
Share Price: Rs514

For a view regarding its business operations and outlook, we recently spoke to Sagar Cements' management. Doubling its capacity every 10 years with greater profitability and less balance-sheet stress remains the core focus. Aiming at 10m tpa by FY25, capacity is to be increased to 8.25m tons by Q2 FY22 and operations extended to the Central and growing Eastern regions. The present strong pricing environment and greater operating efficiencies are expected to result in robust operations. With a re-rating on the cards on the greater capacity over the next one year, we retain our Buy rating, with a target price of Rs733.

Adding ~50% capacity and regional diversification. With 5.75m tpa now, Sagar plans 10m tpa by 2025, organically and inorganically. For this, it is setting up, at Rs8bn capex, a 1m-ton integrated unit in MP and a 1.5m-ton grinding unit in Odisha, scheduled to commence by Q2 FY22. This expansion will enable it to diversify into the Central and Eastern regions. Further, rising demand and its ramped-up capacities and would lead to good volume growth. We expect volumes to drop 17% in FY21 and grow 23% in FY22.

Low-cost cement producer. Consistent measures regarding cost-rationalisation have made it a low-cost cement producer. The rising contribution from the CPP and optimum fuel mix would lead to greater operating efficiency. The MP and Odisha expansions will further rationalise freight costs. With the double benefit of better prices & reduced costs and regional diversification, Sagar Cement's profitability would be sturdy.

To keep B/S stress free. Gross debt on 30th Jun'20 was Rs4.8bn which would peak at ~Rs8bn in FY22, with net D/E at 0.6x. The annual debt repayments would be in the range of Rs1.3bn-1.5bn, which we believe will not be difficult for the company to pay despite volatility in earnings.

Valuation. We introduce FY22e and retain our Buy rating, with a Rs733 target (earlier Rs737), valuing the stock at 8x FY22e EV/EBITDA and an EV/ton of $41. **Risks:** Rising prices of pet-coke and diesel, slowdown in Govt. projects

Key financials (YE Mar)	FY18	FY19	FY20	FY21e	FY22e
Sales (Rs m)	10,358	12,176	11,752	11,525	13,579
Net profit (Rs m)	263	136	267	990	907
EBITDA / ton (Rs.)	549	450	592	1,139	959
EPS (Rs)	12.9	6.7	12.0	42.1	38.6
PE (x)	71.8	98.2	25.6	12.3	13.4
EV / EBITDA (x)	15.8	12.5	6.6	6.1	6.3
EV / ton ($)	75.1	44.5	29.2	43.3	32.2
RoE (%)	3.4	1.7	3.0	9.2	7.4
RoCE (%) - after tax	4.0	3.3	2.6	6.7	6.6
Dividend yield (%)	0.4	0.4	0.8	0.5	0.5

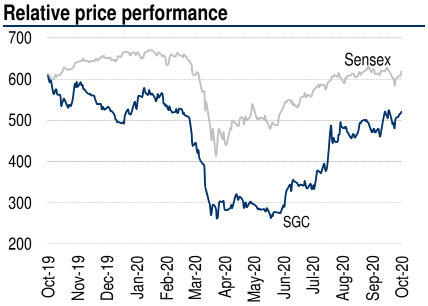
Source: Company, Anand Rathi Research

Key data	SGC IN / SGRC.BO
52-week high / low	Rs608 / 246
Sensex / Nifty	38697 / 11423
3-m average volume	$0.3m
Market cap	Rs12bn / $165m
Shares outstanding	23.5m

Shareholding pattern (%)	Jun'20	Mar'20	Dec'19
Promoters	50.9	50.8	50.1
- of which, Pledged	*6.7*	*6.7*	*6.9*
Free float	49.1	49.2	49.9
- Foreign institutions	2.9	3.0	3.1
- Domestic institutions	12.7	12.7	12.9
- Public	33.5	33.5	34.0

Estimates revision (%)	FY21e
Sales	(27.0)
EBITDA	(3.6)
PAT	(7.3)

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
Sales volume (m tons)	2.7	3.3	3.1	2.6	3.2
Net revenues	10,358	12,176	11,752	11,525	13,579
Growth (%)	28.2	17.6	(3.5)	(1.9)	17.8
Direct costs	6,944	8,540	7,602	6,181	7,739
SG&A	1,924	2,141	2,294	2,375	2,769
EBITDA	**1,490**	**1,494**	**1,855**	**2,969**	**3,071**
EBITDA margins (%)	14.4	12.3	15.8	25.8	22.6
- Depreciation	536	657	789	840	956
Other income	96	29	40	35	41
Interest expenses	593	634	610	674	790
PBT	457	232	497	1,490	1,365
Effective tax rate (%)	43	41	47	34	34
+ Associates/(Minorities)			-2	-7	-6
Net income	263	136	267	990	907
Adjusted income	263	136	267	990	907
WANS	20	20	22	24	24
FDEPS (Rs/sh)	13	7	12	42	39
FDEPS growth (%)	L2P	(48.2)	80.0	251.3	(8.4)

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
Share capital	204	204	223	235	235
Net worth	7,792	8,438	9,667	11,836	12,679
Debt	5,290	5,636	5,582	6,679	7,679
Minority interest			539	533	527
DTL / (Assets)	84	83	227	227	227
Capital employed	**13,166**	**14,158**	**16,015**	**19,275**	**21,111**
Net tangible assets	9,850	11,783	12,832	12,292	18,415
Net intangible assets	288	271	592	592	592
Goodwill	387	387	416	416	416
CWIP (tang. & intang.)	1,254	1,101	1,080	4,580	500
Investments (strategic)	-	-	-	-	-
Investments (financial)	-	-	-	-	-
Current assets (ex cash)	3,027	3,446	4,129	3,814	4,382
Cash	581	295	128	581	340
Current liabilities	2,221	3,125	3,161	3,000	3,534
Working capital	806	321	968	815	848
Capital deployed	**13,166**	**14,158**	**16,015**	**19,275**	**21,111**
Contingent liabilities	457	216	367	0	0

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
PBT (Adj. OI and Interest)	953	837	1,066	2,130	2,114
+ Non-cash items	536	657	789	840	956
Oper. prof. before WC	1,490	1,494	1,855	2,969	3,071
- Incr. / (decr.) in WC	64	(485)	647	(153)	34
Others incl. taxes	164	87	85	457	464
Operating cash-flow	1,262	1,892	1,123	2,666	2,573
- Capex (tang.+ intang.)	1,757	2,420	2,166	3,800	3,000
Free cash-flow	(495)	(528)	(1,044)	(1,134)	(427)
Acquisitions					
- Div.(incl. buyback & taxes)	98	61	67	59	59
+ Equity raised	-	-	1,030	1,245	-
+ Debt raised	(35)	347	(55)	1,097	1,000
- Fin investments	(3)	-	-	-	-
- Misc. (CFI + CFF)	498	43	32	696	755
Net cash-flow	(1,124)	(286)	(167)	453	(241)

Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

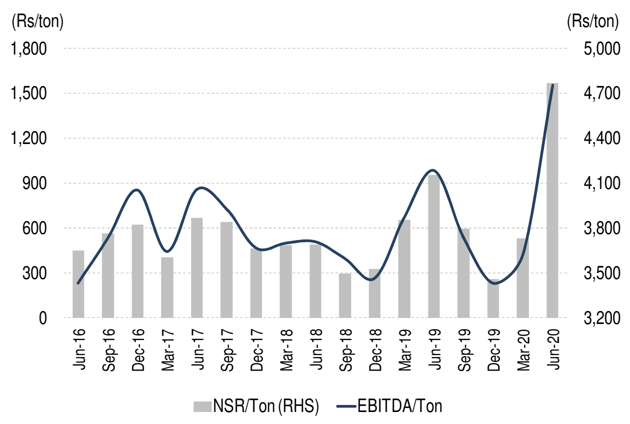
Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
P/E (x)	71.8	98.2	25.6	12.3	13.4
EV / EBITDA (x)	15.8	12.5	6.6	6.1	6.3
EV / Sales (x)	2.3	1.5	1.0	1.6	1.4
P/B (x)	2.4	1.6	0.7	1.0	1.0
RoE (%)	3.4	1.7	3.0	9.2	7.4
RoCE (%) - after tax	4.0	3.3	2.6	6.7	6.6
DPS (₹ / sh)	4.0	2.5	2.5	2.5	2.5
Dividend payout (%) - incl. DDT	37.4	45.2	25.1	5.9	6.5
Net debt/equity (x)	0.6	0.6	0.5	0.5	0.6
WC days	28.4	9.6	30.1	25.8	22.8
EV/ ton ($)	75.1	44.5	29.2	43.3	32.2
NSR/ton (₹)	3,818	3,664	3,750	4,420	4,240
EBITDA/ton (₹)	549	450	592	1139	959
Volumes (m tons)	2.7	3.3	3.1	2.6	3.2
CFO:PAT%	480.4	1392.1	420.3	269.3	283.6

Source: Company, Anand Rathi Research

Fig 5 – Price movement

Source: Bloomberg

Fig 6 – Quarterly per-ton NSR and EBITDA trends



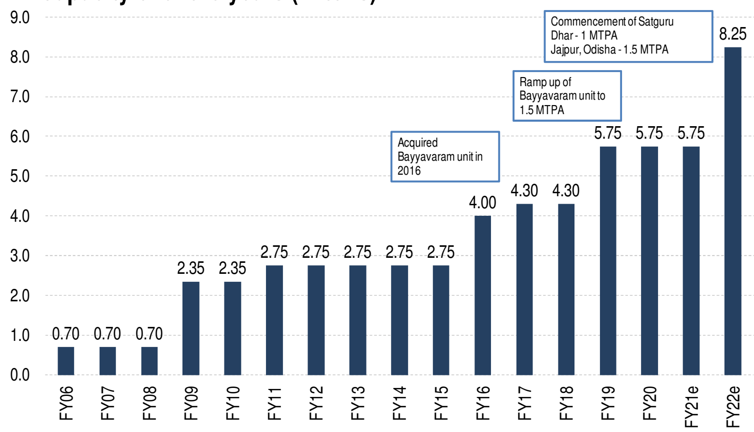
Source: Company

To double capacity every 10 years

Over the past four decades, Sagar has traversed a long and rewarding path, doubling capacities every 10 years. Aiming at 10m tpa by 2025, its ongoing 2.5m-ton expansions at MP and Odisha will take it to 8.25m tpa by Q2FY22.

To address the increasing demand in eastern and central markets, it acquired a majority stake in Satguru Cement Pvt. Ltd. and the entire stake in Jajpur Cements Pvt. Ltd. Through these acquisitions, it is setting up a 1m-ton greenfield integrated cement plant in MP and a 1.5m-ton grinding unit in Odisha. Management expects to have these projects completed by Sep'21. With its capacity increased to 8.25m tons, we believe, a re-rating will be on the cards.

Fig 7 – Capacity over the years (m tons)



Source: Company, Anand Rathi Research

Fig 8 – Existing Plant Details

Particulars	Sagar Cements, Mattampally, Telangana	Sagar Cements(R), Gudipadu,AP	Sagar Cements,Bayyavaram,AP
Capacity(m tons)	3	1.25	1.5
Capacity utilisation(FY20)	47%	70%	52%
Key markets	AP, Telangana, TN, Odisha, Maharashtra	AP, Karnataka, TN	Vizag, Vizianagaram, Srikakulam, South Odisha
Limestone reserves (m tons)	815.04	162.93	
Captive power(MW)	26.25	25	8.42
Thermal power(MW)	18	25	
Green energy(MW)	10.05(8.8MW WHRS and 1.25MW solar power)		8.42

Source: Company

Fig 9 – Forthcoming plant details

Particulars	Satguru Cement Pvt Ltd	Jajpur Cements Pvt Ltd
Capacity(m tons)	1	1.5(Cement grinding)
SCL stake (%)	65	100
Project cost(Rs m)	4,880	3,120
Status of order	Completed	Completed
Target markets	West MP, Maharashtra, south-east Rajasthan, east Gujarat	South Jharkhand, south WB, north and central Odisha

Source: Company

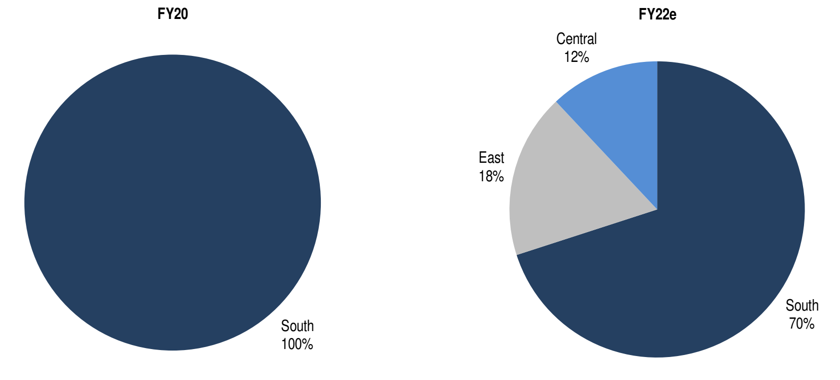
Diversification to reduce geographic dependence

The MP and Odisha expansions will insulate Sagar from regional demand-supply fluctuations of the southern markets. At present, the company has 100% capacity and operations in the South. With the new capacity brought on-stream in FY22, this would change to South(70%), Central(12%) and East(18%).

The present geographical sales mix percent-wise: AP 34, Telangana 25, Karnataka 11, Maharashtra 9, TN 12, Odisha 8, Chhattisgarh 1, others 0.5. The product mix at the coming plants will depend on customer preferences (PSC in Odisha, PPC in MP). Further, steel plants(Tata,JSW, etc.) near its cement grinding units will take care of the fly-ash required. The present regional profitability in Jajpur and Satguru is expected at Rs700-800 a ton. We expect a marked contribution from the coming plants to begin from FY23.

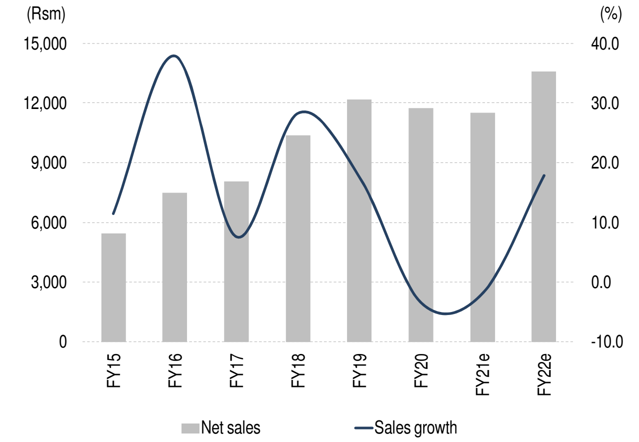
The demand milieu continues weak. However, management expects the increasing government procurement for irrigation projects, schools, affordable housing projects, etc., along with its diversified product mix (OPC, PPC, PSC, special cement (SRCand 53S grade), GGBS) would boost its prospects. We expect volumes to drop 17% in FY21 and grow 23% in FY22.

Fig 10 – Capacity mix



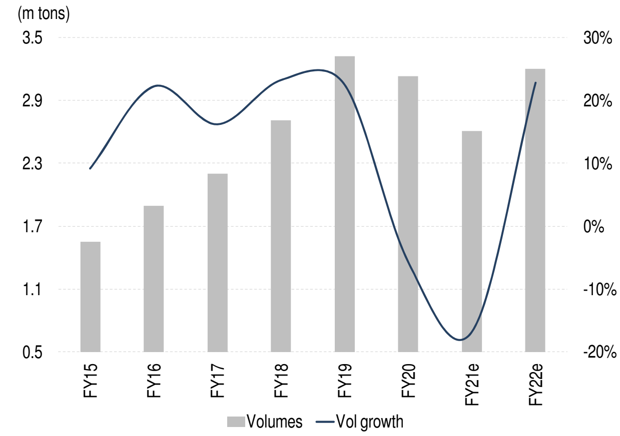
Source: Company,Anand Rathi Research

Fig 11 – Sales and Sales growth



Source: Company, Anand Rathi Research

Fig 12 – Volume and Volume growth

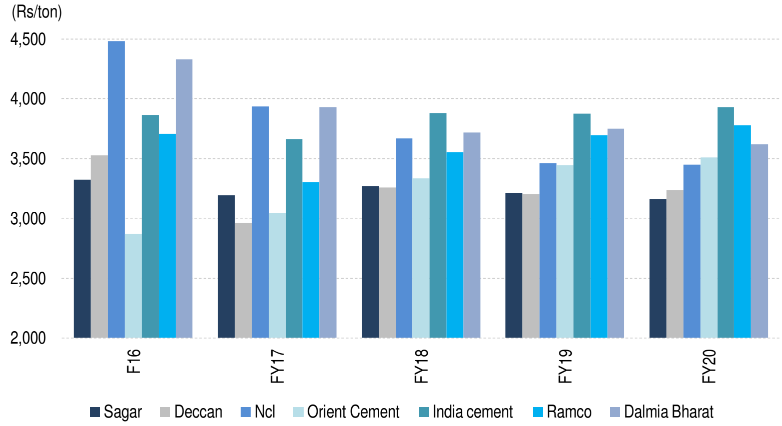


Source: Company, Anand Rathi Research

Low-cost cement producer

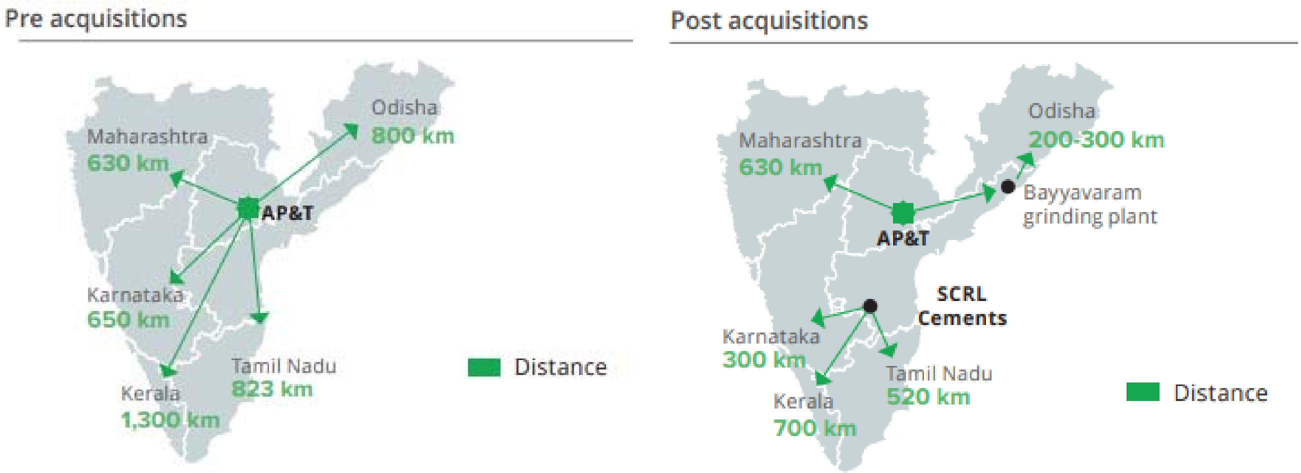
The company's constant steps toward cost-rationalisation have made it a low-cost cement producer despite low capacity-utilisation. Its strategic expansion of SCRL and Bayyavarm brought it a freight-cost advantage. Its average lead distance is 300km. Further,80% of the MP plant production is likely to be sold within 200km. The rising contribution from the CPP commissioning, savings from the WHRS, improving operations on cooler installations at BMM, optimal fuel mix(100% petcoke), coal mines and ports in proximity to plants(<150km) boost its operating efficiency.

Fig 13 – Peer comparison - cost per ton



Source: Company, Anand Rathi Research

Fig 14 – Lead-distance synergies on acquiring the SCRL and Bayyavaram plants



Source: Company

The company now has 30% of its power capacity coming from renewable sources, thus not only helping it lower its cost of power, but also reduceits carbon footprint. Pet-coke inventory has been secured till Dec'20 at ~$57/ton (vs the current ~$90), expected to be counter-balanced by higher diesel prices.

Fig 17 – Power capacities

Source of Energy	Installed capacity	Location
Renewable	MW	
Solar	1.25	Mattampally,Telangana
	80	CO,Hyderabad,Telangana
	120	Bayyavaram
Hydro-electric	4.3	Guntur,AP
	4.0	Kurnool,AP
WHRS	8.8	Mattampally,Telangana
RenewableTotal	18.55	
Non-Renewable		
Thermal	25	Gudipadu,AP
	18	Mattampally,Telangana
Non-RenewableTotal	43	
Total	**61.55**	

Source: Company

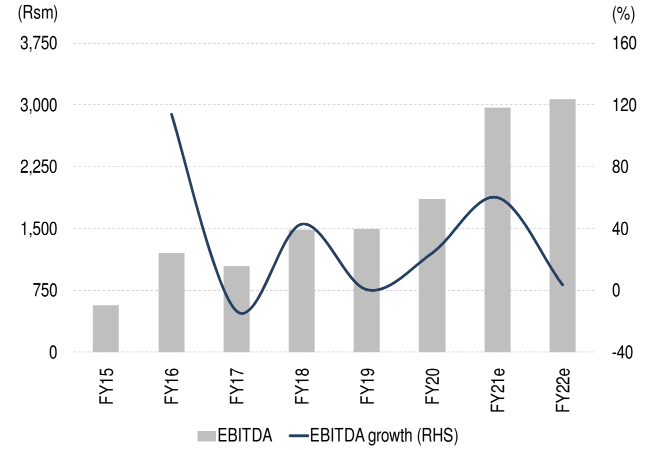
Robust profitability on the cards

With operations in the south(AP/Telangana), Sagar Cement is exposed to regional uncertain demand and oversupply, leading to huge fluctuations in price. Further, the greater non-trade sales (35-45%) and OPC share keep realisations in check. Of overall sales, 12% volumes in Q1were toward government projects in AP/Telangana, which management expects to contract further to 10%.

After touching decade-low prices in the south in FY20, Q1FY21 saw a steep price hike, which held steady, though with partial rollbacks. The higher prices and cost optimisation (lower fuel prices) led to a robust operating Q1FY21performance, with the highest quarterly EBITDA (Rs870m) and EBITDA/ton of Rs1,567 (vs.Rs956 a year ago,Rs534 the quarter prior).

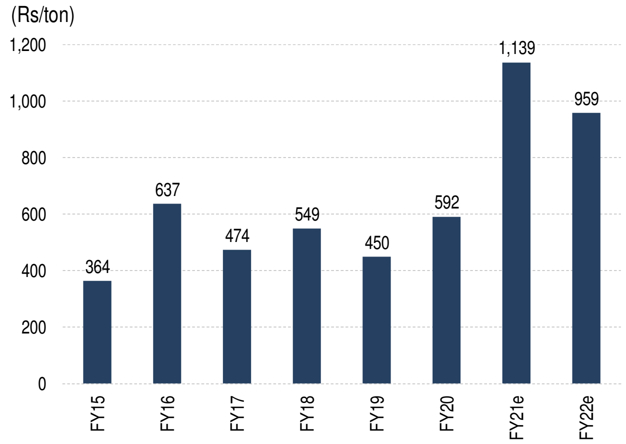
With exposure to the East and Central regions, steady profitability and reduced price volatility (prominent in the South) are expected. We expect a 29% EBITDA CAGR over FY20-22, with EBITDA/ton of Rs1,139 in FY21 and Rs959 in FY22(vs.Rs592 in FY20).

Fig 18 – EBITDA and Growth



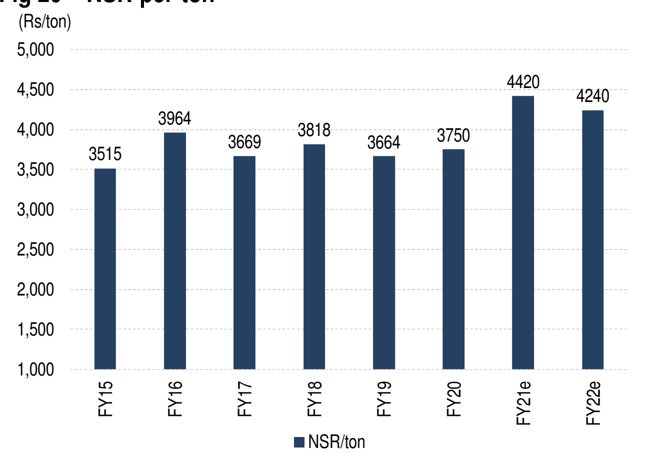
Source: Company, Anand Rathi Research

Fig 19 – EBITDA-per-ton



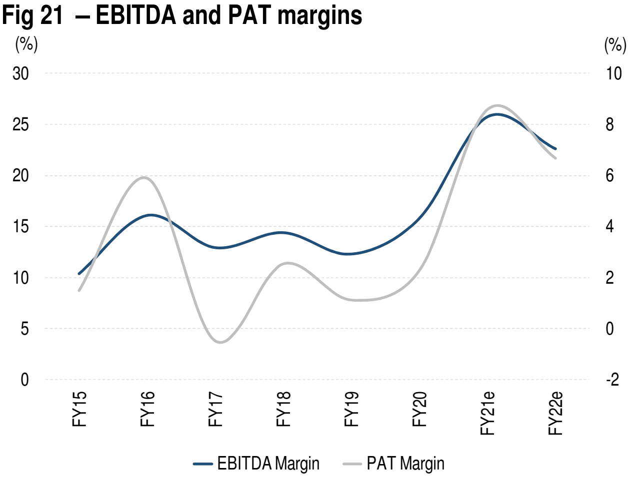
Source: Company, Anand Rathi Research

Fig 20 – NSR-per-ton



Source: Company, Anand Rathi Research

Fig 21 – EBITDA and PAT margins



Source: Company, Anand Rathi Research

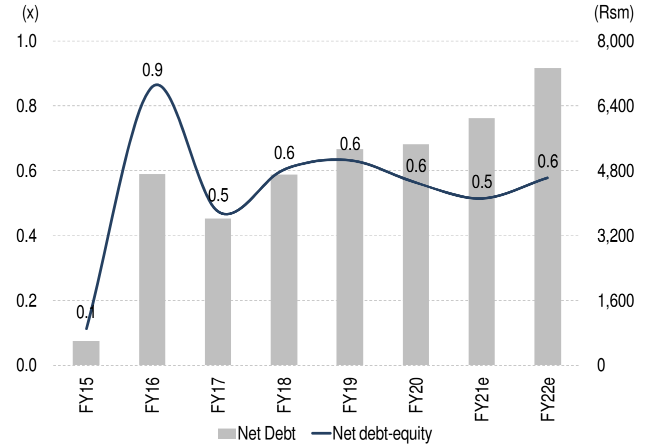
To keep B/S stress free

Sagar's primary intent is to keep its balance-sheet stress-free. Its gross debt on 30thJun'20 was Rs4.8bn, of which Rs3.5bn was long term. Management expects the debt to peak at Rs8bn in FY22 at a net D/E of 0.6x.

The Rs8bn capex for the 2.5m-ton expansion would be funded by equity and internal accruals (~Rs3bn) and debt(Rs5bn). On 8thJan'19, 3.1m warrants of Rs730 each were allotted, each convertible to one equity share of Rs10 at a premium of Rs720 to raise Rs2.26bn to part fund the expansion. The full conversion of warrants to equity shares was completed in Jul'20.

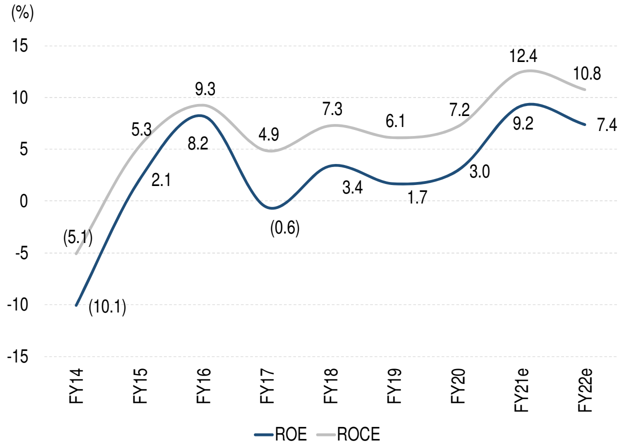
The annual debt repayments would be in the range of Rs1.3bn-1.5bn which we believe will not be difficult for the company to pay despite any volatility in earnings.

Fig 22 – Net debt and Net D/E



Source: Company, Anand Rathi Research

Fig 23 – Return ratios



Source: Company, Anand Rathi Research

Result highlights

Fig 24 – Quarterly trend

(Rsm)	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	% Y/Y	% Q/Q
Sales	2,494	2,949	2,749	2,577	3,191	3,658	3,442	2,653	2,621	3,036	2,641	*(23.3)*	*(13.0)*
EBITDA	316	388	364	211	301	620	786	424	199	447	870	*10.7*	*94.9*
EBITDA margin (%)	*12.7*	*13.1*	*13.3*	*8.2*	*9.4*	*16.9*	*22.8*	*16.0*	*7.6*	*14.7*	*32.9*	*1010bps*	*1824bps*
EBITDA per ton (Rs)	465	486	492	294	327	656	956	596	260	534	1,567	*63.9*	*193.7*
Interest	145	154	141	153	175	165	150	158	157	145	128	*(14.3)*	*(11.6)*
Depreciation	135	142	136	171	175	174	178	193	205	214	200	*12.1*	*(6.6)*
Other income	15	17	5	6	8	9	15	(2)	5	23	8	*(45.5)*	*(65.7)*
PBT	51	110	92	(107)	(41)	289	473	71	(159)	111	550	*16.3*	*395.9*
Tax	20	62	34	(27)	(11)	100	178	22	(68)	99	190	*6.9*	*91.9*
Adj. PAT	30	47	58	(80)	(30)	190	295	49	(91)	12	360	*22.0*	*2,950.8*
Minority interest							(0.4)	(0.2)	(0.1)	(1.1)	(1.3)	*NA*	*NA*
Adj. PAT after MI	30	47	58	(80)	(30)	190	296	49	(91)	13	361	*22.3*	*2,700.8*

Source: Company, Anand Rathi Research

Fig 25 – Per-ton analysis

(Rs)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	%Y/Y	%Q/Q
Realisations	3,667	3,700	3,709	3,596	3,465	3,874	4,185	3,734	3,431	3,627	4,756	*13.7*	*31.1*
EBITDA	465	486	492	294	327	656	956	596	260	534	1,567	*63.9*	*193.7*
Sales volumes (m tons)	0.68	0.80	0.74	0.72	0.92	0.94	0.82	0.71	0.76	0.84	0.56	*(32.5)*	*(33.6)*
Costs													
Raw material	563	488	455	592	621	683	698	709	589	610	594	*(14.9)*	*(2.6)*
Power & Fuel	1,172	1,112	1,007	1,218	1,085	1,038	1,057	1,153	843	890	839	*(20.6)*	*(5.7)*
Freight	778	796	793	826	733	709	730	696	714	713	704	*(3.5)*	*(1.2)*
Staff	177	200	188	210	147	167	179	211	215	220	274	*53.0*	*24.2*
Other expenditure	517	513	433	485	422	512	524	529	520	519	553	*5.5*	*6.4*

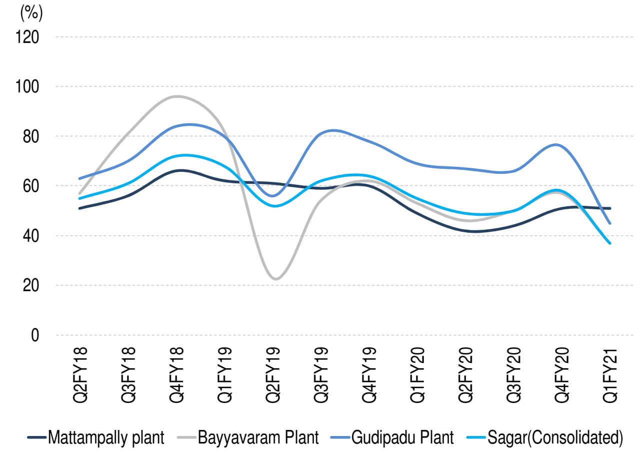
Source: Company, Anand Rathi Research

Q1FY21 key highlights

Revenue declined 23% y/y

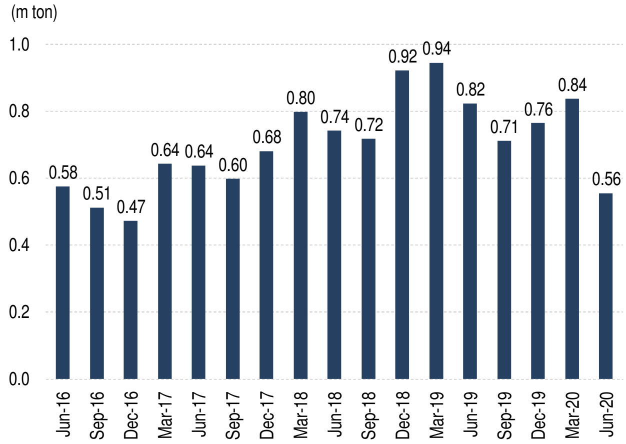
On volumes declining 32.5% y/y (33.6% q/q) to 0.56m, revenue declined 23%y/y toRs2.6bn. The net realisation, however, rose 13.7% y/y (31% q/q) to Rs4,756 a ton due to strong pricing in the region. Overall capacity utilisation was 37% (Mattampally 51%, Gudipadu 45%, Bayyavaram 37%).

Fig 26 – Capacity utilisation



Source: Company, Anand Rathi Research

Fig 27 – Volume trend



Source: Company, Anand Rathi Research

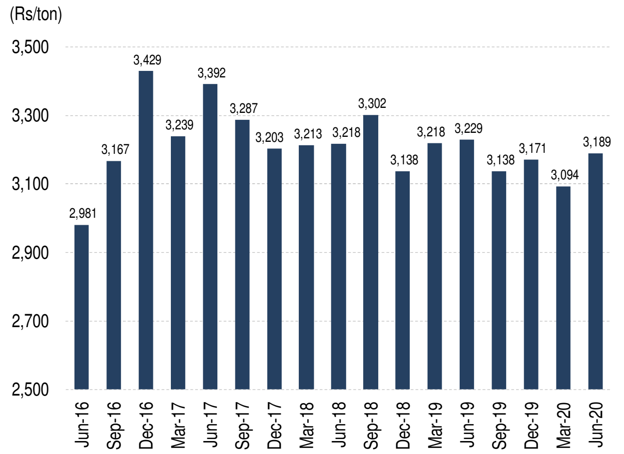
Optimized costs

The Rs1,567 EBITDA/ton (up 64% y/y,194% q/q ;against Rs956 a year ago, Rs534the quarter prior) was the highest ever, chiefly due to higher realisations, cost savings and the lower base.

Per-ton power & fuel cost declined 21% y/y due to lower pet-coke prices and optimal thermal efficiency. Freight and raw material costs per ton fell respectively 3.5% and 14.9% y/y. On an absolute basis, staff cost and other expenditure declined respectively 1% and 32% y/y.

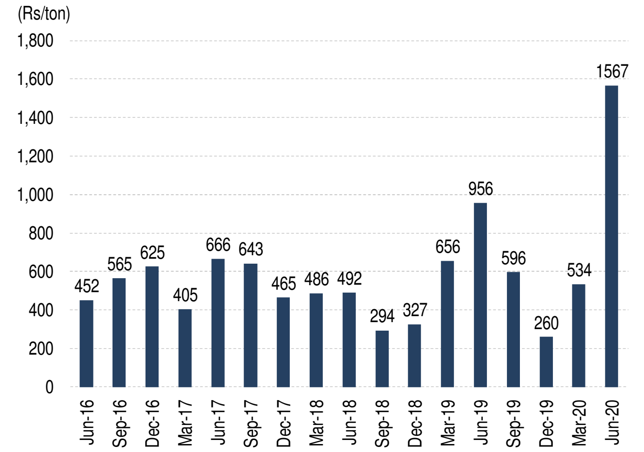
On the firm operating performance and interest expense down 14% y/y, adj. PAT was Rs361m, up 22% y/y, though partially offset by 12% y/y higher depreciation and other income down 46% y/y.

Fig 28 – Cost per ton



Source: Company, Anand Rathi Research

Fig 29 – EBITDA per ton



Source: Company, Anand Rathi Research

Concall highlights

Operational & Financial

- The lockdown-suspended operations resulted in a 32.5% y/y drop in sales volumes. On the company's product mix, of GGBS and SRC, however, the decline was less than others. Besides, it supplied some volumes in April to government projects.
- Lower fuel cost and optimised other expenses resulted in total costs reduced by Rs49 a ton.
- July prices were steady; only a small Rs5-10/bag rollback on the monsoon commencing. Retail prices at Hyderabad, Bengaluru and Chennai were respectively Rs375-410, Rs390-410 and Rs400-415 a bag. For government projects the southern manufacturers had one-year price contracts: of ~Rs235 for OPC and Rs225 for PPC, down 25-30% on an NSR basis from ruling market prices.
- 12% of overall sales volumes in Q1 were to government projects in AP/Telangana. Ahead, management expects the figure to be 10%.
- The blended cement ratio rose to 42% (37% a year ago). The company uses 100% pet-coke.
- The share of sales volumes to metros dropped to 30% (earlier 40%). Management expects the lead distance to remain at ~300km.
- In July, the conversion of all the 3.1m warrants allotted on 24thJan'19 was completed.
- Capacity utilisation, plant-wise: Mattampally 51%, Gudipadu 45%, Bayyavaram 37%. Total capacity utilisation: 37%.

Capacity expansion and Debt status

- The ongoing greenfield projects of Satguru Cement Pvt. Ltd. (MP) and Jajpur Cements Pvt. Ltd (Odisha)are on schedule and expected to commence by Sep'21.
- The overall cost of the projects is Rs8bn, to be funded through equity and internal accruals (~Rs3bn) and debt(Rs5bn). Till now the company has drawn ~Rs700m from banks.
- Gross debt on 30thJun'20 was Rs4.8bn, of which Rs3.5bn is long term. Management expects debt would peak atRs8bn, and net D/E would be 0.6x in FY22, dipping to 0.5x in a short span.

Outlook

- Rising government procurement for irrigation projects, schools, affordable housing, etc., would swell demand.
- The decision regarding the product mix of the coming plants will depend on customer preferences (Odisha for PSC, MP for PPC).
- Pet-coke inventory up to Dec'20 has been secured at $57/ton. Current pet-coke prices are around $72/ton. The rise in diesel prices could increase costs by 7.5%, expected to offset the lower pet-coke prices. Employee costs for the year could rise 10%.
- Management said it planned to raise capacity to 10m tons by 2025.

Valuations

Doubling its capacity every 10 years with greater profitability and less balance-sheet stress remains Sagar Cement's core focus. With its 10m tpa target by FY25, we believe a re-rating of its multiple is on the cards. The ongoing 1m-ton expansion at MP and 1.5m tons at Odisha will diversify its operations to the Central and Eastern regions, insulating it from pricing volatility (prominent in the South).

Debt at peak is expected to be Rs8bn. However, with annual required outflow of Rs1.3bn-1.5bn, the balance sheet is expected to remain stress free even in case of volatile earnings. Sagar's disciplined steps on cost optimisation over the past several years are fructifying, making it one of the lowest-cost producers. With the double benefit of better prices & cost reductions and regional diversification, Sagar Cement's profitability will swell.

At the CMP of Rs514, the stock quotes at 6.3x FY22e EV/EBITDA, and an EV/ton of $32.2. We introduce FY22e and maintain our Buy rating with a target price of Rs733 (earlier Rs737), valuing the stock at 8x FY22e EV/EBITDA and an EV/ton of $41.

Change in estimates

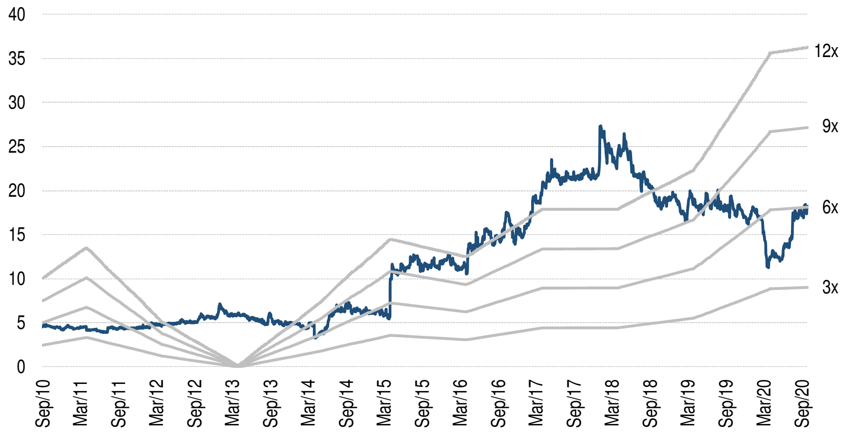
To give effect to the impact of the lockdown, we reduce our FY21e revenue, EBITDA and PAT respectively 27%,3.6% and 7.3%.

Fig 30 – Change in estimates

	Old	New	Variance (% chg)
(Rs m)	FY21e	FY21e	FY21e
Revenue	15,782	11,525	(27.0)
EBITDA	3,081	2,969	(3.6)
PAT	1,061	983	(7.3)

Source: Anand Rathi Research

Fig 31 – EV/EBITDA band



Source: Company, Anand Rathi Research

Fig 32 –Peer comparison on valuations

	CMP	P/E(x)		EV/EBITDA(x)		EV/ton($)	
	(Rs)	FY21e	FY22e	FY21e	FY22e	FY21e	FY22e
Sagar Cement	514	12.3	13.4	6.1	6.3	43	32
Birla Corp.	671	17.0	13.3	8.2	7.1	66	55
Dalmia Bharat	770	NA	NA	8.2	7.2	102	91
Deccan Cement	287	8.9	6.4	4.3	2.8	22	18
Heidelberg Cement	180	18.6	13.5	8.9	6.9	84	77
India Cement	115	NA	27.6	12.1	9.2	59	59
JK Cement	1,535	25.7	20.9	12.9	10.8	123	119
JK Lakshmi	258	16.2	10.5	7.0	5.0	46	39
Mangalam Cement	178	12.9	7.3	6.6	4.6	36	33
NCL Indus	105	10.8	9.4	5.6	5.2	35	37
Orient Cement	62	22.2	11.1	7.0	5.2	39	36
Ramco Cement	742	35.4	24.4	20.2	15.4	143	133
Sanghi Industries	26	NA	9.3	12.0	7.5	43	41
Star Cement	84	16.2	12.5	9.1	7.1	76	77

Source: Anand Rathi Research

Risks

- Rising prices of pet-coke and diesel.
- Slowdown in Government projects
- Entry to newer areas could initially curtail profitability.

Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

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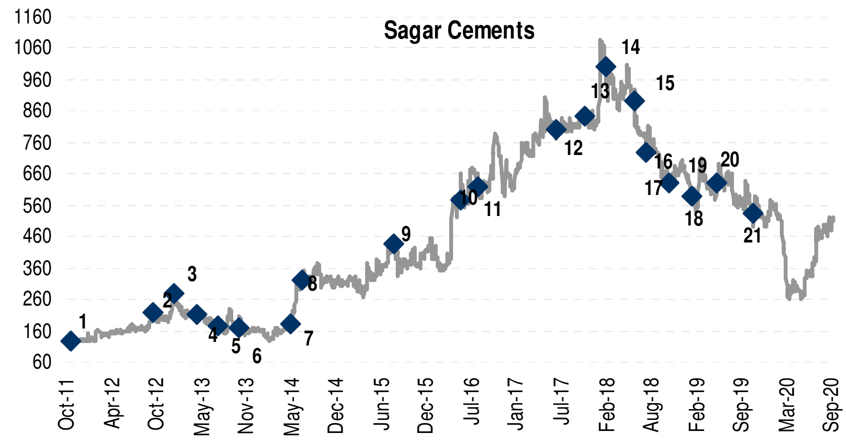
Rating and Target Price History (as of 4 October 2020)



	Date	Rating	TP (₹)	Share Price (₹)
1	19-Oct-11	Buy	211	138
2	03-Oct-12	Buy	262	229
3	02-Jan-13	Buy	320	275
4	09-Apr-13	Buy	300	230
5	10-Jul-13	Buy	260	200
6	09-Oct-13	Buy	245	181
7	15-May-14	Buy	270	190
8	09-Jul-14	Buy	450	330
9	03-Aug-15	Buy	540	444
10	16-May-16	Buy	737	582
11	30-Jul-16	Buy	885	630
12	02-Jun-17	Buy	1,070	852
13	31-Oct-17	Buy	1,170	859
14	29-Jan-18	Buy	1,400	1,037
15	01-Jun-18	Buy	1,200	923
16	20-Jul-18	Buy	1,025	745
17	30-Oct-18	Buy	817	641
18	01-Feb-19	Buy	830	575
19	25-May-19	Buy	808	635
20	25-Jul-19	Buy	823	665
21	23-Oct-19	Buy	737	554

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