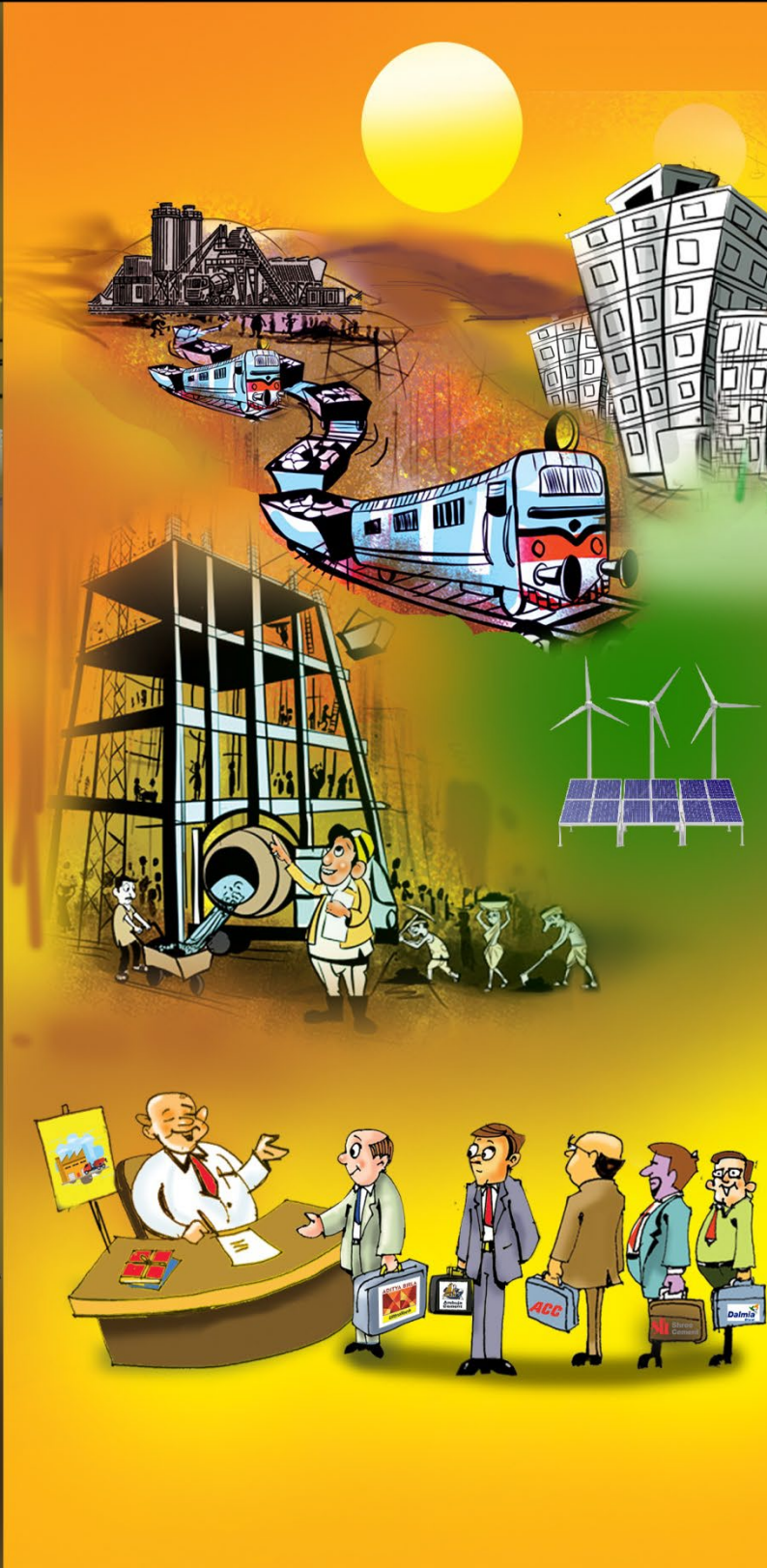


Cement



Stronger Together!

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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Cement: Stronger Together!

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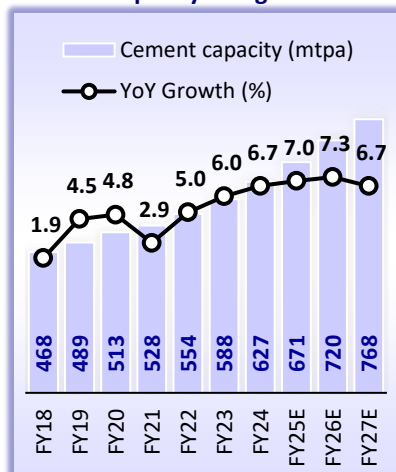
Stronger Together!

- **Consolidation benefiting larger players:** A slowdown in capacity addition by small players and a pick-up in M&A in the Indian cement industry should favor larger players. A few regional players have historically been reluctant to add capacity and, hence, have lost market share. It is possible that a few of these entities might consider exiting the industry if they are offered favorable valuations.
- **Clinker capacity addition:** We estimate that 78.7mtpa of clinker capacity will be commissioned during FY25-27. Out of the total clinker capacity addition, 56.8mtpa (~72%) is estimated to be added by the top four players.
- **and improved utilization to bode well:** Clinker utilization improved to ~78% in FY24 (vs. the average of ~70% over FY13-23), as demand has been high for the third consecutive year. We estimate clinker utilization to improve to ~81% by FY27, aided by strong cement demand and rising consolidation in the industry.

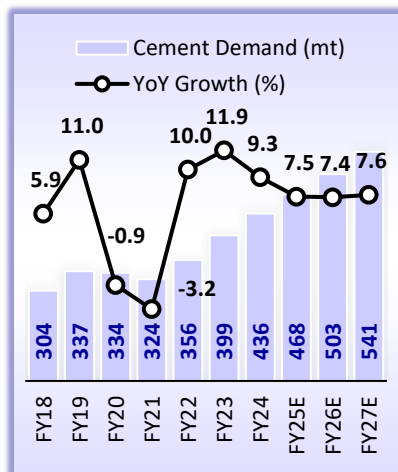
We believe that **consolidation will emerge as a new theme** for the industry in the next few years. There are three key triggers for consolidation: 1) a few regional players have been **conservative in capacity additions** over the years; 2) **the entry of Adani Group** into the cement business and its **aggressive capacity expansion plan** (aims to double the capacity to 140mtpa by FY28); and 3) other players (UTCEM, SRCM and JSW Cement) **increasing their capacity targets**. Companies such as UTCEM and Adani Group have been eager to increase capacities through inorganic routes. JSW Group also **aspires** to be a serious player in the industry and was one of the key contenders to acquire Holcim's stake in ACEM ([news article](#)). SRCM remains conservative about the acquisition of cement capacity and is growing capacity consistently through organic routes. However, it is open to any strategic inorganic opportunity that can create value for the company. DALBHARA also indicated that it will raise its capacity to 110-130mtpa by 2030, however, it has yet to announce the next leg of expansion to reach the target milestone.

- **Consolidation intensifies:** A few regional players have been conservative in capacity additions over the years. Several regional players, mainly in the south and central regions, have not expanded their capacities since FY15. Secondly, M&A activity in the Indian cement industry has increased over the last few years, as the country's leading cement producers are looking to strengthen their positions. Large players with steady expansions, organically as well as inorganically, have been consolidating their positions. DALBHARA and UTCEM have expanded 48-58% of their cement capacities through inorganic routes over the last decade. Adani (to date) has added 100% capacity through acquisitions.
- **Long-term capacity estimates:** The top four players would add the most clinker capacity during FY25-27E. We estimate 78.7mtpa of clinker capacity will be commissioned during FY25-27. Out of the total clinker capacity addition, 56.8mtpa (~72%) is estimated to be added by the top four players.
- **Clinker utilization to improve to ~81% by FY27E:** All-India clinker capacity clocked a 4.0% CAGR vs. a demand CAGR of 6.2% over FY18-24. As a result, the industry's clinker utilization improved to ~78% in FY24 from ~70% in FY18. We estimate clinker utilization to further improve to ~81% by FY27, aided by strong cement demand and increasing consolidation in the industry. This should also lead to an improvement in the industry's pricing power over the long run.

Cement Capacity and growth



Cement demand and growth



- **Increasing green power share to help reduce costs:** The cement companies have been making efforts to reduce power costs by installing waste heat recovery systems (WHRS) and other renewable energy sources (solar and wind power plants). Over FY15-24, the cement industry’s WHRS/other renewable energy capacities posted a CAGR of 21%/39% (on a low base) to 1.1GW/1.6GW. The industry’s green power share in total power consumption rose to 35% in FY24 from 7% in FY15. Over FY24-27, we estimate WHRS/other renewable energy capacities to report a CAGR of 11%/37% to reach 1.6GW/4.1GW. Moreover, the industry’s green energy share is estimated to climb to 50% by FY27E.
- **Valuation and view:** We believe that acceleration in consolidation and higher clinker utilization can improve the industry’s pricing power in the long run. We estimate that large players will benefit the most from the larger scale of operations, brand equity, and cost-saving measures. This, in our view, will help these players maintain/improve their premium valuations. We have ascribed higher-than-historical valuation multiples and assigned premium over other companies to UTCEM and ACEM, as we believe that these companies would benefit from inorganic opportunities, as seen in last few deals in the sector. Higher capacity additions will also help to improve cost structures, e.g., operating efficiencies, reduction in lead distance, etc. In the 1QFY25 preview, we rolled over the valuation multiples for our coverage companies to Jun’26E from Mar’26E. We value UTCEM and ACEM at 20x Jun’26E EV/EBITDA. Our target multiple of 12x Jun’26E EV/EBITDA for ACC is in line with DALBHARA and TRCL. We reiterate our **BUY rating** on UTCEM, DALBHARA, JKCE, BCORP and JKLC and maintain our **Neutral rating** on TRCL and SRCM. We upgrade **ACEM to BUY** from Neutral given its value-accretive acquisitions in last one year, which will help ACEM balance its market presence and ambitious organic expansion plans. We value ACEM at 20.0x Jun’26E EV/EBITDA to arrive at our TP of INR800. We also upgrade **ACC to BUY** from Neutral given its attractive valuation and expected improvement in profitability, driven by cost-saving initiatives, strong brand positioning, and structural changes in the operations (higher volume under MSA and leveraging group synergies). We value ACC at 12.0x Jun’26E EV/EBITDA to arrive at our TP of INR3,300.

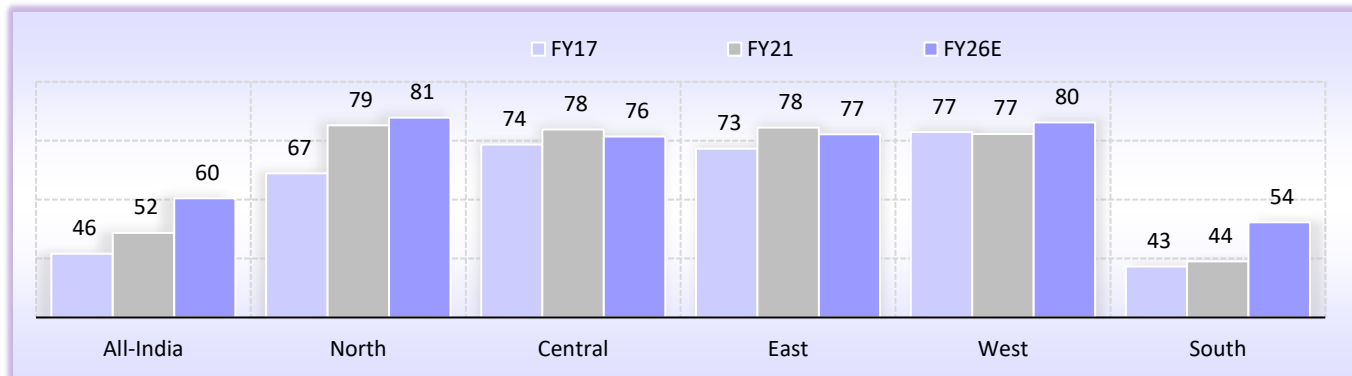
Exhibit 1: Valuation summary

	M-cap (USD b)	CMP (INR)	Rating	P/E (x)			EV/EBITDA (x)			EV/t (USD)			ROE (%)			Net debt/EBITDA (x)		
				FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
UTCEM	44.7	11,555	Buy	41.4	33.3	27.5	22.4	17.8	14.7	265	231	209	12.7	13.8	14.3	(0.1)	(0.3)	(0.6)
ACEM	18.1	679	Buy	40.5	32.2	27.4	21.2	17.9	14.7	230	189	177	7.3	7.7	8.5	(3.6)	(1.8)	(1.9)
SRCM	13.4	27,790	Neutral	44.4	44.5	39.8	18.7	17.2	15.7	219	190	168	10.6	9.8	10.1	(1.1)	(0.8)	(0.5)
ACC	6.7	2,664	Buy	21.5	19.6	16.9	11.3	9.8	7.9	136	124	109	13.6	13.2	13.5	(1.8)	(2.0)	(2.3)
DALBHARA	4.7	1,866	Buy	35.3	27.7	21.5	11.8	10.0	8.4	96	94	90	5.9	7.2	8.7	0.4	0.2	(0.3)
JKCE	4.5	4,342	Buy	37.8	29.7	23.2	16.3	13.3	11.4	204	177	159	15.5	17.4	19.1	2.0	1.7	1.1
TRCL	2.5	797	Neutral	38.4	28.0	24.0	12.7	11.3	10.2	126	119	120	6.7	8.6	9.3	3.0	2.7	2.5
BCORP	1.7	1,605	Buy	24.0	18.4	14.6	9.3	7.7	6.7	97	86	80	7.5	9.1	10.5	1.7	1.2	0.9
JKLC	1.4	888	Buy	21.2	18.9	16.4	10.0	8.6	7.8	79	72	67	14.5	14.4	14.6	1.4	1.6	1.7
ICEM	1.3	305	Sell	Loss	51.2	27.5	34.7	17.8	13.1	104	102	99	(1.0)	3.4	6.1	6.7	3.2	2.0

Source: MOFSL, Company; Note: ACEM estimates and valuation on a consolidated basis

STORY IN CHARTS

Region-wise capacity share of top 5 players over FY17/FY21/FY26E



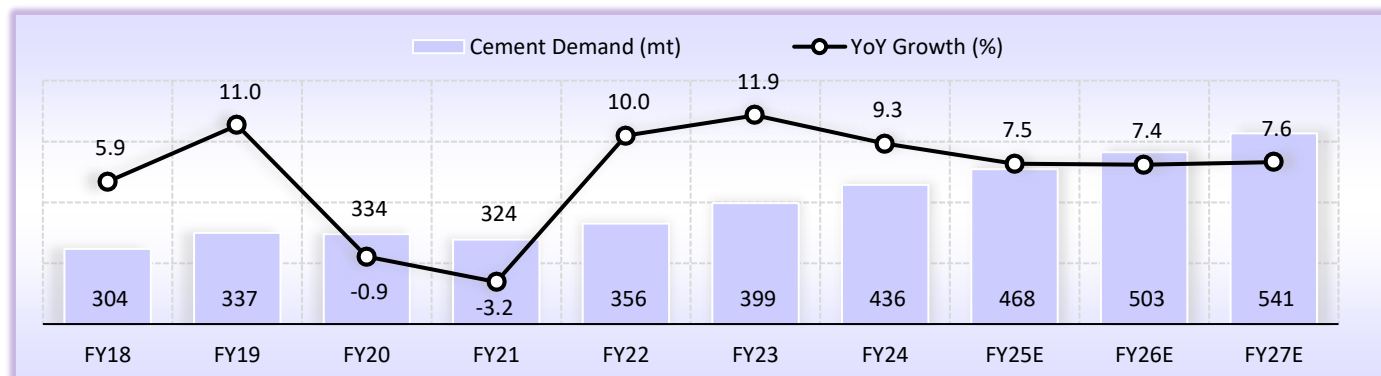
Source: MOFSL, Industry, Company; Note: recently UTCEM acquired KSI and ACEM acquired PCIL, the same is estimated in FY26E;

Clinker/grinding capacity additions

Region	Clinker (mtpa)						Cement (mtpa)					
	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY22	FY23	FY24	FY25E	FY26E	FY27E
North	3.8	5.5	9.6	3.7	10.3	2.8	5.3	2.9	14.2	3.2	6.8	6.5
East	3.2	7.4	5.9	8.6	5.9	3.0	7.1	9.4	12.3	13.2	11.7	16.7
West	5.4	-	-	-	6.0	-	5.0	7.7	4.0	5.4	5.4	10.6
Central	1.4	3.7	5.9	4.7	3.3	7.3	6.1	7.6	4.6	6.7	12.8	7.1
South	1.9	3.5	2.6	8.9	3.7	10.7	2.8	5.8	4.4	15.7	12.3	7.4
Total	15.7	20.1	24.0	25.8	29.2	23.8	26.2	33.4	39.5	44.1	49.0	48.3

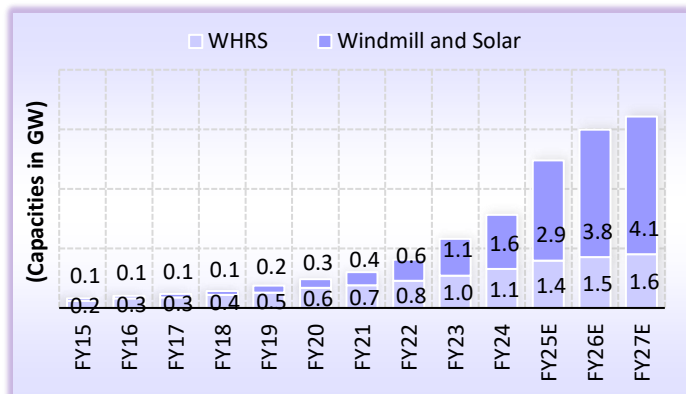
Source: MOFSL, Industry, Company

Demand CAGR is estimated at 7.5% over FY24-27



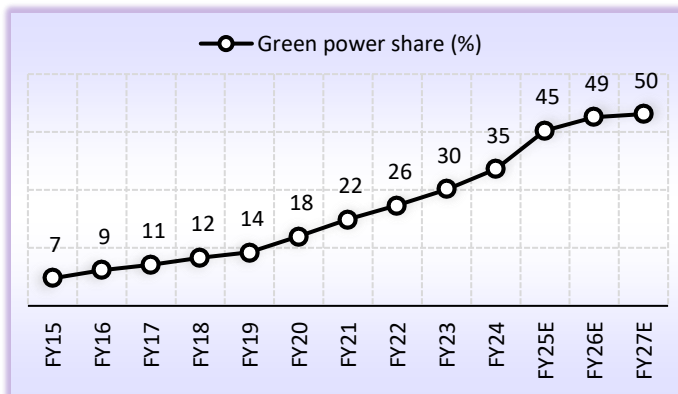
Source: MOFSL, Industry, Company

WHRS and other renewable energy capacity trend



Source: MOFSL, Company

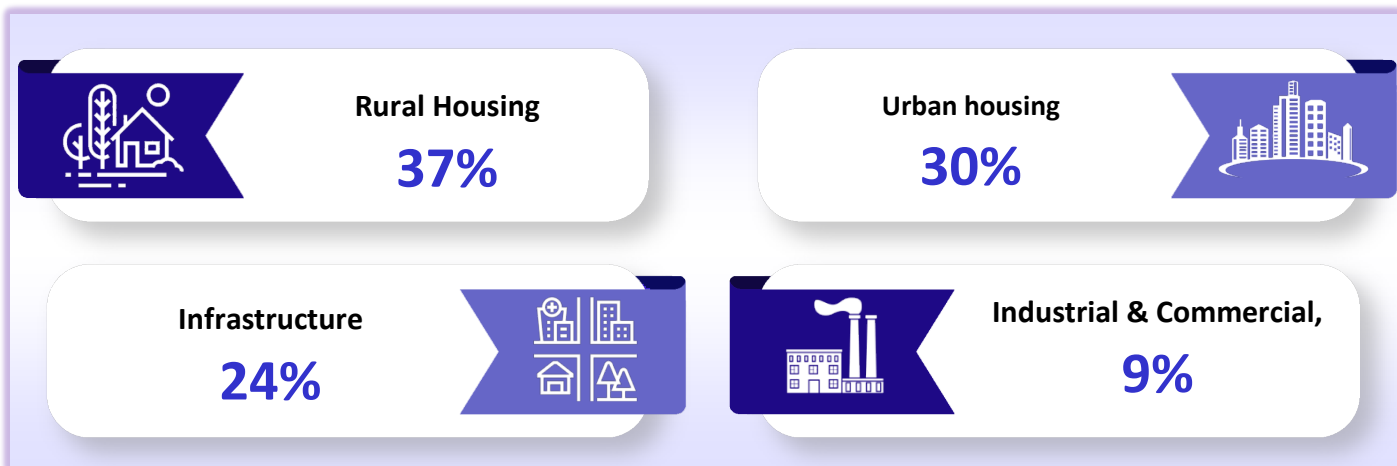
Green energy's share in the industry is rising



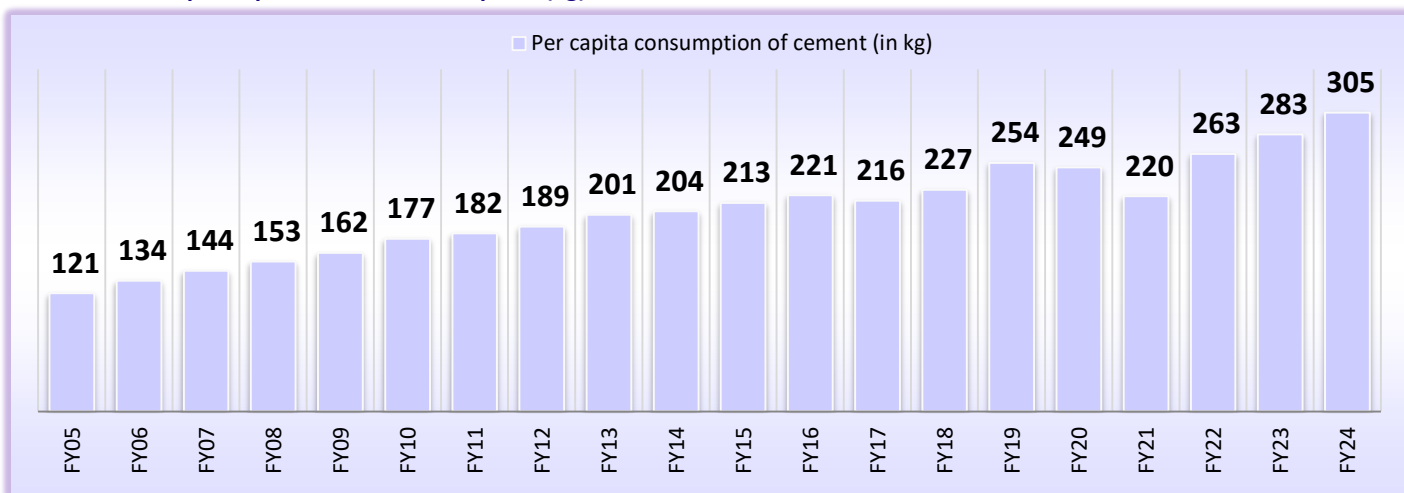
Source: MOFSL, Company

Cement: Stronger Together!

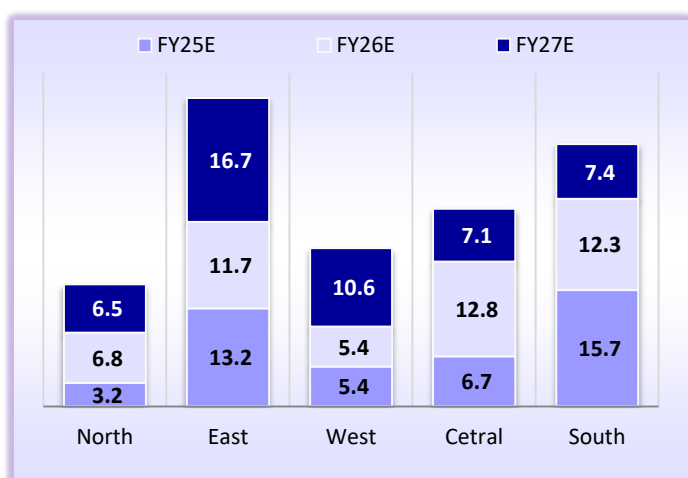
Housing sector accounts for 67% of cement demand in FY24



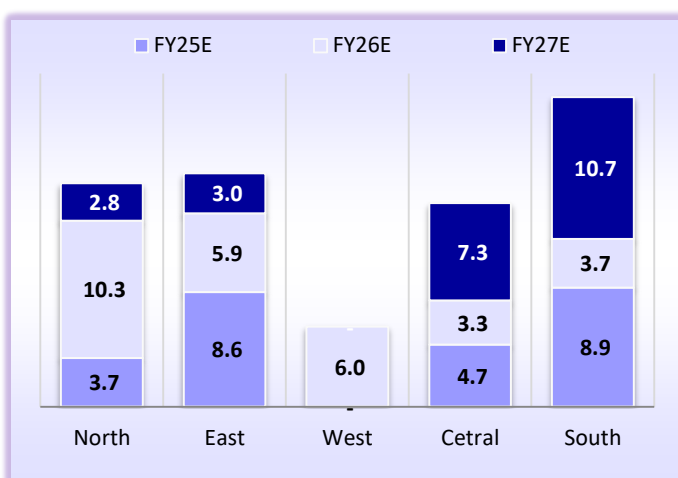
Trend in India's per capita cement consumption (kg)



Cement Capacity Addition (mt)



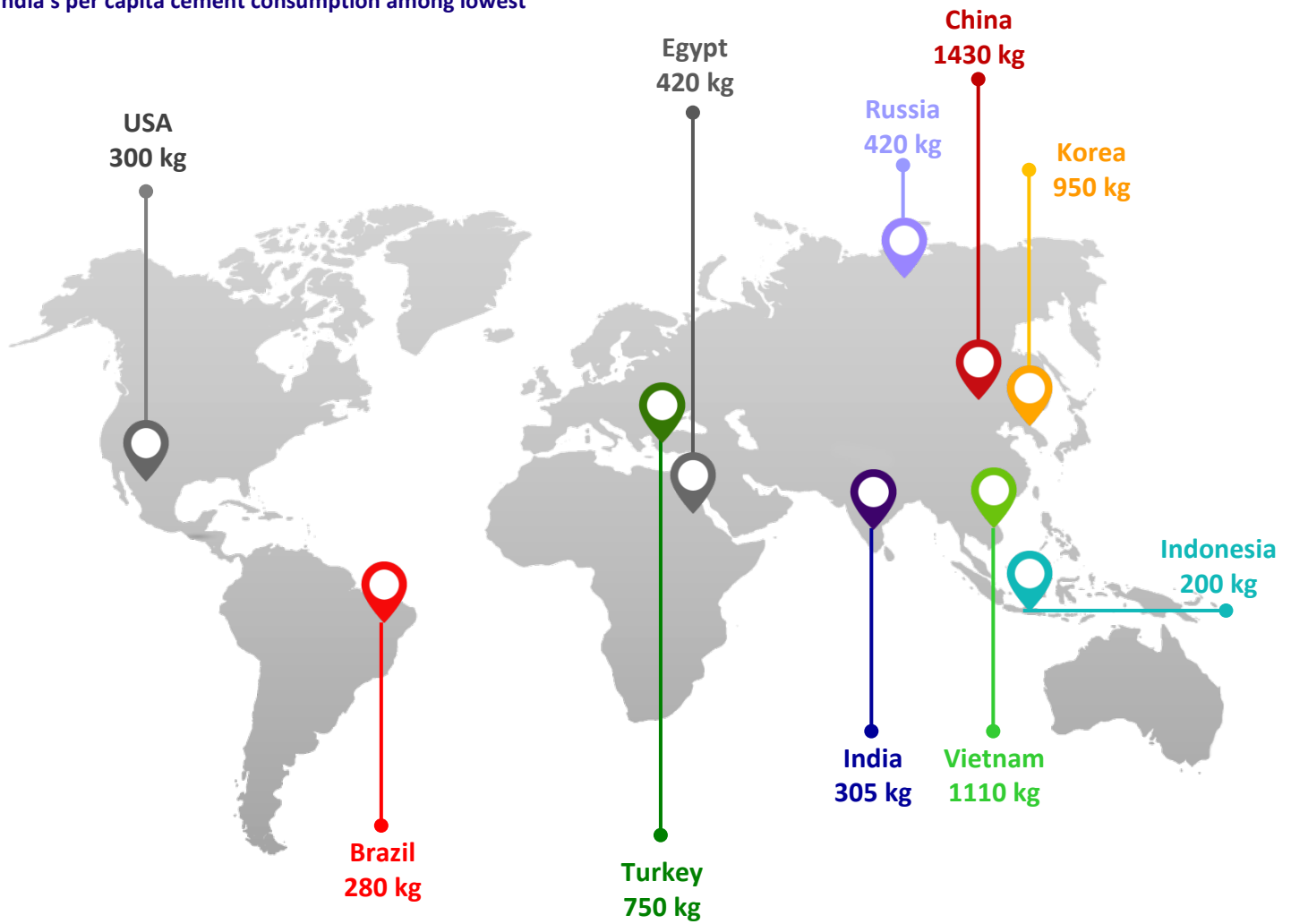
Clinker Capacity Addition (mt)



Note: East included North-East

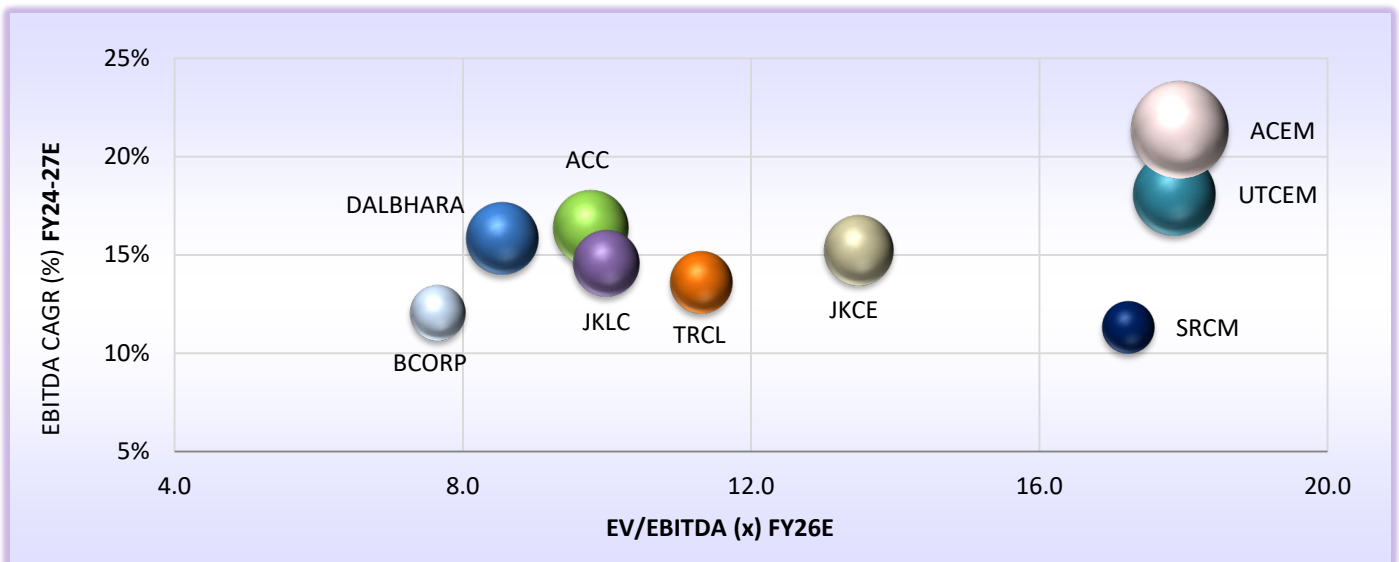
Cement: Stronger Together!

India's per capita cement consumption among lowest



World's average per capita consumption 525kg

Profitability v/s valuation



Consolidation intensifies

Capacity addition ebbs for regional players

A few regional players have been conservative in capacity addition over the years. The south and west regions have the most regional players that have not expanded their capacity since FY15, followed by the central and north regions. Despite limited capacity additions by regional players in the south, this market remained the most fragmented due to the largest installed cement capacity and the highest number of cement players among regions. However, market concentration has increased over the year, aided by M&A.

In the north region, consolidation has increased over the years as a result of muted capacity additions by regional players, increasing M&A activities, and balanced capacity additions by the top five players.

Exhibit 1: Consolidation increased in the north region

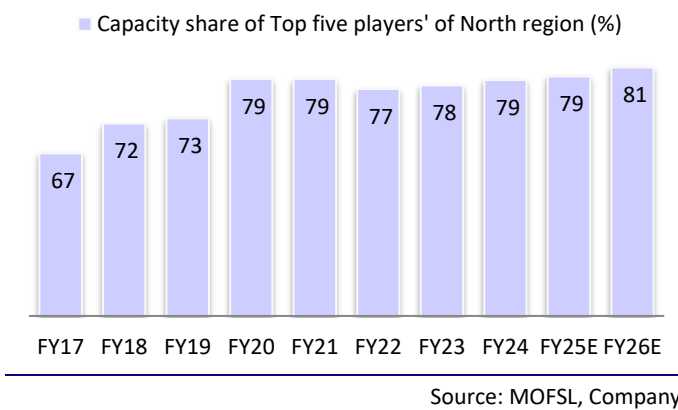
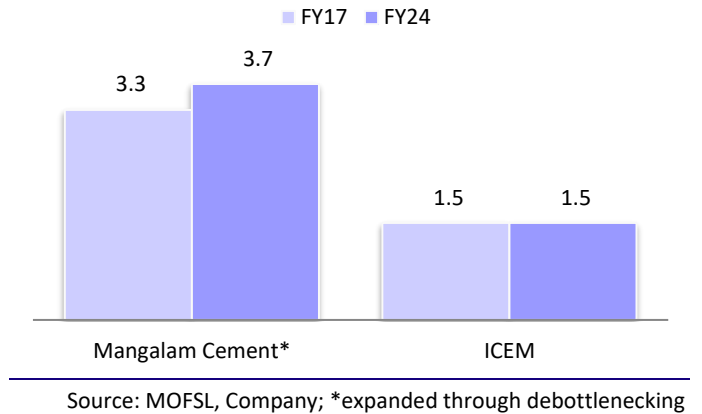


Exhibit 2: A few players who have not added capacity



In the central region, despite low capacity additions by regional players, the capacity share of the top five players has recently dropped due to large capacity additions by JKCE (added 6.2mtpa over FY22-24). However, it remains high at ~73%.

Exhibit 3: Market concentration contracts but remains high

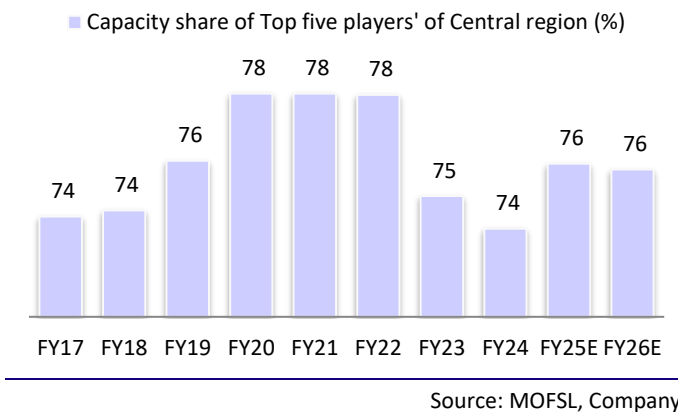
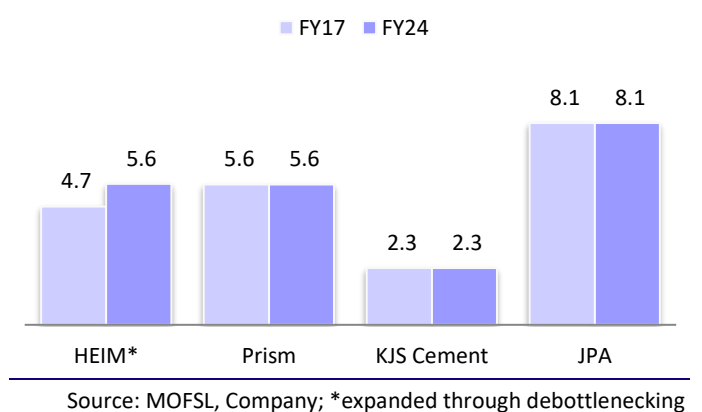
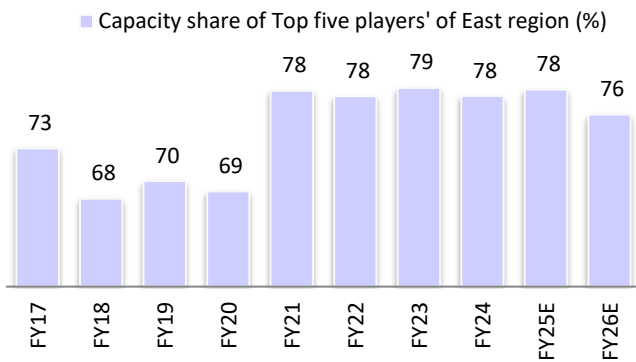


Exhibit 4: A few regional players did not expand capacity



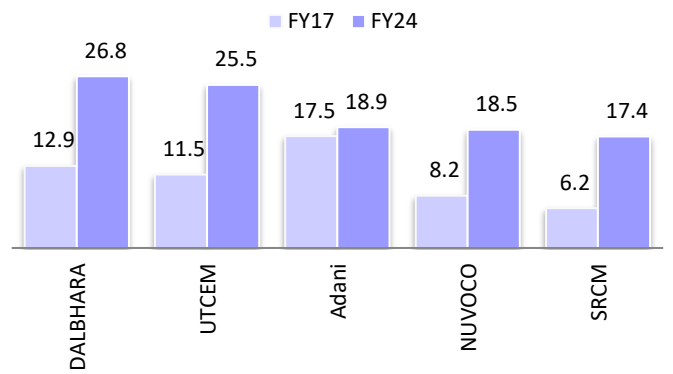
In the east region, consolidation has increased amid steady capacity expansions by large players and M&As. All large players have their capacities in the region spread across key markets, while regional players' share in the east is low.

Exhibit 5: Consolidation increased in the east region...



Source: MOFSL, Company

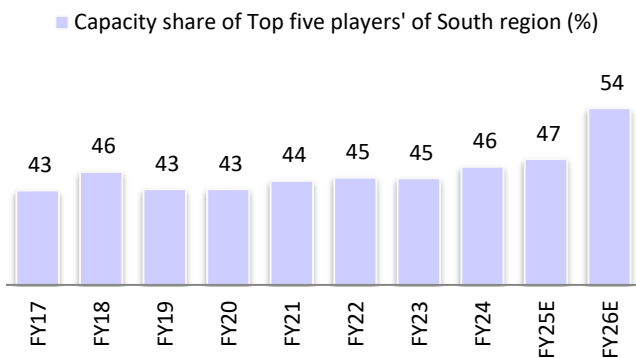
Exhibit 6: ...with steady capacity expansion by large players



Source: MOFSL, Company;

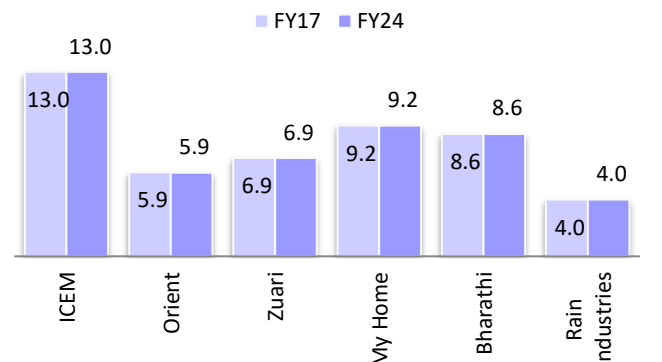
The south region is the most fragmented market, with the highest installed cement capacity and the highest number of regional players. The region has a large number of players who have not expanded capacity over the years. However, with the recent two major M&As (UTCEM acquiring KSI and ACEM acquiring PCIL) and higher capacity additions by the top five players, consolidation is intensifying in the region.

Exhibit 7: In the south concentration is increasing too



Source: MOFSL, Company

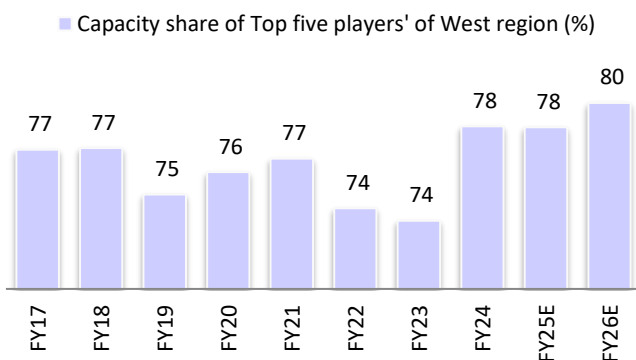
Exhibit 8: Major regional players did not expand capacity



Source: MOFSL, Company

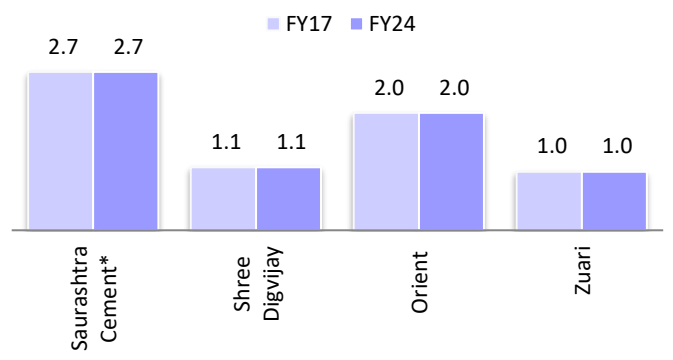
In the west region, top-five players' capacity share increased due to M&As and organic capacity expansions by large players. In the west region, a few regional players have not expanded capacities over the years.

Exhibit 9: Consolidation is increasing in the west region



Source: MOFSL, Company

Exhibit 10: A few regional players did not expand capacity



Source: MOFSL, Company; *Note: Including its subsidiary

M&A activity rising in the Indian cement industry

M&A activity in the Indian cement industry has increased over the last few years, as the country's leading cement producers are looking to strengthen their positions at the top. Jaiprakash Associates (JPA) sold its cement assets to UTCCEM due to pressure from lenders to repay debt. To reduce their debt burden and focus on other businesses, BK Birla Group, Reliance Infra, and Emami Group sold their cement assets to UTCCEM, BCORP, and NUVOCO, respectively. Sanghi's promoter sold a majority stake to ACEM due to significantly higher leverage (net debt to EBITDA surged to 7x in FY23). A few cement companies (Binani Cement, Andhra Cement, Kalyanpur Cement, and Murli Industries) are sold under the Insolvency and Bankruptcy Code (IBC) due to defaults in loan repayments. Earlier, Lafarge sold its entire cement business in India to Nirma Group to comply with MMDR and CCI rules, a prerequisite for the global merger of Holcim and Lafarge. The Holcim group exited India by selling its entire stake in ACC and ACEM as part of its plan to become a global leader in innovative and sustainable building solutions. Recently, two major M&As have been announced by the top two cement players. UTCCEM announced the acquisition of KSI's cement business and ACEM announced the acquisition of a 100% stake in PCIL.

Exhibit 11: Major M&A activities in the industry

Year	Company/plants acquired	Acquiring company	Capacity (mtpa)	Region	Deal value (INR b)	EV/t (INR)	EV/t (USD)
CY10	OCL India (45.4% stake)	DALBHARA	5.3	East	3.8	1,567	32
CY12	Adhunik Cement	DALBHARA	1.5	East	5.0	3,338	64
CY12	Calcom Cement (76% stake)	DALBHARA	2.1	East	3.2	1,975	37
CY13	Heidelberg Cement (Dolvi GU)	JSW Cement	0.6	West	1.7	2,767	49
CY13	Sree Jayajothi Cements	My Home Industries	3.2	South	14.0	4,375	67
CY13	Gujarat units of JPA group	UTCCEM	4.8	West	38.0	7,917	131
CY14	Jaypee Cement (Bokaro GU)	DALBHARA	2.1	East	9.0	4,296	68
CY14	Jaypee Cement (Panipat GU)	SRCM	1.5	North	3.6	2,400	38
CY14	BMM Cements	SGC	1.0	South	5.4	5,400	87
CY15	OCL India (26.6% stake)	DALBHARA	6.7	East	10.2	5,744	89
CY16	JP group (Cement plants)	UTCCEM	21.2	Central/North/South	161.9	7,636	118
CY16	Lafarge India	NUVOCO	11.1	North/East	94.0	8,507	127
CY16	Reliance Cement	BCORP	5.5	Central/West	48.0	8,727	130
CY17	Murli Industries	DALBHARA	3.0	West	4.0	1,340	21
CY18	Century Cement	UTCCEM	14.6	East/West/Central	86.2	5,905	106
CY18	Binani Cement	UTCCEM	8.6	North	80.3	9,386	131
CY20	Emami Cement	NUVOCO	8.3	East	55.0	6,627	93
CY22	ACC and ACEM (Holcim's stake)	Adani group	67.8	Pan India	501.8	11,727	151
CY23	Andhra Cement	SGC	2.6	South	9.2	3,546	44
CY23	Sanghi Industries*	ACEM	6.1	West	50.0	6,775	81
CY23	Kesoram Industries^*	UTCCEM	8.5	South	77.8	8,488	102
CY24	Penna Cement^	ACEM	14.0	South/West/North	104.2	7,446	90

Source: MOFSL, Industry; Note: *EV/t is calculated by adjusting excess capacities ^the deals are pending for certain approvals

Large players consolidating their positions

Large players with steady expansions (organically as well as inorganically) have been consolidating their positions. After a spate of acquisitions until FY20, UTCCEM, the largest cement company in India, has continued its growth journey through brownfield and greenfield expansions across regions to maintain its leadership

In the last decade, Adani/UTCEM/DALBHARA added 100%/58%/48% of their capacity through acquisitions

position. In Dec'23, it announced the acquisition of KSI's cement business (having a clinker/grinding capacity of 6.3mtpa/10.8mtpa). In the last decade, the company added 104.2mtpa of capacity (including the acquisition of KSI, which is pending certain approvals), of which 60.5mtpa (~58%) was through acquisitions. DALBHARA is also increasing its capacity through a combination of organic and inorganic expansions. Over FY14-24, the company added 32.8mtpa (excluding the JPA deal, which is currently held under IBC), of which 15.6mtpa (48%) was added through acquisitions. Adani, on the other hand, became the country's second-largest cement producer entirely by acquisitions. However, SRCM has expanded its capacity mostly through organic routes.

Exhibit 12: Inorganic vs. organic mix in capacity expansion by large players

Company Name	Capacity addition	Inorganic	Organic	Inorganic
	In last 10 years' (mtpa)	Growth (mtpa)	Growth (mtpa)	Growth share
UTCEM	104.2	60.5	43.8	58%
Adani Group	88.9	88.9	-	100%
DALBHARA	32.8	15.6	17.2	48%
SRCM	38.9	1.5	37.4	4%

Source: MOFSL, Company; Note: UTCEM capacity addition is included KSI and ACEM capacity addition is included PCIL pending for certain approvals

Aggressive guidance for capacity enhancement by large players

After the entry of **Adani Group** into the cement business and due to its aggressive capacity expansion plans (aiming to double the capacity to 140mtpa by FY28), a few other players have also raised their capacity targets. **UTCEM** has set an ambitious target of increasing its cement capacity to 200mtpa by FY30-31 (currently increasing cement capacity to 183.5mtpa by FY27 vs. 147.3mtpa through the organic route). **DALBHARA** targets to increase its grinding capacity to 75mtpa/110-130mtpa by FY27/FY31 through organic and inorganic routes. Currently, it has a major presence in the east and south regions of India. It intends to establish its presence in the west, central, and north regions of India. **SRCM** remains conservative about acquiring cement capacity. Currently, the company intends to expand their capacity to +80mtpa mainly through the organic route. However, it is open to any such strategic inorganic opportunity that can create value for the company. **JSW Group** also has ambitions for becoming a serious player in the industry. It [aims to invest](#) INR180b in the next five years to grow its cement capacity to 60mtpa from 21.4mtpa currently. Notably, JSW Group was among the key contenders to acquire Holcim's stake in ACEM ([news article](#)). These companies intend to increase their capacity in order to become pan-India players and expand their market share in a high-demand environment. We believe that their strong balance sheets will help them pursue their capacity targets.

Top five players' capacity CAGR is estimated to be ~12% over FY24-28

Exhibit 13: Cement capacity – long-term targets of large companies and capacity CAGR

Company Name	Current Capacity (mtpa)	Target Capacity (mtpa)	Target Year	Capacity CAGR
UTCEM	141	200	2028	9.2%
Adani Group	77	140	2028	16.0%
DALBHARA	45	110-130	2030	16%-19%
SRCM	53	80	2028	10.6%
JSW Group	21	60	2028-29	22.9%

Source: MOFSL, Company

Long-term capacity addition estimates

Estimate clinker/ cement capacity CAGR of 6.3%/7.0% over FY24-27

India's cement industry is estimated to clock a CAGR of 6.3%/7.0% in clinker/cement over FY24-27. We estimate a cement capacity CAGR of 9.6%/9.3%/7.4%/5.9%/4.1% for Central/East/West/South/North. The top four players (UTCEM, Adani Group, SRCM, and DALBHARA) are likely to grow their capacities (through organic routes) by a CAGR of ~9% over the same period. The capacity share of the top four players is likely to increase to ~57% by FY27E from ~50% in FY24.

Exhibit 14: Clinker/grinding capacity additions

Region	Clinker (mtpa)						Cement (mtpa)					
	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY22	FY23	FY24	FY25E	FY26E	FY27E
North	3.8	5.5	9.6	3.7	10.3	2.8	5.3	2.9	14.2	3.2	6.8	6.5
East	3.2	7.4	5.9	8.6	5.9	3.0	7.1	9.4	12.3	13.2	11.7	16.7
West	5.4	-	-	-	6.0	-	5.0	7.7	4.0	5.4	5.4	10.6
Central	1.4	3.7	5.9	4.7	3.3	7.3	6.1	7.6	4.6	6.7	12.8	7.1
South	1.9	3.5	2.6	8.9	3.7	10.7	2.8	5.8	4.4	15.7	12.3	7.4
Total	15.7	20.1	24.0	25.8	29.2	23.8	26.2	33.4	39.5	44.1	49.0	48.3

Source: MOFSL, Industry, Company

Top four players likely to add higher clinker capacity

According to the available data for environmental clearance (EC); we believe that the industry players have applied/obtained environmental clearance for 118.5mtpa of clinker capacities. The top five players account for 66% of these capacities. It is important to note here that not all the capacities come on stream for which environmental clearances are under process.

Exhibit 15: EC obtained for incremental clinker capacity addition, for which order has not yet been placed

Company Name	Clinker capacity (mtpa)
SRCM	22.4
DALBHARA	22.9
UTCEM	15.0
JSW Cement	15.9
Adani	12.4
NUVOCO	12.0
JKLC	8.7
Wonder Cement	5.5
JKCE	5.3
Sagar Cements	5.1
BCORP	3.6
Orient Cement	3.0
Deccan Cement	1.5
Shree Digvijay Cement	1.1
Total	134.4

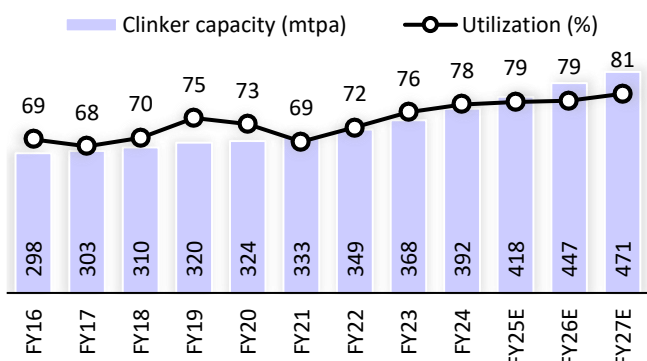
Source: MOFSL, Industry

Top five players account for 66% of clinker capacity for which ECs have been applied/obtained

Clinker utilization to improve to 81% by FY27E

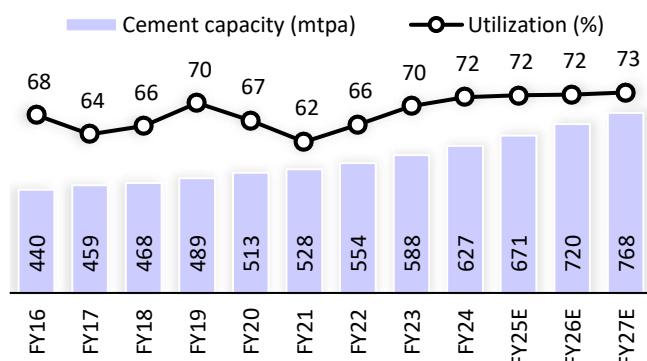
Over FY18-24, all-India clinker capacity posted a CAGR of 4.0% vs. a demand CAGR of 6.2%. As a result, the industry’s clinker utilization increased to ~78% in FY24 from 70% in FY18. In FY21, clinker utilization dropped due to demand disruptions amid Covid-19. We estimate clinker utilization to improve to ~81% by FY27, aided by strong cement demand and rising consolidation in the industry. Clinker utilization (ex-South) is estimated to hover at 88-89% over FY25-27 (similar to FY23/24 levels). Conversely, in South, clinker utilization is likely to rise to ~72% by FY27 vs. ~66% in FY24 (average ~57% over FY18-23).

Exhibit 16: Industry’s clinker capacity and utilization trends



Source: MOFSL, Company

Exhibit 17: Industry’s cement capacity and utilization trends

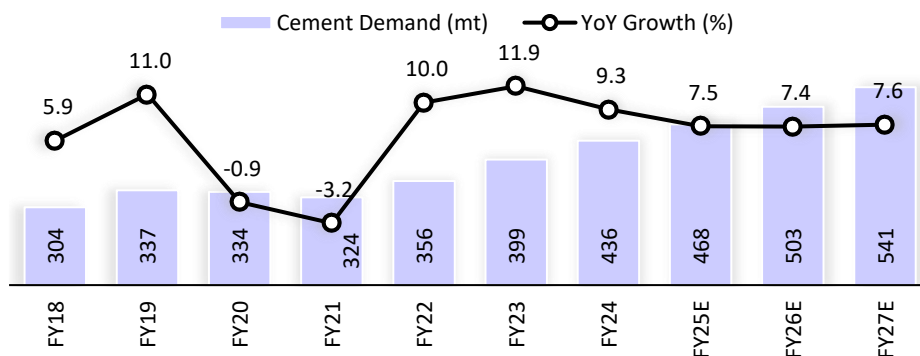


Source: MOFSL, Company

Estimate cement demand CAGR of 7.5% to outpace supply CAGR of 7.0% over FY24-27

Over FY24-27, cement demand CAGR (at 7.5%) is expected to outpace supply CAGR (of 7.0%). We believe that strong demand growth will be driven by the government’s focus on affordable housing, infrastructure development, continuing strong demand from real estate, and likely pick-up in industrial capex. BJP’s 2024 manifesto also highlighted its focus on expanding the PM Awas Yojana, slum redevelopment, promoting affordable housing, expanding road network, rail & metro connectivity, and constructing new airports. The announcements under the forthcoming Union Budget will be the key monitorables for cement demand momentum.

Exhibit 18: Demand CAGR is estimated to be 7.5% over FY23-28

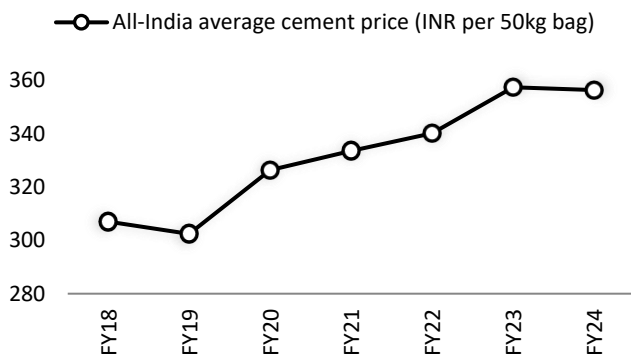


Source: MOFSL, Industry, Company

Improved clinker utilization to boost the industry’s pricing power

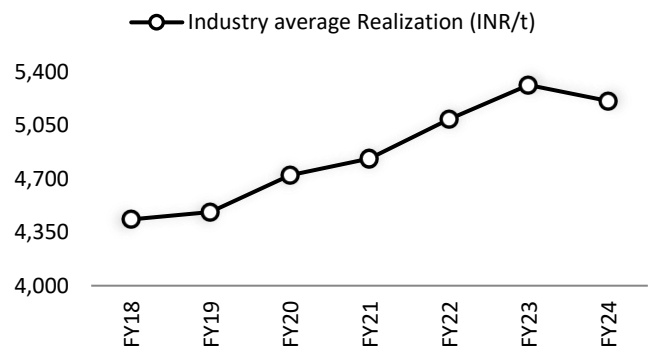
Clinker utilization improved significantly from the FY19 level (except FY21, where clinker utilization declined due to demand disruptions amid Covid-19), leading to an increase in cement prices at a 2.5% CAGR over FY18-24 (the cement realization for our coverage universe also improved at a similar rate 2.7% over FY18-24). However, FY24-exit price was lower by ~5% YoY amid demand slowdown due to the general elections and softening fuel prices (average imported petcoke/coal prices were down ~32-36% YoY, domestic petcoke price declined ~25% YoY, and domestic coal price through E-auction was down ~37% YoY). Further, most of the management teams in the last earnings concall has guided that cement prices will remain stable in FY25. We believe improvements in clinker utilizations, intensifying consolidation in the industry, and a recovery in cement demand post-monsoon should enhance the industry’s pricing power.

Exhibit 19: Cement price posted a 2.5% CAGR over FY18-24



Source: MOFSL, Company

Exhibit 20: Industry’s average cement realization CAGR at 2.7%



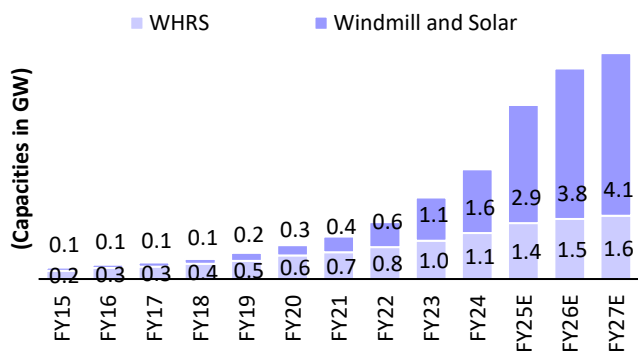
Source: MOFSL, Industry, Company

Increasing green power share to reduce costs

The industry's green power share to increase to 50% by FY27 from 35% in FY24

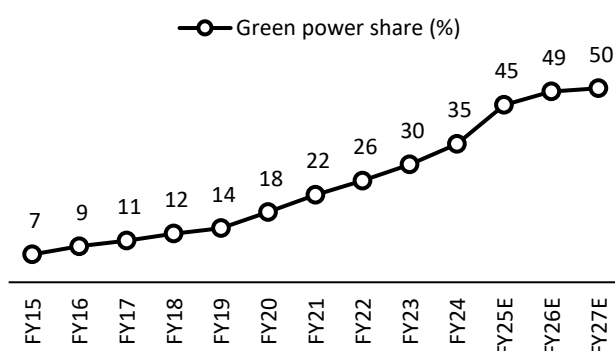
Cement companies have been making efforts to reduce power costs by installing WHRS and solar and wind power plants (other renewable energy). The rising emphasis on green energy is expected to reduce the cement industry's reliance on the expensive thermal power and grid electricity, resulting in cost savings. Captive thermal power and grid electricity costs stand at INR5.5-INR8.0/Kwh, whereas WHRS power costs stand at INR1/Kwh, and solar power costs (under a power purchase agreement) stand at INR4-4.5/Kwh. Higher green energy usage helps reduce fossil fuel consumption and, thus, carbon emissions. Over FY15-24, the cement industry reported a CAGR of 21%/39% (on a low base) in WHRS/other renewable energy capacities to 1.1GW/1.6GW. As a result, the industry's green power share of total power consumption increased to 35% in FY24 from 7% in FY15. Over FY24-27, we estimate a CAGR of 11%/37% in WHRS/other renewable energy capacity to 1.6GW/4.1GW. Furthermore, the industry's green energy share is likely to climb to 50% by FY27.

Exhibit 21: WHRS and other RE capacities in industry rising



Source: MOFSL, Company

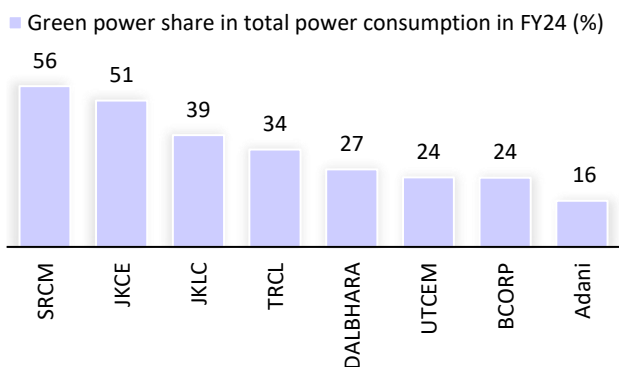
Exhibit 22: Green energy share in the industry is rising



Source: MOFSL, Company

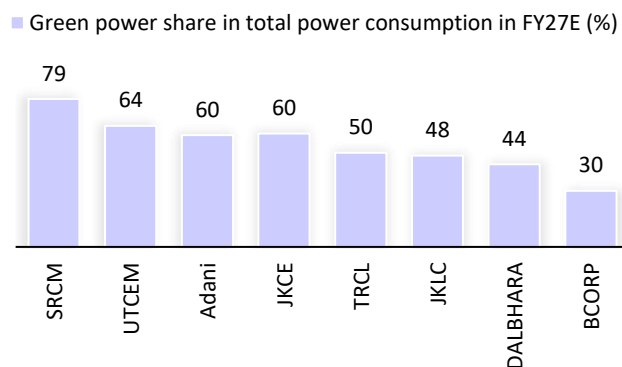
Within our coverage universe, SRCM has the highest green power share in total power consumption at 57%, followed by JKCE at 51% and JKLC at 39%. UTCEM, Adani Group, and SRCM are likely to add higher green power capacities (89% of total green power capacity addition) during FY25-27. This will lead to a significant increase in green power share for UTCEM and Adani vs. peers.

Exhibit 23: SRCM a pioneer in green power usage in FY24



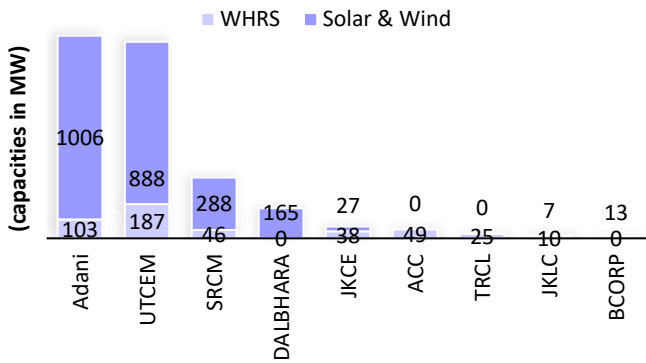
Source: MOFSL, Company

Exhibit 24: UTCEM and Adani likely to witness a higher increase in green power share by FY27E



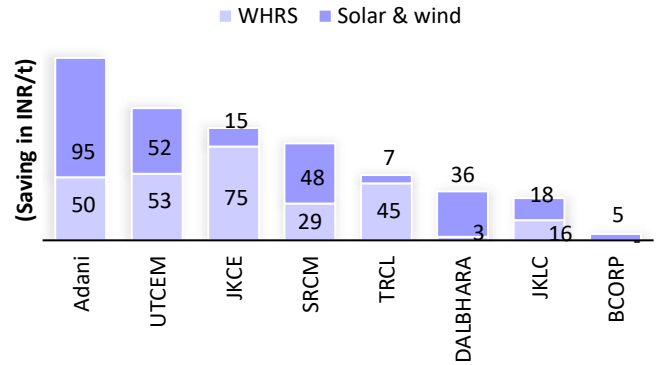
Source: MOFSL, Company

Exhibit 25: WHRS and RE capacity addition over FY25-27E



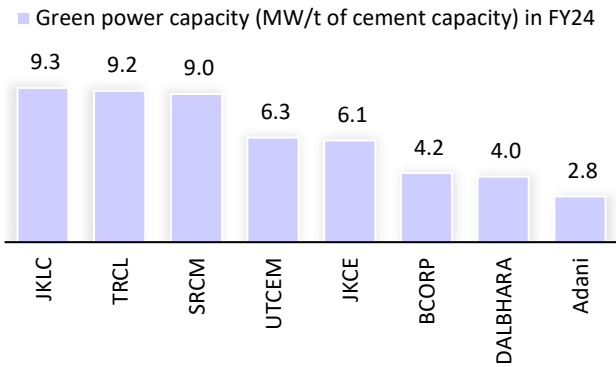
Source: MOFSL, Company

Exhibit 26: Cost savings over FY25-27E through green power



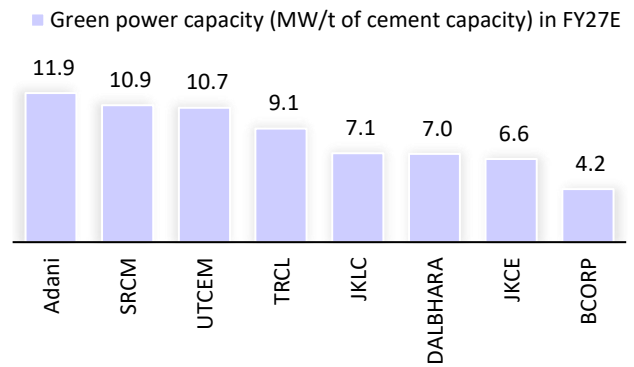
Source: MOFSL, Company; Note: Incremental cost saving spread over next three years

Exhibit 27: Green power (MW)/t of cement capacity (FY24)



Source: MOFSL, Company

Exhibit 28: Green power (MW)/t of cement capacity (FY27E)



Source: MOFSL, Company

Valuation and View

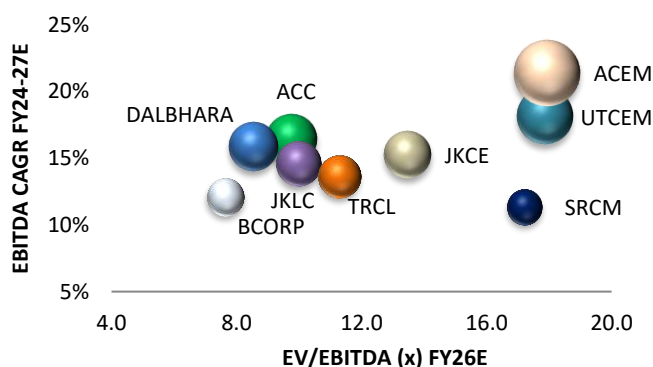
- We believe that acceleration in consolidation and higher clinker utilization can improve the industry’s pricing power in the long run. We estimate that large players will benefit the most from the larger scale of operations, brand equity, and cost-saving measures. This, in our view, will help these players maintain/improve their premium valuations. We have ascribed higher-than-historical valuation multiples and assigned premium over other companies to UTCEM and ACEM, as we believe that these companies would benefit from inorganic opportunities, as seen in last few deals in the sector. Higher capacity additions will also help to improve cost structures, e.g., operating efficiencies, reduction in lead distance, etc.
- In the 1QFY25 preview, we rolled over the valuation multiples for our coverage companies to Jun’26E from Mar’26E. We value UTCEM and ACEM at 20x Jun’26E EV/EBITDA. Our target multiple of 12x Jun’26E EV/EBITDA for ACC is in line with DALBHARA and TRCL. We reiterate our **BUY rating** on UTCEM, DALBHARA, JKCE, BCORP and JKLC and maintain our **Neutral rating** on TRCL and SRCM. We upgrade **ACEM to BUY** from Neutral given its value-accretive acquisitions in last one year, which will help ACEM balance its market presence and ambitious organic expansion plans. We value ACEM at 20.0x Jun’26E EV/EBITDA to arrive at our TP of INR800. We also upgrade **ACC to BUY** from Neutral given its attractive valuation and expected improvement in profitability, driven by cost-saving initiatives, strong brand positioning, and structural changes in the operations (higher volume under MSA and leveraging group synergies). We value ACC at 12.0x Jun’26E EV/EBITDA to arrive at our TP of INR3,300.

Exhibit 29: Valuation summary

	M-cap (USD b)	CMP (INR)	Rating	P/E (x)			EV/EBITDA (x)			EV/t (USD)			ROE (%)			Net debt/EBITDA (x)		
				FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
UTCEM	44.7	11,555	Buy	41.4	33.3	27.5	22.4	17.8	14.7	265	231	209	12.7	13.8	14.3	(0.1)	(0.3)	(0.6)
ACEM	18.1	679	Buy	40.5	32.2	27.4	21.2	17.9	14.7	230	189	177	7.3	7.7	8.5	(3.6)	(1.8)	(1.9)
SRCM	13.4	27,790	Neutral	44.4	44.5	39.8	18.7	17.2	15.7	219	190	168	10.6	9.8	10.1	(1.1)	(0.8)	(0.5)
ACC	6.7	2,664	Buy	21.5	19.6	16.9	11.3	9.8	7.9	136	124	109	13.6	13.2	13.5	(1.8)	(2.0)	(2.3)
DALBHARA	4.7	1,866	Buy	35.3	27.7	21.5	11.8	10.0	8.4	96	94	90	5.9	7.2	8.7	0.4	0.2	(0.3)
JKCE	4.5	4,342	Buy	37.8	29.7	23.2	16.3	13.3	11.4	204	177	159	15.5	17.4	19.1	2.0	1.7	1.1
TRCL	2.5	797	Neutral	38.4	28.0	24.0	12.7	11.3	10.2	126	119	120	6.7	8.6	9.3	3.0	2.7	2.5
BCORP	1.7	1,605	Buy	24.0	18.4	14.6	9.3	7.7	6.7	97	86	80	7.5	9.1	10.5	1.7	1.2	0.9
JKLC	1.4	888	Buy	21.2	18.9	16.4	10.0	8.6	7.8	79	72	67	14.5	14.4	14.6	1.4	1.6	1.7
ICEM	1.3	305	Sell	Loss	51.2	27.5	34.7	17.8	13.1	104	102	99	(1.0)	3.4	6.1	6.7	3.2	2.0

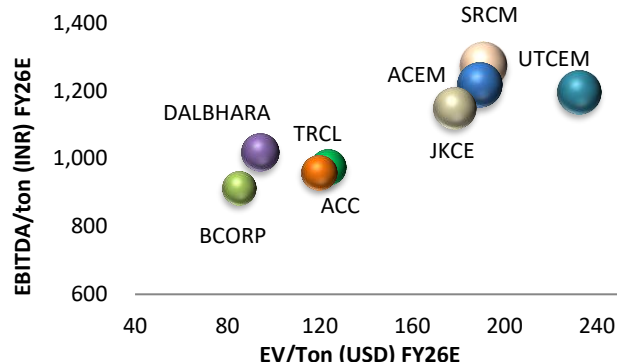
Source: MOFSL, Company; Note: ACEM estimates and valuation on a consolidated basis

Exhibit 30: Profitability v/s valuation (based on EV/EBITDA)



Source: MOFSL, Company

Exhibit 31: Profitability v/s valuation (based on EV/t)



Source: MOFSL, Company

Companies

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Ultratech Cement

BSE SENSEX 79,897 S&P CNX 24,316



Stock Info

Bloomberg	UTCEM IN
Equity Shares (m)	289
M.Cap.(INRb)/(USDb)	3335.9 / 39.9
52-Week Range (INR)	12078 / 7941
1, 6, 12 Rel. Per (%)	1/4/14
12M Avg Val (INR M)	3502
Free float (%)	40.0

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	751	899	1,011
EBITDA	145	181	214
Adj. PAT	81	102	124
EBITDA Margin (%)	19	20	21
Adj. EPS (INR)	280	347	420
EPS Gr. (%)	14	24	21
BV/Sh. (INR)	2,321	2,765	3,184

Ratios

	(0.0)	(0.1)	(0.1)
Net D:E			
RoE (%)	12.7	13.8	14.3
RoCE (%)	12.0	13.0	13.6
Payout (%)	16.1	15.8	6.7

Valuations

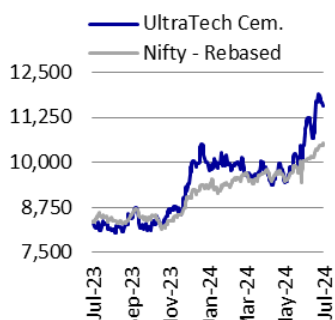
P/E (x)	41.3	33.3	27.5
P/BV (x)	5.0	4.2	3.6
EV/EBITDA(x)	22.5	18.2	15.1
EV/ton (USD)	241	214	193
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	1.3	2.1	2.7

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	60.0	60.0	60.0
DII	14.3	13.8	17.1
FII	18.4	18.9	15.4
Others	7.3	7.3	7.5

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR11,555 TP: INR13,300 (+15%) Buy

Well positioned to capture the growing cement demand

Timely capacity addition and utilization ramp-up leading to market share gains

UTCEM's domestic grey cement capacity/volume CAGR of 10%/11% over FY14-24 exceeded that of the industry (at 5% each). As a result, its market share surged to ~26% in FY24 from ~16% in FY14. UTCEM is expanding the domestic grey cement capacity (under Phases II & III) to reach 183.5mtpa organically by end-FY27 vs. 149.5mtpa currently. It has enough organic opportunities to reach its capacity target of 200mtpa in the medium term. Apart from that, UTCEM explores inorganic growth opportunities, and in Dec'23, it announced the acquisition of the cement business of Kesoram Industries (KSI). KSI has a cement grinding capacity of 10.75mtpa (including a surplus grinding capacity of 2.25mtpa). The transaction is likely to be completed in 2HFY25E.

Cost savings to help improve profitability

The company is targeting cost savings of INR200-300/t over the next three years. It has given a detailed cost saving guidance of – i) INR80/t through an increase in the green power share; ii) INR30/t by higher alternative fuel share; iii) INR60/t by a reduction in clinker factor and higher blended cement share, iv) INR75/t by savings in logistics costs through utilizing larger scale of operation and logistic optimization; and v) INR40/t from other operational efficiency, including positive operating leverage with higher volume. UTCEM aims to increase its WHRS/other RE capacity to 465MW/1.5GW by FY27E vs. 278MW/612MW currently. After the completion of these projects, green energy will fulfill +60% of total power requirements (25% from WHRS and 35% from other RE) with increased capacity. It has a long-term target (by FY30E) of increasing its share of green power to ~85%.

Strong balance sheet and low-cost expansion improve return ratios

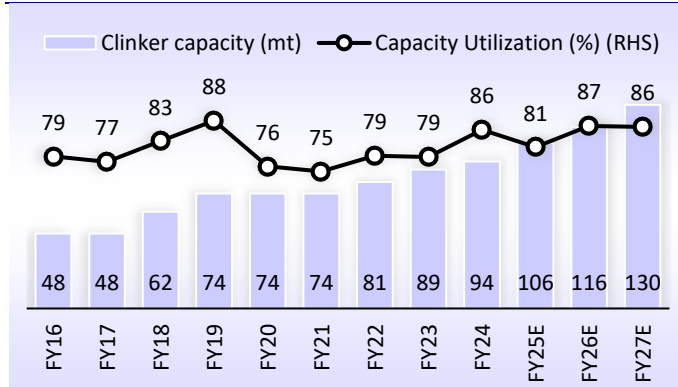
UTCEM's consolidated net debt increased to INR217b after a slew of acquisitions in FY19-20. However, with successful integrations and a rapid scale-up in capacity utilization in acquired assets, UTCEM not only reduced its net debt (INR27.8b as of Mar'24) but also expanded its domestic grey cement capacity to 140.8mtpa from 109mtpa in FY19 to maintain its leadership position in the industry. Further, we believe the low-cost expansion (all Phase - I, II and III expansions entail a capex of ~USD70/t) and faster execution will improve return ratios. Lower capex is partially due to a higher proportion of brownfield expansion and a larger proportion of equipment orders to a single supplier. We estimate its RoE to improve to 14% by FY26/FY27 from 12% in FY24.

Valuation and view – top of the pack; reiterate BUY

We estimate an 18%/21% CAGR in consolidated EBITDA/adjusted PAT over FY24-27 (including KSI in our estimates from FY26). UTCEM's improved earnings/RoE and leadership position warrant higher multiples for the stock, which currently trades at 18x Mar'26E EV/EBITDA. We value the stock at 20x Jun'26E EV/EBITDA to arrive at our TP of INR13,300. **We reiterate our BUY rating.**

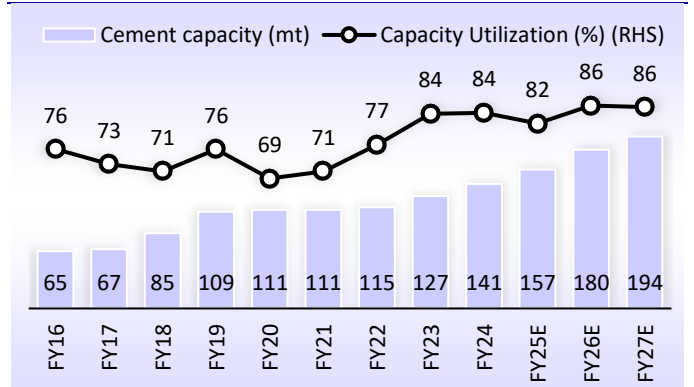
STORY IN CHARTS

Exhibit 32: Estimate clinker utilization to remain high...



Source: MOFSL, Company

Exhibit 33: ...and cement capacity utilization too



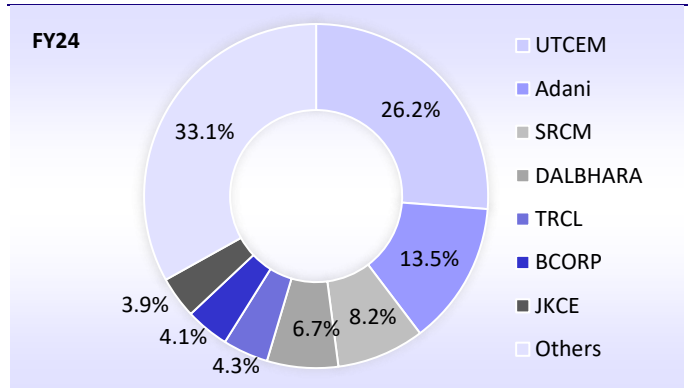
Source: MOFSL, Company

Exhibit 34: UTCEM’s region-wise capacity (mtpa) and capacity share currently

Region	Cement Capacity currently	Regional mix (%)	Industry capacity	Capacity share in the industry (%)
North	33.3	23	~128	26
Central	28.4	19	~86	33
East	30.3	21	~144	21
West	32.2	22	~83	39
South	23.2	16	~194	12
All India	147.4		~634	23

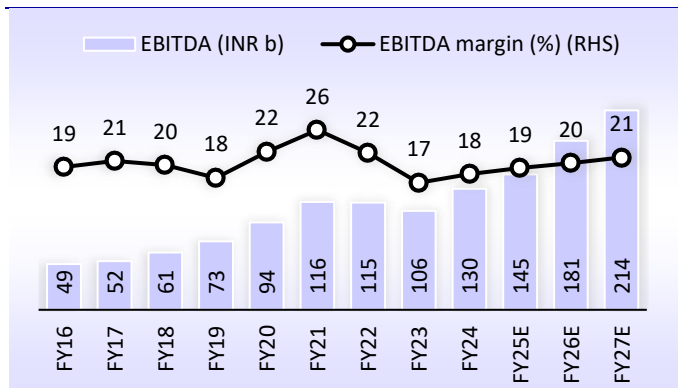
Source: Company, MOFSL

Exhibit 35: UTCEM’s FY24 market share at 26%



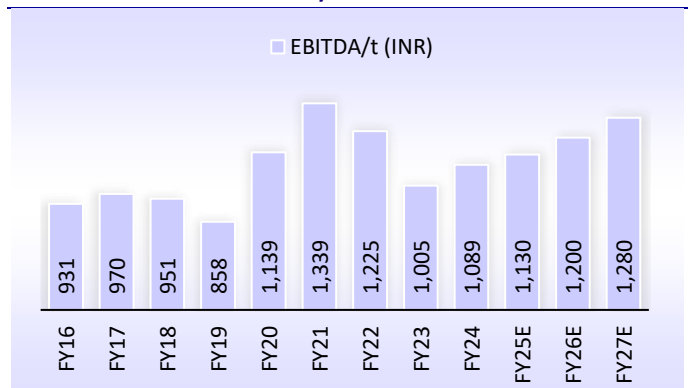
Source: Company, MOFSL

Exhibit 36: Estimate an EBITDA CAGR of 18% over FY24-27



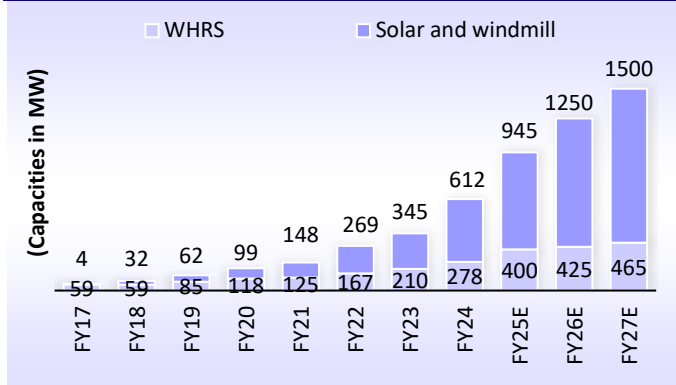
Source: MOFSL, Company

Exhibit 37: Estimate EBITDA/t to rise



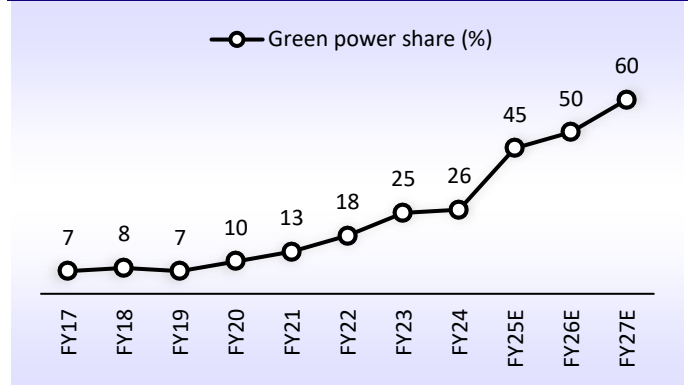
Source: MOFSL, Company

Exhibit 38: Increasing green power portfolio...



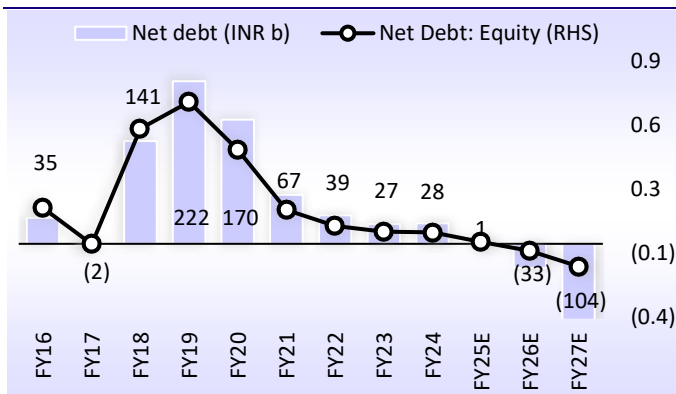
Source: MOFSL, Company

Exhibit 39: ...to drive higher green power share



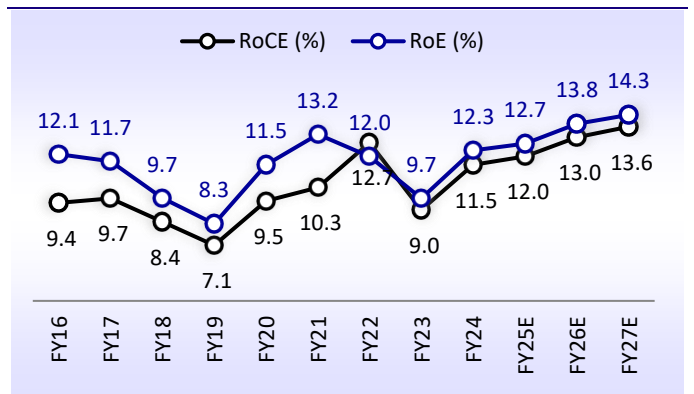
Source: MOFSL, Company

Exhibit 40: Estimate UTCEM to be net cash by FY26



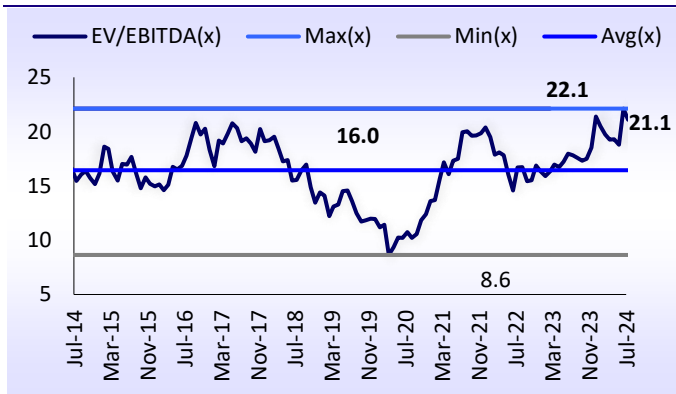
Source: Company, MOFSL

Exhibit 41: Return ratios to improve over FY25-26E



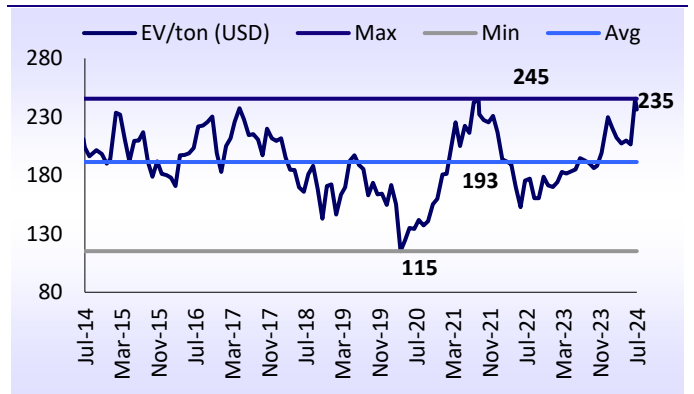
Source: Company, MOFSL

Exhibit 42: 1-year forward EV/EBITDA



Source: Company, MOFSL

Exhibit 43: 1-year forward EV/ton



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement								(INR M)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	4,24,299	4,47,258	5,25,988	6,32,400	7,09,081	7,51,311	8,99,162	10,10,883
Change (%)	2.0	5.4	17.6	20.2	12.1	6.0	19.7	12.4
Raw Materials	65,181	70,858	79,650	97,150	1,19,029	1,29,839	1,52,052	1,71,326
Employees Cost	25,199	23,530	25,347	27,390	30,376	31,520	36,375	38,251
Other Expenses	2,40,141	2,37,191	3,05,848	4,01,662	4,29,991	4,44,633	5,29,300	5,87,583
Total Expenditure	3,30,520	3,31,579	4,10,845	5,26,201	5,79,396	6,05,992	7,17,727	7,97,159
% of Sales	77.9	74.1	78.1	83.2	81.7	80.7	79.8	78.9
EBITDA	93,779	1,15,679	1,15,144	1,06,199	1,29,686	1,45,319	1,81,435	2,13,723
Margin (%)	22.1	25.9	21.9	16.8	18.3	19.3	20.2	21.1
Depreciation	27,227	27,002	27,148	28,880	31,453	34,444	42,988	48,259
EBIT	66,552	88,677	87,996	77,319	98,233	1,10,875	1,38,447	1,65,465
Int. and Finance Charges	19,917	14,857	9,447	8,227	9,680	9,561	9,228	8,633
Other Income	6,511	7,342	5,078	5,031	6,170	6,719	7,592	8,566
PBT bef. EO Exp.	53,146	81,162	83,627	74,122	94,722	1,08,033	1,36,811	1,65,398
EO Items	19,788	-2,607	0	0	-720	0	0	0
PBT after EO Exp.	72,934	78,555	83,627	74,122	94,002	1,08,033	1,36,811	1,65,398
Total Tax	15,413	25,387	11,901	23,429	24,183	27,315	34,508	41,667
Tax Rate (%)	21.1	32.3	14.2	31.6	25.7	25.3	25.2	25.2
Minority Interest	-32	-34	-118	54	-231	0	0	0
Reported PAT	57,553	53,202	71,844	50,640	70,050	80,718	1,02,303	1,23,730
Adjusted PAT	41,946	54,967	56,665	50,640	70,572	80,718	1,02,303	1,23,730
Change (%)	69.0	31.0	3.1	-10.6	39.4	14.4	26.7	20.9
Margin (%)	9.9	12.3	10.8	8.0	10.0	10.7	11.4	12.2

Consolidated - Balance Sheet								(INR M)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	2,886	2,887	2,887	2,887	2,887	2,887	2,947	2,947
Total Reserves	3,88,269	4,38,860	5,01,466	5,40,359	5,99,388	6,67,115	8,11,699	9,16,276
Net Worth	3,91,155	4,41,747	5,04,353	5,43,245	6,02,275	6,70,001	8,14,646	9,19,223
Minority Interest	75	57	-31	556	559	559	559	559
Total Loans	2,28,979	2,04,878	1,02,028	99,008	1,02,984	92,984	96,594	81,594
Deferred Tax Liabilities	49,120	60,407	60,332	62,601	64,478	75,082	88,461	1,04,607
Capital Employed	6,69,329	7,07,089	6,66,683	7,05,411	7,70,296	8,38,626	10,00,261	11,05,984
Gross Block	6,02,798	6,14,319	6,41,922	7,10,926	7,75,203	8,70,929	10,38,828	11,19,581
Less: Accum. Deprn.	95,399	1,22,401	1,49,549	1,78,428	2,09,881	2,44,325	2,87,313	3,35,571
Net Fixed Assets	5,07,400	4,91,918	4,92,374	5,32,497	5,65,321	6,26,604	7,51,515	7,84,010
Goodwill on Consolidation	62,525	62,199	62,502	63,293	63,455	63,455	63,455	63,455
Capital WIP	9,095	16,867	47,847	40,404	68,112	68,466	68,466	80,466
Current Investment	42,437	1,08,939	49,633	58,366	54,848	54,848	54,848	54,848
Non-Current Investment	16,850	12,842	13,725	14,604	27,642	27,642	27,642	27,642
Curr. Assets, Loans & Adv.	1,44,307	1,59,034	1,71,938	2,04,460	2,28,444	2,47,275	3,09,294	3,84,209
Inventory	41,483	40,180	55,956	66,118	83,297	82,811	99,061	1,11,353
Account Receivables	22,383	25,717	30,716	38,670	42,782	45,120	53,335	59,746
Cash and Bank Balance	5,392	20,076	3,592	11,496	7,832	24,668	62,080	1,18,148
Loans and Advances	75,049	73,061	81,674	88,175	94,533	94,676	94,819	94,961
Curr. Liability & Prov.	1,19,152	1,52,307	1,71,595	2,08,459	2,37,724	2,49,863	2,75,158	2,88,846
Account Payables	35,014	46,993	58,628	72,093	84,783	89,833	1,07,511	1,20,869
Other Current Liabilities	76,240	96,441	1,04,309	1,28,080	1,43,660	1,50,744	1,58,356	1,58,680
Provisions	7,898	8,873	8,658	8,286	9,281	9,286	9,292	9,297
Net Current Assets	25,155	6,727	343	-3,999	-9,280	-2,587	34,136	95,363
Deferred Tax assets	60	72	164	66	49	50	50	51
Net Assets held for sale	5,808	7,526	95	180	149	149	149	149
Appl. of Funds	6,69,329	7,07,089	6,66,683	7,05,411	7,70,296	8,38,627	10,00,261	11,05,984

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	145.3	190.4	196.3	175.4	244.5	279.6	347.2	419.9
Cash EPS	239.7	284.0	290.3	275.4	353.4	398.9	493.1	583.7
BV/Share	1,355.2	1,530.4	1,747.2	1,881.8	2,086.2	2,320.8	2,764.7	3,184.1
DPS	11.5	37.0	38.0	38.0	70.0	45.0	55.0	65.0
Payout (%)	9.1	19.4	19.4	21.7	28.6	16.1	15.8	6.7
Valuation (x)								
P/E	79.5	60.7	58.9	65.9	47.3	41.3	33.3	27.5
Cash P/E	48.2	40.7	39.8	42.0	32.7	29.0	23.4	19.8
P/BV	8.5	7.6	6.6	6.1	5.5	5.0	4.2	3.6
EV/Sales	7.8	7.4	6.3	5.3	4.6	4.4	3.7	3.2
EV/Ton (Cap-USD)	359	347	332	301	269	241	214	193
EV/EBITDA	37.2	29.2	28.9	31.2	25.3	22.5	18.2	15.1
Dividend Yield (%)	0.1	0.3	0.3	0.3	0.6	0.4	0.5	0.6
FCF per share	249.4	369.4	127.4	102.6	69.7	147.8	238.4	306.4
Return Ratios (%)								
RoE	11.5	13.2	12.0	9.7	12.3	12.7	13.8	14.3
RoCE	9.5	10.3	12.7	9.0	11.5	12.0	13.0	13.6
RoIC	8.5	10.2	13.4	9.1	11.8	12.5	13.8	14.8
Working Capital Ratios								
Inventory (Days)	36	33	39	38	43	40	40	40
Debtor (Days)	19	21	21	22	22	22	22	22
Creditor (Days)	30	38	41	42	44	44	44	44
Leverage Ratio (x)								
Current Ratio	1.2	1.0	1.0	1.0	1.0	1.0	1.1	1.3
Interest Cover Ratio	3.3	6.0	9.3	9.4	10.1	11.6	15.0	19.2
Net Debt/Equity	0.5	0.2	0.1	0.1	0.1	0.0	0.0	-0.1

Consolidated - Cash Flow Statement

(INR M)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	52,423	78,576	83,627	74,122	94,002	1,08,033	1,36,811	1,65,398
Depreciation	27,022	27,002	27,148	28,880	31,453	34,444	42,988	48,259
Interest & Finance Charges	19,917	14,857	9,447	8,227	9,680	9,561	9,228	8,633
Direct Taxes Paid	-8,914	-12,910	-15,549	-11,243	-16,505	-16,712	-21,129	-25,522
(Inc)/Dec in WC	4,503	23,264	-4,730	-3,370	-4,811	10,143	689	-5,159
CF from Operations	94,949	1,30,789	99,943	96,617	1,13,819	1,45,469	1,68,587	1,91,608
Others	-5,929	-5,785	-7,110	-5,932	-4,844	-6,719	-7,592	-8,566
CF from Operating incl EO	89,020	1,25,004	92,832	90,685	1,08,975	1,38,750	1,60,995	1,83,042
(Inc)/Dec in FA	-17,037	-18,389	-56,062	-61,056	-88,841	-96,081	-90,740	-92,753
Free Cash Flow	71,983	1,06,615	36,771	29,629	20,135	42,669	70,255	90,288
(Pur)/Sale of Investments	-26,266	-70,949	76,888	-13,642	-653	0	0	0
Others	1,210	774	1,744	2,827	1,612	6,719	-69,566	8,566
CF from Investments	-42,094	-88,565	22,570	-71,871	-87,881	-89,362	-1,60,306	-84,187
Issue of Shares	27	70	44	47	19	0	60	0
Inc/(Dec) in Debt	-26,663	-25,149	-1,12,232	-3,632	-6,240	-10,000	3,610	-15,000
Interest Paid	-19,445	-14,805	-2,227	-1,894	-2,252	-9,561	-9,228	-8,633
Dividend Paid	-3,800	-3,748	-10,650	-10,913	-10,944	-12,991	-16,207	-19,153
Others	-31	68	87	81	161	0	58,488	0
CF from Fin. Activity	-49,911	-43,565	-1,24,979	-16,310	-19,257	-32,552	36,724	-42,786
Inc/Dec of Cash	-2,985	-7,125	-9,577	2,504	1,838	16,836	37,412	56,068
Opening Balance	8,377	27,201	13,169	8,992	11,496	13,334	30,169	67,582
Closing Balance	5,392	20,076	3,592	11,496	13,334	30,169	67,582	1,23,650

Ambuja Cement

BSE SENSEX

79,897

S&P CNX

24,316



Stock Info

Bloomberg	ACEM IN
Equity Shares (m)	2198
M.Cap.(INRb)/(USDb)	1672.8 / 20
52-Week Range (INR)	707 / 404
1, 6, 12 Rel. Per (%)	2/14/37
12M Avg Val (INR M)	2108
Free float (%)	29.7

Financials Snapshot (Consol.) (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	360.8	442.1	494.1
EBITDA	76.4	95.9	114.4
Adj. PAT	35.2	44.2	52.0
EBITDA Margin (%)	21.2	21.7	23.2
Adj. EPS (INR)	14.3	18.0	21.1
EPS Gr. (%)	-8.1	25.6	17.7
BV/Sh. (INR)	226	241	259

Ratios

Net D:E	-0.5	-0.3	-0.3
RoE (%)	7.3	7.7	8.5
RoCE (%)	8.5	9.3	10.3
Payout (%)	14.0	16.7	18.9

Valuations

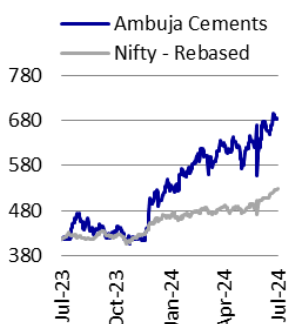
P/E (x)	40.5	32.2	27.4
P/BV (x)	2.6	2.4	2.2
EV/EBITDA(x)	21.2	17.9	14.7
EV/ton (USD)	230	189	177
Div. Yield (%)	0.3	0.4	0.6
FCF Yield (%)	0.5	1.3	3.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	66.7	63.2	63.2
DII	14.5	15.8	14.7
FII	11.2	12.0	11.3
Others	7.7	9.1	10.9

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR679

TP: INR800 (+18%)

Upgrade to Buy

Growing capacity; focusing on profitability improvement

Reiterates its consol. capacity target of 140mtpa by FY28

ACEM is expanding its capacities through organic as well as inorganic routes. After the acquisition of Sanghi Industries (SNGI), it announced the [acquisition](#) of Penna Cement (PCIL), with a capacity of 14mtpa (including 4mtpa under construction). However, it initiated expansion of projects organically at different locations, with an aggregate grinding capacity of 20mtpa to be completed over FY25-26E. Post-completion of these acquisition and organic expansions, the company's clinker/cement capacity is likely to increase to 72.3mtpa/109.8mtpa by end-FY26 from 54.0mtpa/77.4mtpa as of end-FY24. Apart from these expansions, the Board approved a 2.25mtpa clinker unit in Mundra, Gujarat (a calcium hydroxide process), and 17 grinding units (2.4mtpa each) at different locations across the country. The land acquisition process and statutory approvals are in progress.

Targeting profitability improvement through operational efficiencies

The company continues to focus on improving cost efficiencies and targets further cost reduction of INR530/t by FY28. Key cost reduction drivers would be: 1) long-term tie-ups for sourcing critical raw materials; 2) increasing renewable energy and AFR share, and 3) optimization of logistic costs. It targets to increase the WHRS/Solar & Wind capacity to 376MW/1GW by FY28 and renewable power share to 60%. It is committed to investing INR100b in green power projects. ACEM is also focusing on increasing the AFR to reduce costs and carbon footprints. It installed the AFR pre-processing and feeding systems and implemented a gas bypass system to improve the utilization of AFR. It achieved a TSR of 7.76% and targets to increase it to 23.0% by FY30. The company is optimizing logistics costs by increasing the share of direct dispatches and sea transportation within the group.

Strong balance sheet to support growth and strategic initiative plans

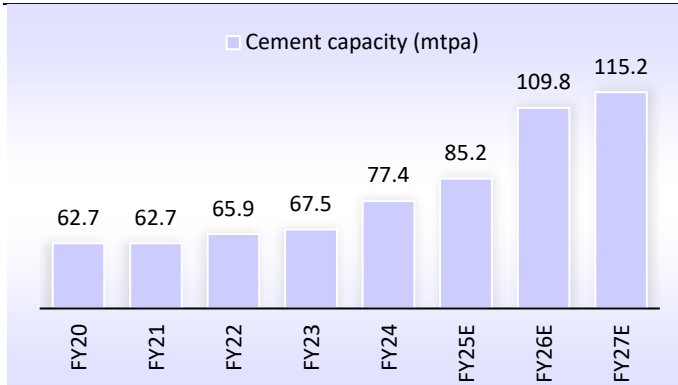
ACEM has a strong balance sheet with a consolidated cash balance of INR243.4b as of Apr'23 (including INR83.4b received against warrants converted into equity shares, issued to the promoter entity). Management has guided an aggregate capex of INR75b in FY25 (for capacity expansions through organic routes and cost-efficiency plans, such as installation of WHRS, solar, and wind plants, buying railway wagons, opening of coal mines, etc.) funded through internal accruals. The fundraise of INR200b will primarily be used for strategic initiatives.

Upgrade to BUY on ambitious growth plans

We incorporate ACEM's consolidated earnings and estimates in this note. We estimate the company's consol. revenue/EBITDA CAGR at 14%/21% over FY24-27 (have included PCIL in estimates from FY26). Further, we estimate a consolidated volume CAGR of ~14% and EBITDA/t of INR1,190/INR1,220/ INR1,310 over FY25/FY26/FY27. **We upgrade ACEM to Buy from Neutral** given its value-accretive acquisitions in last one year, which will help ACEM balance its market presence and ambitious organic expansion plans. **We value ACEM at 20.0x Jun'26E EV/EBITDA to arrive at our TP of INR800.**

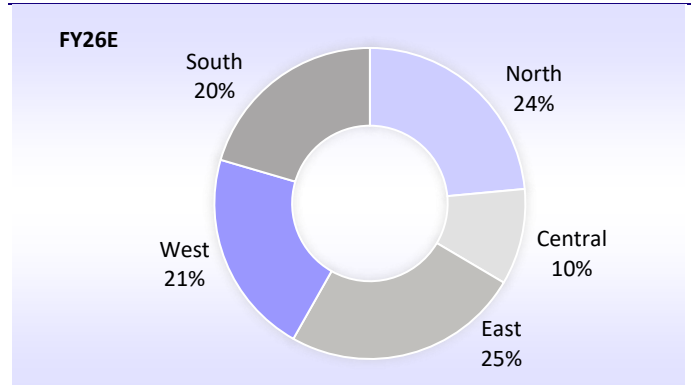
STORY IN CHARTS

Exhibit 44: ACEM’s consolidated grinding capacity growth...



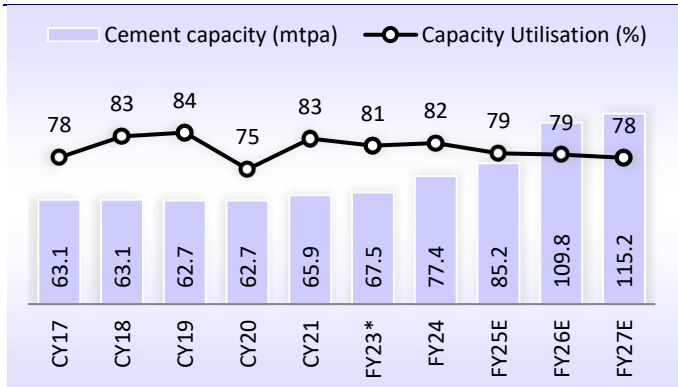
Source: Company, MOFSL

Exhibit 45: ...and consolidated regional capacity mix



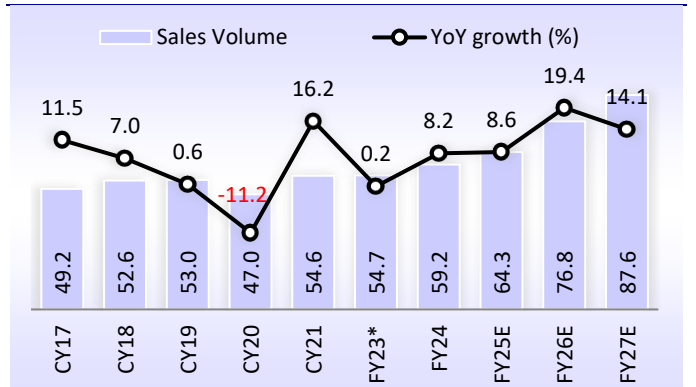
Source: Company, MOFSL

Exhibit 46: Cement capacity and utilization trends



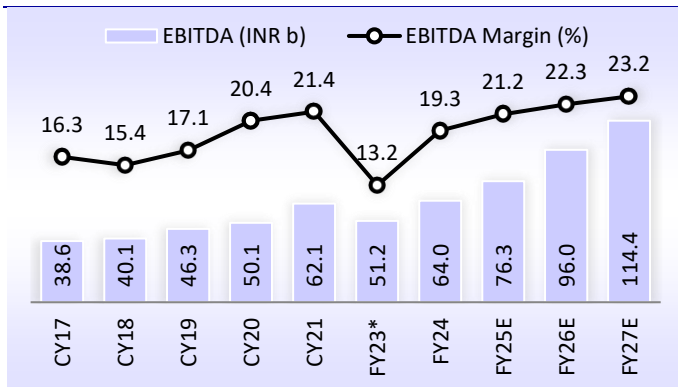
Source: MOFSL, Company

Exhibit 47: ACEM is estimated to report ~14% volume CAGR



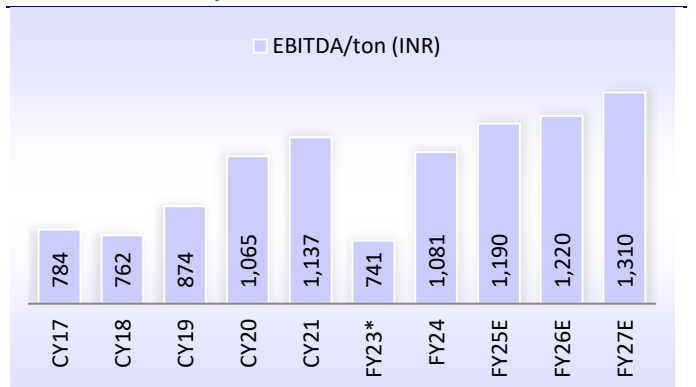
Source: MOFSL, Company; Note higher volume growth on account of acquisition of PCIL and higher organic growth

Exhibit 48: Estimate EBITDA CAGR of ~21% over FY24-27



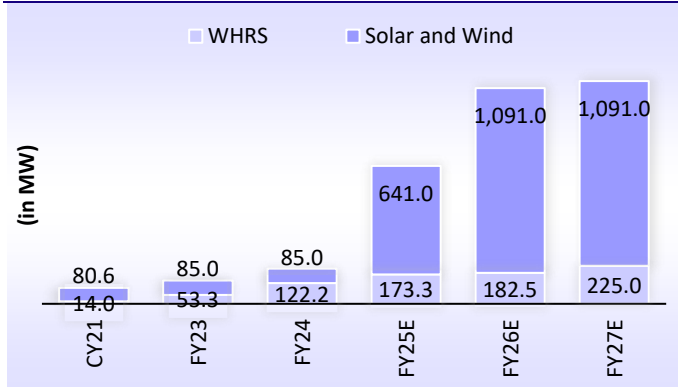
Source: MOFSL, Company

Exhibit 49: EBITDA/t is estimated to rise



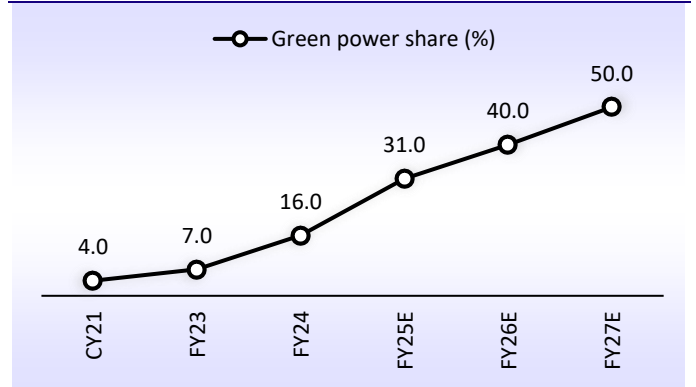
Source: MOFSL, Company

Exhibit 50: Increasing renewable power capacity...



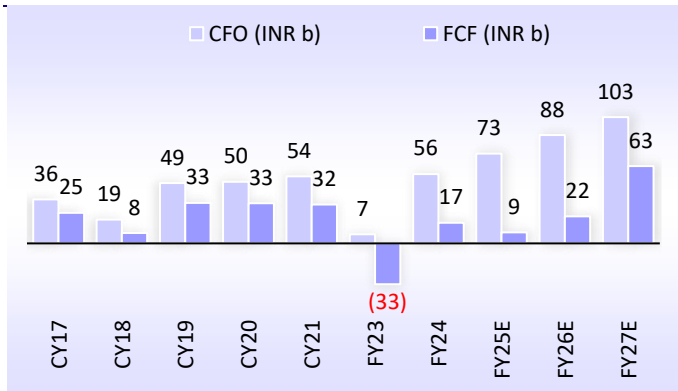
Source: Company, MOFSL; Note: Consolidated

Exhibit 51: ...to drive higher green power share



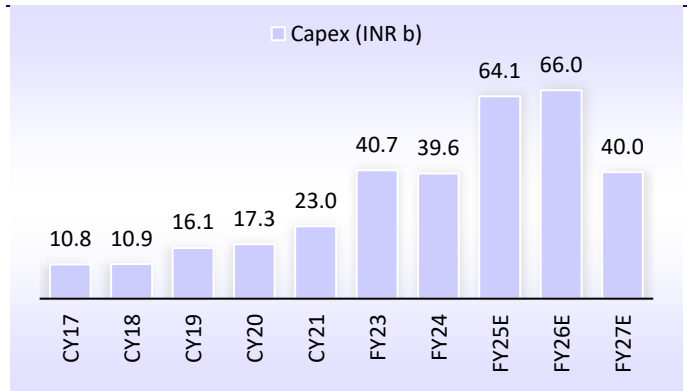
Source: Company, MOFSL; Consolidated

Exhibit 52: CFO and FCF to improve over FY25-27



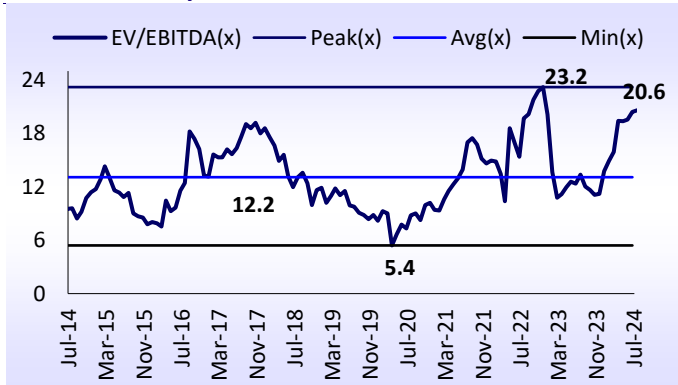
Source: MOFSL, Company; Note: CFO is considered post-tax

Exhibit 53: Aggressive expansion plans to lead to high capex



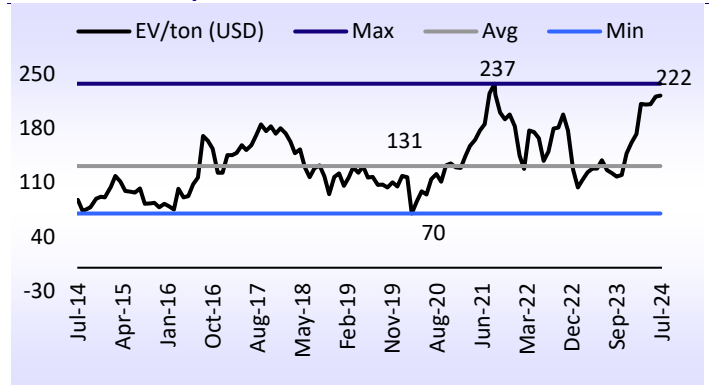
Source: MOFSL, Company

Exhibit 54: One-year forward EV/EBITDA chart



Source: Company, MOFSL

Exhibit 55: One-year forward EV/ton chart



Source: Company, MOFSL

Financials and valuations - Consolidated

Income Statement								(INR m)
Y/E December/March	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E	FY27E
Net Sales	2,71,036	2,45,162	2,89,655	3,89,370	3,31,596	3,60,758	4,42,122	4,94,100
Change (%)	4.1	-9.5	18.1	7.5	6.5	8.8	22.6	11.8
Total Expenditure	2,24,774	1,95,106	2,27,551	3,38,147	2,67,601	2,84,383	3,46,255	3,79,677
As a percentage of Sales	82.9	79.6	78.6	86.8	80.7	78.8	78.3	76.8
EBITDA	46,261	50,056	62,104	51,224	63,995	76,375	95,867	1,14,423
Change (%)	15.3	8.2	24.1	-34.0	56.2	19.3	25.5	19.4
Margin (%)	17.1	20.4	21.4	13.2	19.3	21.2	21.7	23.2
Depreciation	11,525	11,618	11,525	16,447	16,234	20,783	24,371	30,285
EBIT	34,736	38,438	50,579	34,777	47,761	55,592	71,496	84,139
Interest	1,699	1,402	1,457	1,949	2,764	5,333	6,144	4,400
Other Income – Rec.	5,533	4,438	3,524	7,377	11,664	13,453	13,382	13,670
PBT before EO Exp.	38,570	41,474	52,647	40,205	56,662	63,712	78,734	93,409
EO Exp./(Inc.)	-275	1,702	1,205	3,190	-2,116	0	0	0
PBT after EO Exp.	38,845	39,772	51,442	37,015	58,777	63,712	78,734	93,409
Tax expense	10,922	8,848	14,534	7,051	11,626	16,451	19,489	22,795
Tax Rate (%)	28.1	22.2	28.3	19.0	19.8	25.8	24.8	24.4
Add: Share of profit from associate	200	144	202	280	229	229	229	229
Less: Minority Interest	6,882	7,414	9,307	4,410	11,612	12,289	15,253	18,794
Reported PAT	21,241	23,654	27,804	25,834	35,768	35,201	44,221	52,049
PAT Adj. for EO Items	20,966	25,357	28,707	28,227	34,181	35,201	44,221	52,049
Change (%)	47.6	20.9	13.2	-21.3	51.4	3.0	25.6	17.7
Margin (%)	7.7	10.3	9.9	7.2	10.3	9.8	10.0	10.5

Balance Sheet								(INR m)
Y/E December	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E	FY27E
Equity Share Capital	3,971	3,971	3,971	3,971	4,395	4,926	4,926	4,926
Money received against issue of warrants				50,000	27,797			
Total Reserves	2,36,809	2,23,605	2,49,566	2,63,010	3,82,359	5,52,018	5,89,790	6,32,927
Net Worth	2,40,780	2,27,576	2,53,537	3,16,982	4,14,551	5,56,944	5,94,717	6,37,853
Minority Interest	57,368	63,409	71,450	70,584	93,908	1,04,883	1,18,821	1,36,206
Def. Liabilities	9,367	6,260	7,562	7,004	15,122	15,122	15,122	15,122
Total Loans	353	436	435	477	368	435	435	435
Capital Employed	3,07,868	2,97,681	3,32,985	3,95,046	5,23,948	6,77,384	7,29,094	7,89,616
Gross Block	1,74,809	1,85,238	2,13,828	2,43,254	3,44,361	4,07,896	5,80,166	6,31,216
Less: Accum. Depn.	46,610	59,140	69,989	86,436	1,02,669	1,22,199	1,45,317	1,74,339
Net Fixed Assets	1,28,199	1,26,099	1,43,839	1,56,818	2,41,692	2,85,697	4,34,849	4,56,877
Capital WIP	15,544	24,219	21,964	25,259	26,585	27,116	25,091	14,066
Capital Advances	4,422	6,050	4,234	4,810	14,123	14,123	14,123	14,123
Goodwill	78,815	78,761	78,697	78,697	82,193	82,193	82,193	82,193
Investments in subsidiaries	1,459	1,546	1,705	1,861	623	623	623	623
Investments – Trade	26,579	7,026	8,861	276	7,863	7,863	7,863	7,863
Curr. Assets	1,46,805	1,53,507	1,92,773	2,49,495	2,79,531	3,95,648	3,09,328	3,63,649
Inventory	20,965	16,486	27,380	32,728	36,086	38,814	45,145	48,965
Debtors	10,686	5,611	6,458	11,544	12,131	13,331	16,184	18,167
Cash and Bank Bal.	67,003	82,457	1,08,358	1,15,610	1,52,625	2,64,064	1,67,810	2,15,578
Others	48,152	48,953	50,577	89,613	78,689	79,439	80,189	80,939
Curr. Liability and Prov.	93,956	99,526	1,19,088	1,22,168	1,28,660	1,35,878	1,44,975	1,49,777
Creditors	89,969	96,601	1,16,026	1,19,373	1,25,671	1,32,889	1,41,986	1,46,787
Provisions	3,987	2,926	3,062	2,795	2,989	2,989	2,989	2,989
Net Current Assets	52,850	53,980	73,685	1,27,327	1,50,870	2,59,770	1,64,353	2,13,872
Appl. of Funds	3,07,868	2,97,681	3,32,985	3,95,046	5,23,948	6,77,384	7,29,094	7,89,616

Source: Company, MOFSL; * Note: 15-month period due to change in accounting year from December to March

Financials and valuations - Consolidated

Ratios								
Y/E December/March	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	10.6	12.8	14.5	14.2	15.6	14.3	18.0	21.1
Cash EPS	16.4	18.6	20.3	22.5	22.9	22.7	27.8	33.4
BV/Share	121.3	114.6	127.7	159.6	188.6	226.1	241.4	259.0
DPS	1.5	18.5	6.3	2.5	2.0	2.0	3.0	4.0
Payout (%)	14.0	155.3	45.0	19.2	12.3	14.0	16.7	18.9
Valuation (x)								
P/E ratio	54.8	45.3	40.0	40.7	37.2	40.5	32.2	27.4
Cash P/E ratio	35.4	31.1	28.6	25.7	25.2	25.5	20.8	17.3
P/BV ratio	4.8	5.0	4.5	3.6	3.1	2.6	2.4	2.2
EV/Sales ratio	5.5	6.0	5.0	3.7	4.7	4.5	3.9	3.4
EV/EBITDA ratio	32.1	29.6	23.5	28.4	24.3	21.2	17.9	14.7
EV/t (Cap) - USD	287	285	267	260	243	230	189	177
Dividend Yield (%)	0.2	2.7	0.9	0.4	0.3	0.3	0.4	0.6
Return Ratios (%)								
RoE	9.1	10.9	12.0	10.0	9.4	7.3	7.7	8.5
RoCE	10.8	12.8	15.2	9.9	10.5	8.5	9.3	10.3
RoIC	11.0	14.5	18.6	12.4	12.8	11.3	11.7	11.6
Working Capital Ratios								
Asset Turnover (x)	0.9	0.8	0.9	1.0	0.6	0.5	0.6	0.6
Debtor (Days)	14.4	8.4	8.1	10.8	13.4	13.5	13.4	13.4
Inventory (Days)	28	25	35	31	40	39	37	36
Work Cap (Days)	71.2	80.4	92.9	119.4	166.1	262.8	135.7	158.0
Leverage Ratio (x)								
Current Ratio	1.6	1.5	1.6	2.0	2.2	2.9	2.1	2.4
Debt/Equity ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow Statement								
								(INR m)
Y/E December	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	38,753	39,916	51,645	37,295	59,006	63,941	78,963	93,638
Depreciation	11,525	11,618	11,525	16,447	16,234	19,530	23,118	29,022
Interest and Finance Charges	1,705	1,699	1,402	1,905	2,764	2,764	5,333	6,144
Direct Taxes Paid	-5,299	-11,702	-6,476	-7,385	-9,156	-16,451	-19,489	-22,795
(Inc.)/Dec. in WC	2,407	8,492	-3,602	-40,913	-12,390	2,540	-837	-1,751
CF from Operations	49,092	50,022	54,494	7,349	56,458	72,323	87,088	1,04,258
Others	0	0	0	0	0	0	0	0
CF from Operations incl. EO	49,092	50,022	54,494	7,349	56,458	72,323	87,088	1,04,258
(Inc.)/Dec. in FA	-16,070	-17,253	-22,963	-40,659	-39,611	-64,066	-66,025	-40,025
Free Cash Flow	33,022	32,769	31,530	-33,310	16,847	8,257	21,063	64,233
(Pur.)/Sale of Investments	4,142	4,080	2,893	2,668	-2,944	0	0	0
Others	-8,658	19,865	-1,963	8,585	-33,776	0	-1,04,220	0
CF from Investments	-20,587	6,692	-22,034	-29,407	-76,331	-64,066	-1,70,245	-40,025
Issue of Shares	0	0	0	0	424	531	0	0
Inc./Dec. in Debt	0	0	0	-1,155	-1,533	67	0	0
Interest Paid	-1,705	-1,699	-1,402	-1,581	-2,341	-2,764	-5,333	-6,144
Dividend Paid	-5,174	-37,959	-3,334	-12,514	-4,964	-4,926	-7,389	-9,853
Others	-1,120	-1,603	-1,823	44,560	65,302	1,10,274	-374	-468
CF from Fin. Activity	-7,999	-41,261	-6,560	29,310	56,888	1,03,182	-13,097	-16,465
Inc./Dec. in Cash	20,507	15,453	25,901	7,253	37,015	1,11,439	-96,254	47,768
Opening Balance	46,497	67,003	82,457	1,08,358	1,15,610	1,52,625	2,64,064	1,67,810
Closing Balance	67,003	82,457	1,08,357	1,15,610	1,52,625	2,64,064	1,67,810	2,15,578

Source: Company, MOFSL; * Note: 15-month period due to change in accounting year from December to March

BSE SENSEX
79,897S&P CNX
24,316

CMP: INR2,664

TP: INR3,300 (+24%)

Upgrade to Buy

Improving profitability; valuations attractive

ACC

Stock Info

Bloomberg	ACC IN
Equity Shares (m)	188
M.Cap.(INRb)/(USDb)	500.3 / 6
52-Week Range (INR)	2844 / 1763
1, 6, 12 Rel. Per (%)	-1/2/24
12M Avg Val (INR M)	1297
Free float (%)	43.3

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	213.1	231.5	252.2
EBITDA	37.4	41.5	48.2
Adj. PAT	23.3	25.5	29.6
EBITDA Margin (%)	17.5	17.9	19.1
Adj. EPS (INR)	123.8	135.7	157.3
EPS Gr. (%)	24.6	9.6	15.9
BV/Sh. (INR)	969	1,090	1,234

Ratios

Net D:E	-0.4	-0.4	-0.5
RoE (%)	13.6	13.2	13.5
RoCE (%)	13.9	13.6	13.9
Payout (%)	11.3	10.3	9.5

Valuations

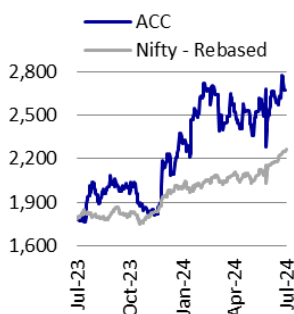
P/E (x)	21.4	19.5	16.9
P/BV (x)	2.7	2.4	2.2
EV/EBITDA(x)	11.2	9.8	7.9
EV/ton (USD)	123	112	98
Div. Yield (%)	0.5	0.5	0.6
FCF Yield (%)	4.6	3.9	6.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	56.7	56.7	56.7
DII	24.8	24.3	19.7
FII	6.2	6.2	10.1
Others	12.3	12.8	13.6

FII Includes depository receipts

Stock Performance (1-year)



Capacity expansion offers growth opportunities

ACC commissioned its greenfield integrated cement plant at Ametha (UP), with a clinker/cement capacity of 3.3mtpa/1.0mtpa in FY24. Further, it acquired the remaining 55% stake in Asian Concretes & Cements (ACCPL), which had a grinding capacity of 2.8mtpa in FY24. The company also announced a grinding capacity expansion of 4mtpa over FY25-26 (1.6mtpa brownfield expansion at Sindri, Jharkhand by 4QFY25 and 2.4mtpa greenfield expansion at Salai Banwa, UP by 1QFY26). Post-completion of these expansions, ACC's grinding capacity will increase to 46.9mtpa from 39.9mtpa currently. Capacity expansions and higher volumes under MSA, with ACEM and SNGI, offer higher growth opportunities.

Taking initiatives for sustainable cost reduction and efficiency improvement

ACC's opex/t dipped in FY24 due to:- a) rationalization of raw material cost by maximizing wet fly ash, further reduction in clinker factor to 55.6% in FY24 (56.8% in FY23), and rise in blended cement share to ~93% in FY24 (vs. ~92% in FY23); b) increased green power share to ~13% (from ~6% in FY23) by installing WHRS; c) freight cost optimization by reducing lead distance and increasing volumes under MSA with ACEM (sold 6.6mt volume to ACEM in FY24). ACC prioritizes cost optimization through – 1) setting up the WHRS capacity to improve green power share, 2) higher usage of captive and alternative fuel to rationalize fuel costs, 3) and reducing the average primary road lead by 50km with network optimization and lead distance reduction. We believe these initiatives help the company narrow its cost curve vs. peers on a sustainable basis.

Leverage its strong brand position to gain market share

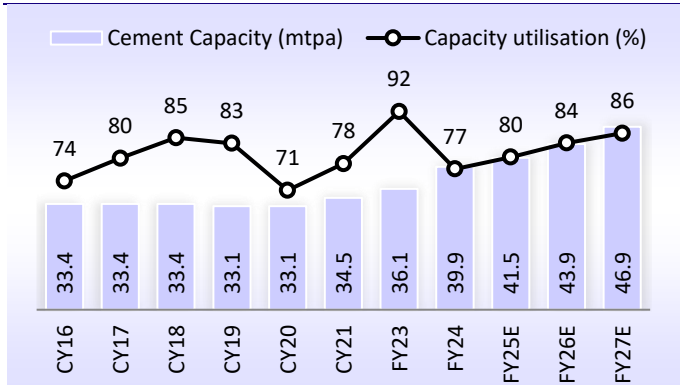
ACC has a strong presence in the retail segment and it is positioned as an 'A Category' brand across regions. ACEM (Holding Company) acquired a majority stake in Gujarat-based Sanghi Industries (SNGI) and recently announced the acquisition of South-based Penna Cement (PCIL). Given the strong brand equity of ACC and its wide range of product portfolio (Gold range and Silver range) acceptable across categories of home builders, the group leverages the ACC brand in both markets (Gujarat and South) to gain market share and boost its volume growth.

Valuation attractive; upgrade to BUY

ACC currently trades at 10x Mar'26E EV/EBITDA and USD112 EV/ton. Despite the strong brand equity, pan-India presence, and a strong balance sheet, the stock traded at a lower valuation multiple due to slow capacity addition (capacity CAGR at ~2% over CY18-CY22) and higher opex/t vs. its peers. ACC is a net cash positive company with a net cash balance of INR45.2b as of Mar'24. We believe the company's profitability should improve, driven by cost-saving initiatives and the structural changes in its operations (higher volumes under MSA and leveraging group synergies). **We value ACC at 12.0x Jun'26E EV/EBITDA to arrive at our TP of INR3,300. We upgrade our rating on the stock to BUY from Neutral.**

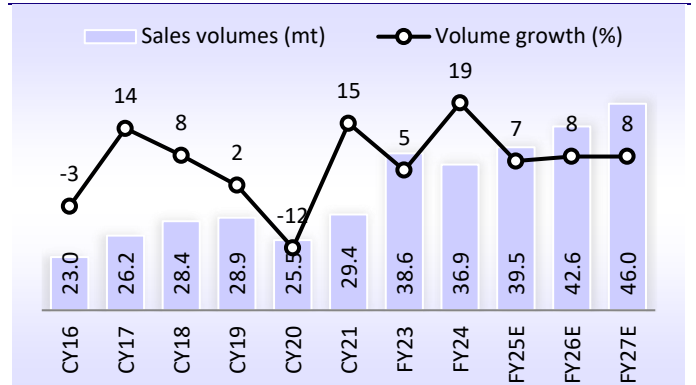
STORY IN CHARTS

Exhibit 56: ACC's capacity utilization to improve



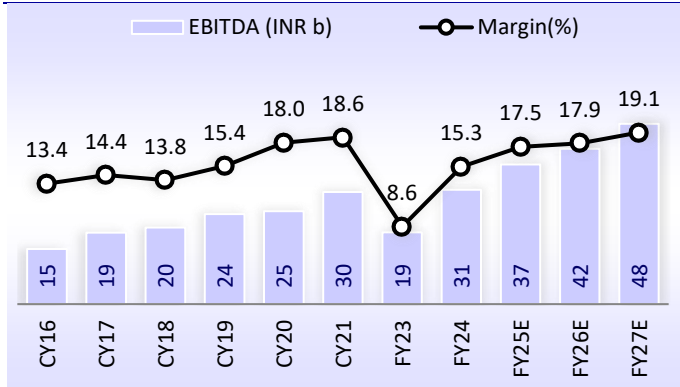
Source: Company, MOFSL; Note: FY23 was a 15M period

Exhibit 57: Estimate ACC's volume CAGR of ~8% over FY24-27



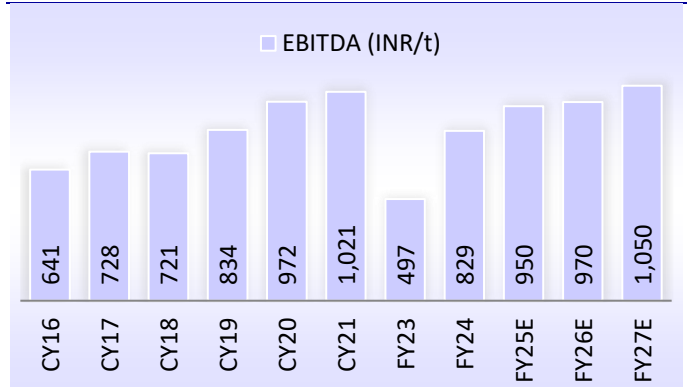
Source: Company, MOFSL; Note: FY23 was a 15M period hence growth number is annualized

Exhibit 58: Estimate an EBITDA CAGR of ~16% over FY24-27



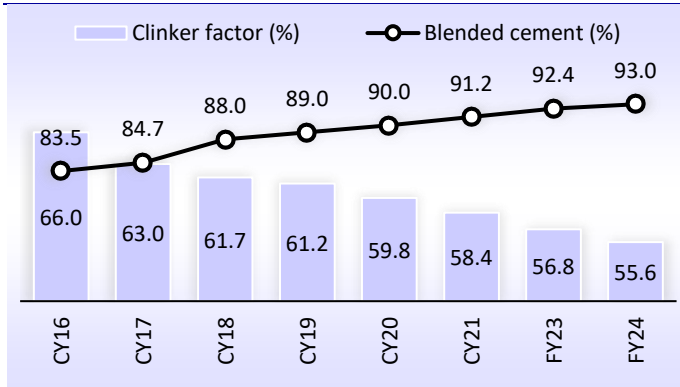
Source: MOFSL, Company; Note: FY23 was a 15M period

Exhibit 59: EBITDA/t to improve led by cost-saving measures



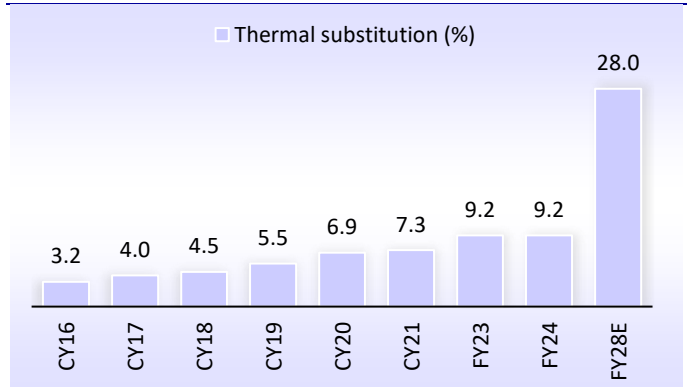
Source: MOFSL, Company; Note: FY23 was a 15M period

Exhibit 60: The highest blended cement share among the top five cement players



Source: MOFSL, Company

Exhibit 61: Targets to increase the thermal substitution rate (TSR) to 28% by FY28 from 9.2% currently



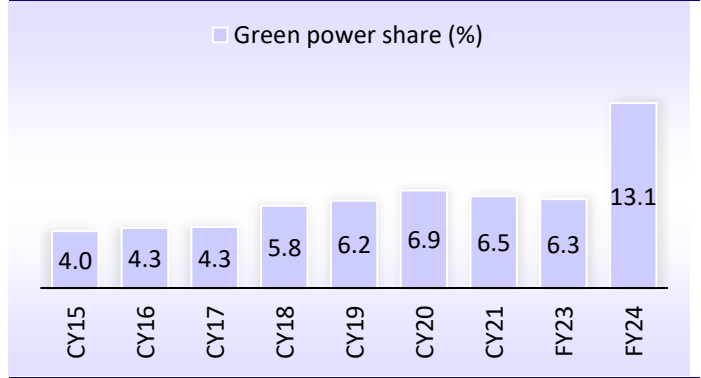
Source: MOFSL, Company

Exhibit 62: ACC is adding 39.5MW WHRS capacity in FY25E

Plants	State	MW	Timeline
Gagal	Himachal Pradesh	7.5	
Kymore	Madhya Pradesh	12.4	
Jamul	Chhattisgarh	10.0	
Ametha	Madhya Pradesh	16.1	
Current capacity		46.3	
Wadi	Karnataka	21.5	FY25
Chanda	Maharashtra	18.0	
Planned capacity		39.5	
Total capacity		85.8	

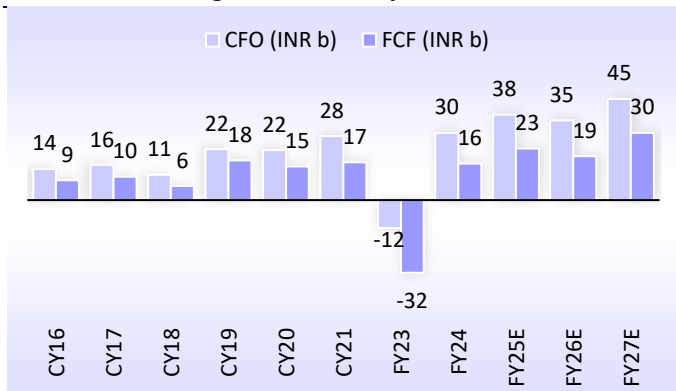
Source: MOFSL, Company

Exhibit 63: Green power share more than doubled in FY24



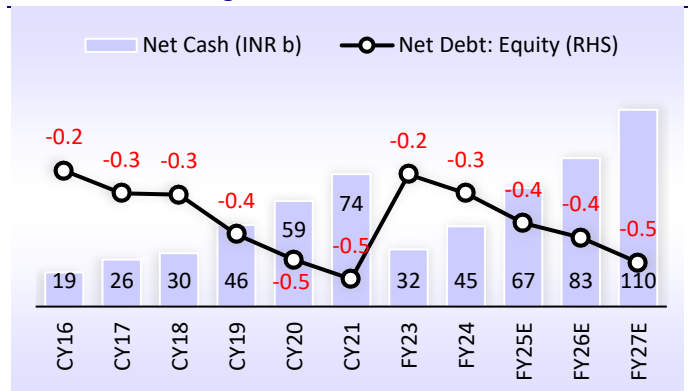
Source: MOFSL, Company,

Exhibit 64: ACC to generate healthy OCF and FCF...



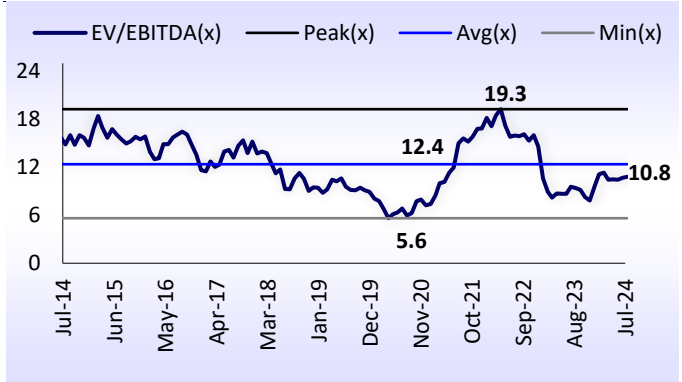
Source: MOFSL, Company; Note: CFO is considered post-tax

Exhibit 65: ...leading to an increase in net cash



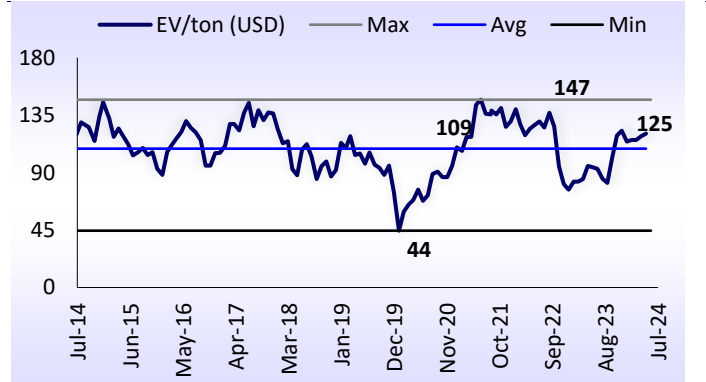
Source: MOFSL, Company

Exhibit 66: One-year forward EV/EBITDA chart



Source: Company, MOFSL

Exhibit 67: One-year forward EV/t chart



Source: Company, MOFSL

Financials and valuations

Standalone Income Statement								(INR m)
Y/E December	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E	FY27E
Net Sales	1,56,567	1,37,845	1,61,514	2,22,100	1,99,522	2,13,085	2,31,542	2,52,179
Change (%)	5.8	(12.0)	17.2	37.5	(10.2)	6.8	8.7	8.9
EBITDA	24,095	24,811	30,004	19,190	30,576	37,370	41,502	48,224
Change (%)	17.8	3.0	20.9	(36.0)	59.3	22.2	11.1	16.2
Margin (%)	15.4	18.0	18.6	8.6	15.3	17.5	17.9	19.1
Depreciation	6,030	6,353	5,973	8,351	8,763	9,202	9,794	10,966
Int. and Fin. Charges	862	570	546	772	1,538	1,643	1,790	1,949
Other Income - Rec.	3,112	2,040	2,048	3,372	4,915	4,500	4,100	4,125
PBT Before EO Item	20,315	19,927	25,533	13,439	25,191	31,025	34,018	39,434
EO Income/(Expense)	-	(3,049)	(929)	(1,618)	-	-	-	-
PBT After EO Item	20,315	16,878	24,604	11,821	25,191	31,025	34,018	39,434
Tax	6,726	2,728	6,401	3,122	3,948	7,756	8,504	9,858
Tax Rate (%)	33.1	16.2	26.0	26.4	15.7	25.0	25.0	25.0
Reported PAT	13,589	14,149	18,203	8,699	21,242	23,268	25,513	29,575
Adjusted PAT	13,589	14,746	18,899	9,896	18,670	23,268	25,513	29,575
Change (%)	35.1	8.5	28.2	(47.6)	88.7	24.6	9.6	15.9
Margin (%)	8.7	10.7	11.7	4.5	9.4	10.9	11.0	11.7

Standalone Balance Sheet								(INR m)
Y/E December	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E	FY27E
Share Capital	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880
Fully Diluted Capital	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880
Reserves	1,13,333	1,24,735	1,40,404	1,38,550	1,58,340	1,80,198	2,03,080	2,30,023
Net Worth	1,15,213	1,26,614	1,42,284	1,40,430	1,60,220	1,82,078	2,04,960	2,31,903
Loans	0	0	0	0	0	0	0	0
Deferred Tax Liability	6,422	3,762	3,827	4,331	4,543	4,543	4,543	4,543
Capital Employed	1,21,635	1,30,376	1,46,112	1,44,761	1,64,762	1,86,621	2,09,502	2,36,446
Gross Block	93,972	98,093	1,04,708	1,20,694	1,46,866	1,59,866	1,77,866	1,93,866
Less: Accum. Depn.	24,059	31,507	37,480	45,831	54,593	63,795	73,590	84,556
Net Fixed Assets	69,914	66,586	67,228	74,863	92,273	96,071	1,04,277	1,09,311
Capital WIP	4,353	5,453	12,121	16,831	9,720	11,720	9,720	8,720
Investments-Trade	37	37	37	37	7,624	7,624	7,624	7,624
Investments in subsidiaries	2,265	2,169	1,890	1,890	6,117	6,117	6,117	6,117
Curr. Assets, Loans&Adv.	94,252	1,07,014	1,27,914	1,10,464	1,13,263	1,43,144	1,66,459	1,94,475
Inventory	11,410	9,005	12,733	16,235	18,429	19,687	21,444	21,744
Account Receivables	6,284	4,515	4,624	8,747	8,412	8,987	9,789	10,192
Cash and Bank Balance	45,672	59,219	74,345	32,062	37,536	58,955	75,699	1,02,850
Others	30,887	34,275	36,212	53,420	48,886	55,514	59,527	59,689
Curr. Liab. and Prov.	49,186	50,883	63,078	59,324	64,235	78,055	84,695	89,801
Account Payables	14,710	14,163	18,992	14,922	19,142	22,075	25,315	25,498
Other Liabilities	28,478	30,189	33,868	35,632	30,802	32,342	33,959	35,657
Provisions	5,998	6,531	10,219	8,770	14,291	23,638	25,420	28,646
Net Current Assets	45,067	56,131	64,835	51,141	49,028	65,089	81,764	1,04,674
Application of Funds	1,21,635	1,30,376	1,46,112	1,44,761	1,64,762	1,86,621	2,09,502	2,36,446

Source: Company, MOFSL; *Note: FY23 is 15-month period due to change in accounting year

Financials and valuations

Standalone Ratios								(INR m)
Y/E December	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	72.3	78.4	100.5	52.6	99.3	123.8	135.7	157.3
Cash EPS	104.4	112.2	132.3	97.1	145.9	172.7	187.8	215.7
BV/Share	613	674	757	747	852	969	1,090	1,234
DPS	14.0	14.0	58.0	9.3	7.5	14.0	14.0	15.0
Payout (%)	19.3	18.6	59.9	20.0	6.6	11.3	10.3	9.5
Valuation (x)								
P/E	36.7	33.8	26.4	50.4	26.7	21.4	19.5	16.9
Cash P/E	25.4	23.6	20.0	27.3	18.2	15.4	14.1	12.3
EV/Sales	2.9	3.1	2.6	2.0	2.2	2.0	1.8	1.5
EV/EBITDA	18.6	17.5	13.7	23.4	14.5	11.2	9.8	7.9
P/BV	4.3	3.9	3.5	3.6	3.1	2.7	2.4	2.2
Dividend Yield	0.5	0.5	2.2	0.3	0.3	0.5	0.5	0.6
EV/ton (USD-Cap)	164	159	145	151	135	123	112	98
Return Ratios (%)								
RoE	12.3	12.2	14.1	7.0	12.4	13.6	13.2	13.5
RoCE	12.1	13.6	14.0	7.2	14.6	13.9	13.6	13.9
RoIC	16.2	22.6	28.4	10.3	17.9	19.4	21.2	23.9
Working Capital Ratios								
Debtor (Days)	15	12	10	14	15	15	15	15
Asset Turnover (x)	0.8	0.9	0.9	0.7	0.8	0.9	0.9	0.9
Leverage Ratio								
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Standalone Cash Flow Statement								(INR m)
Y/E December	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	20,315	16,878	24,604	11,821	25,191	31,025	34,018	39,434
Depreciation	6,030	6,353	5,973	8,351	8,763	9,202	9,794	10,966
Interest & Finance Charges	0	570	0	-1,835	-3,554	0	0	0
Direct Taxes Paid	(4,462)	(7,064)	(2,849)	(4,027)	(1,748)	(7,756)	(8,504)	(9,858)
(Inc)/Dec in WC	601	5,419	588	(26,697)	1,153	5,359	68	4,241
CF from Operations	22,484	22,156	28,316	-12,388	29,804	37,829	35,376	44,782
Others	-	-	-	-	-	-	-	-
CF from Operating incl EO	22,484	22,156	28,316	-12,388	29,804	37,829	35,376	44,782
(Inc)/Dec in FA	(4,935)	(7,252)	(11,509)	(19,788)	(13,560)	(15,000)	(16,000)	(15,000)
Free Cash Flow	17,549	14,904	16,808	-32,175	16,244	22,829	19,376	29,782
(Pur)/Sale of Investments	1,651	1,886	1,619	(26,632)	1,861	-	-	-
Others	-	-	-	-	-	-	-	-
CF from Investments	(3,283)	(5,366)	(9,890)	(46,420)	(11,699)	(15,000)	(16,000)	(15,000)
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	0	0	0	0	0	0	0	0
Interest Paid	(572)	(399)	(316)	(596)	(1,424)	0	0	0
Dividend Paid	(2,629)	(2,629)	(2,629)	(10,892)	(1,753)	(1,410)	(2,632)	(2,632)
Others	(540)	(246)	(360)	(889)	(1,245)	-	-	-
CF from Fin. Activity	(3,742)	(3,274)	(3,305)	(12,377)	(4,423)	(1,410)	(2,632)	(2,632)
Inc/Dec of Cash	15,459	13,516	15,121	-71,185	13,682	21,419	16,744	27,151
Opening Balance	29,959	45,477	58,908	74,029	32,062	37,536	58,955	75,699
Closing Balance	45,418	58,993	74,029	32,062	37,536	58,955	75,699	1,02,850

Source: Company, MOFSL; *Note: FY23 is 15-month period due to change in accounting year

Shree Cement

BSE SENSEX 79,897 S&P CNX 24,316

CMP: INR27,790 TP: INR30,300 (+9%)

Neutral



Stock Info

Bloomberg	SRCM IN
Equity Shares (m)	36
M.Cap.(INRb)/(USD\$b)	1002.7 / 12
52-Week Range (INR)	30738 / 23023
1, 6, 12 Rel. Per (%)	-2/-9/-9
12M Avg Val (INR M)	935

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	209.2	231.6	256.6
EBITDA	49.3	54.2	60.2
Adj. PAT	22.6	22.5	25.2
EBITDA Margin (%)	23.6	23.4	23.5
Adj. EPS (INR)	626	624	698
EPS Gr. (%)	-8.4	-0.3	11.9
BV/Sh. (INR)	6,156	6,630	7,149

Ratios

Net D:E	-0.3	-0.2	-0.1
RoE (%)	10.6	9.8	10.1
RoCE (%)	10.6	9.7	10.1
Payout (%)	19.2	24.0	25.8

Valuations

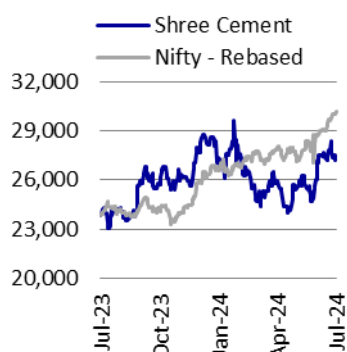
P/E (x)	44.5	44.7	39.9
P/BV (x)	4.5	4.2	3.9
EV/EBITDA(x)	18.8	17.2	15.7
EV/ton (USD)	199	173	153
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	-0.5	-0.6	-0.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	62.6	62.6	62.6
DII	12.3	12.6	11.7
FII	12.5	12.3	12.8
Others	12.6	12.6	12.9

FII Includes depository receipts

Stock Performance (1-year)



Expensive valuation limits upside

Capacity expansion broadly in existing markets

SRCM has been consistent in capacity expansion (mostly through organic routes), with a ~12% CAGR over FY14-24. The company plans to raise its grinding capacity organically at a similar CAGR over FY24-27E to reach 65mtpa/75mtpa by FY26E/FY27E. However, most of these expansions will focus on the company's existing markets (North, East, and part of South), while a large part of Central India and West will remain untapped until FY27E. We expect SRCM's capacity/volume CAGR at ~12%/10% over FY24-27E vs. ~7%/10% over FY21-24.

Low-cost producer; also focusing on improving its brand equity currently

SRCM is one of the lowest-cost cement producers in the industry, backed by: 1) a higher share of green power (WHRs, solar power), which fulfills 57% of its power requirements, 2) high dependence on split-grinding units, 3) high alternative raw material consumption (at ~28% of total raw material consumption); and 4) lower specific power consumption (68Kwh/t of cement). It is now focusing on improving its brand equity by enhancing the consumer pull for its products in the market, and increasing its premium product share. SRCM has revamped its brand strategy and launched 'Bangur' as the **master brand** for all its product categories across markets. This was implemented with the help of a new brand identity through a new logo and modern packing designs. A new multi-media advertising campaign has been launched across television, outdoor, print, digital, and retail touchpoints. It streamlined its premium product offerings with one premium product – 'Bangur Magna' across markets.

Higher capex results in lower FCF generation and yields

SRCM plans to scale up its capacity at a CAGR of ~12% over FY24-27E and expects to reach ~75mtpa of cement capacity by FY27 (vs. 56.4mtpa currently). We expect SRCM to generate a cumulative OCF of INR121b over FY25-27, with an estimated capex of INR140b. The company is estimated to post an FCF outflow until FY27 due to its accelerated growth plans, leading to a negative FCF yield. Its net cash is estimated to decline to INR30b from INR65.5b as of Mar'24. We estimate its RoCE to decline to ~10% over FY25-27 from the historical average of ~12-14% over FY18-24 (except FY23, when return ratios were exceptionally low due to weak profitability amid significantly higher fuel prices).

Valuation and view: Valuations expensive; reiterate Neutral

We estimate SRCM's EBITDA to report ~11% CAGR over FY24-27, led by ~10% volume growth and ~2% improvement in EBITDA/t. SRCM's net cash is estimated at INR30b vs. INR65.5b in FY24, given the high capex for its expansion plans. The stock trades at 17x Mar'26E EV/EBITDA, limiting any material upside potential. **We reiterate our Neutral rating** and value SRCM at 18x Jun'26E EV/EBITDA to arrive at our TP of INR30,300.

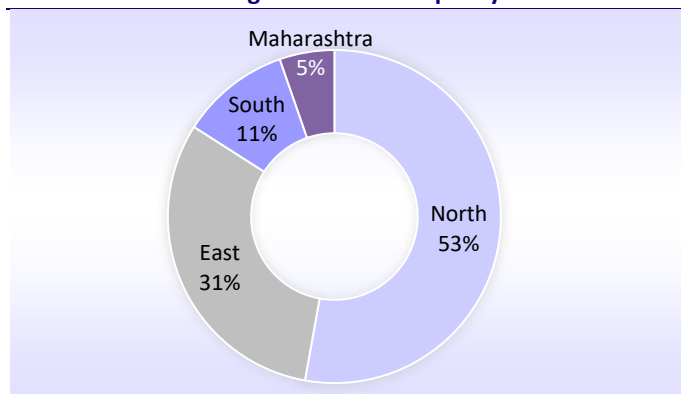
STORY IN CHARTS

Exhibit 68: SRCM’s capacity expansion plans

Location	State	Clinker (mtpa)	Cement (mtpa)	Region	Mode of expansion
Kodla	Karnataka	3.7	3.0	South	Brownfield
Bangalore	Karnataka	-	3.0	South	Greenfield
Pali	Rajasthan	3.7	6.0	North	Brownfield
Etah	Western UP	-	3.0	North	Greenfield
Howrah	West Bengal	-	2.5	East	Greenfield
Total		8.9	17.5		

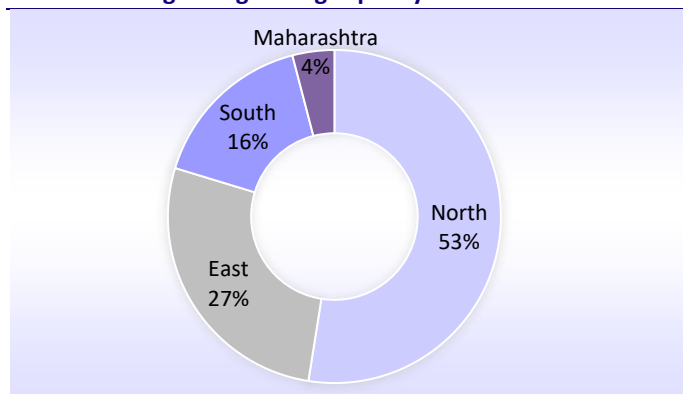
Source: MOFSL, Company;

Exhibit 69: Current regional cement capacity mix



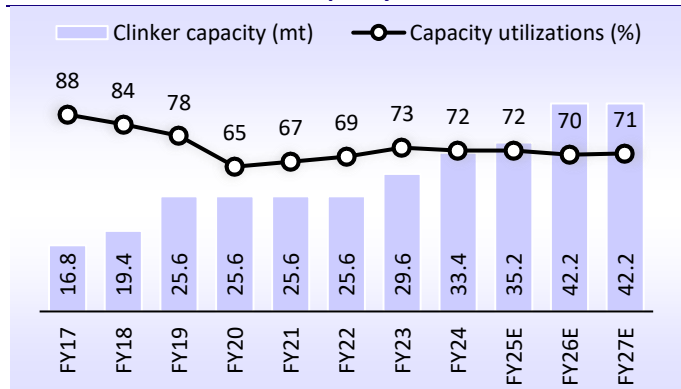
Source: MOSL, Company; Note: North is including Western UP

Exhibit 70: Regional grinding capacity mix in FY27E



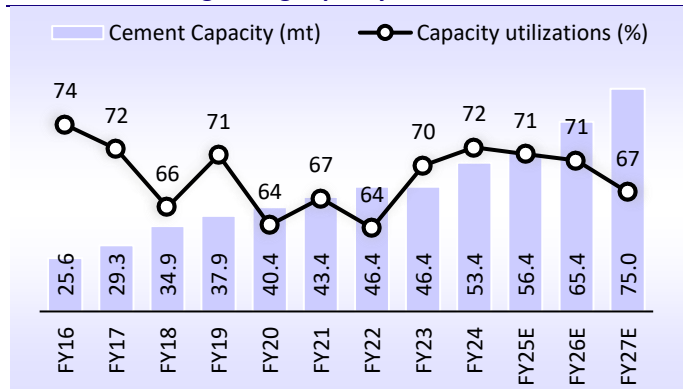
Source: MOSL, Company, Note: North is including Western UP

Exhibit 71: SRCM’s clinker capacity utilization...



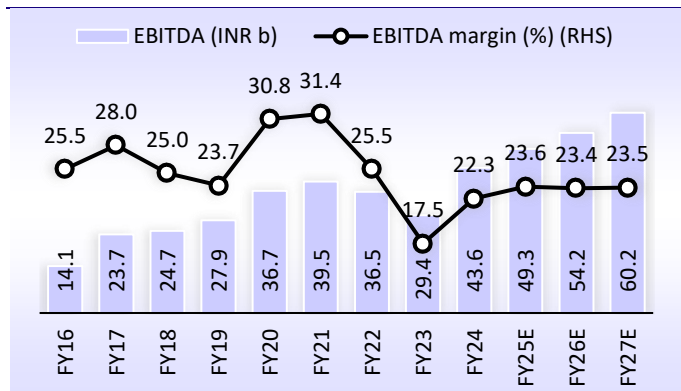
Source: MOFSL, Company

Exhibit 72: ...and grinding capacity utilization trends



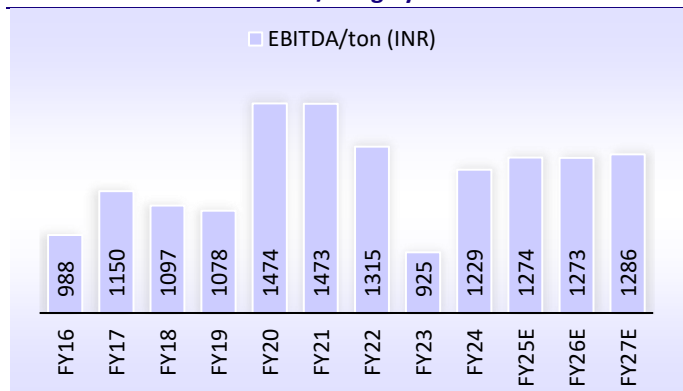
Source: MOFSL, Company;

Exhibit 73: EBITDA CAGR is estimated at ~11% over FY24-27



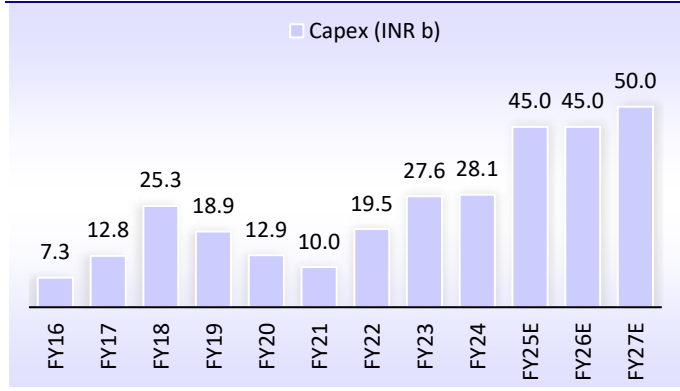
Source: MOFSL, Company

Exhibit 74: Estimate EBITDA/t largely stable over FY25-27E



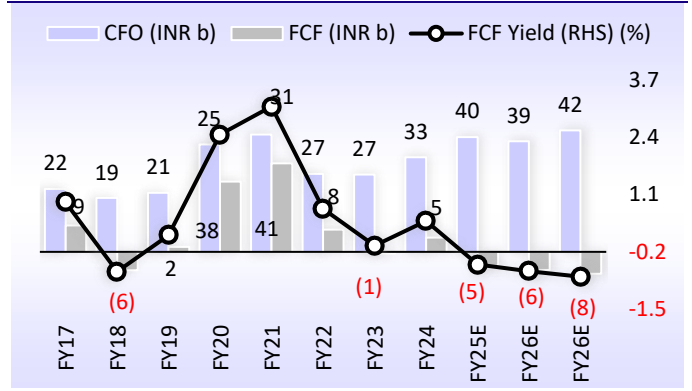
Source: MOFSL, Company

Exhibit 75: Capex should be high, given the growth plan...



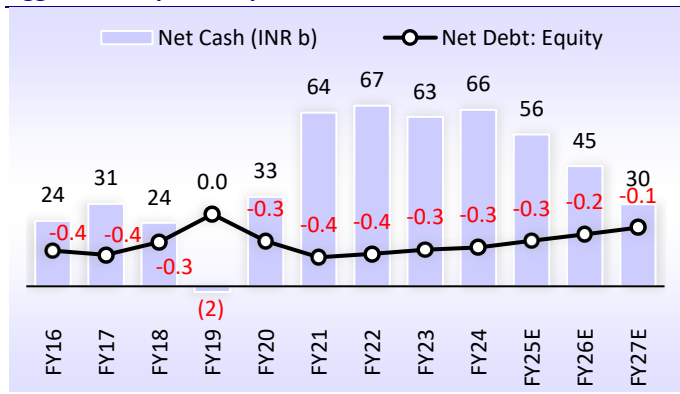
Source: MOFSL, Company

Exhibit 76: ...resulting in an FCF outflow and negative yield



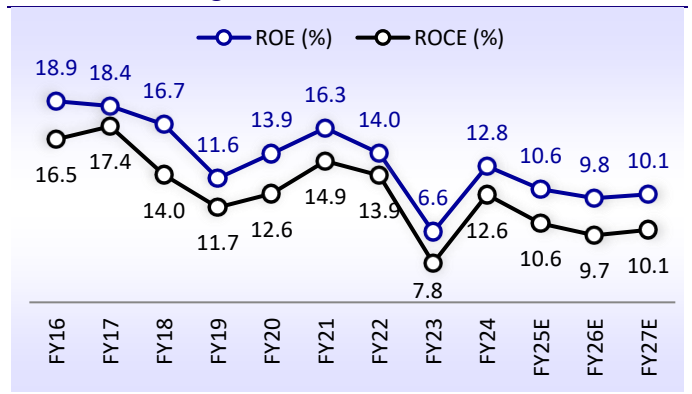
Source: MOFSL, Company

Exhibit 77: SRCM's net cash is estimated to decline due to its aggressive expansion plan



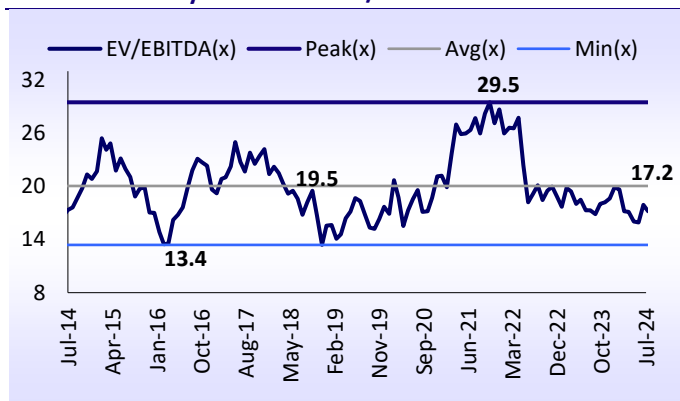
Source: MOFSL, Company

Exhibit 78: Return ratios are likely to remain low compared to historical average



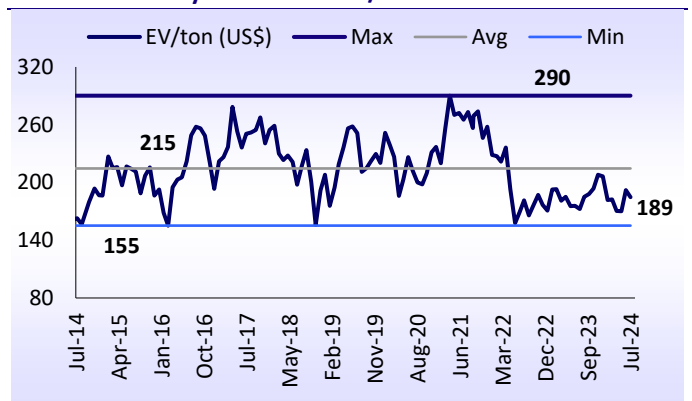
Source: MOFSL, Company

Exhibit 79: One-year forward EV/EBITDA



Source: MOFSL, Company

Exhibit 80: One-year forward EV/t



Source: MOFSL, Company

Financials and valuations - Standalone

Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	1,19,301	1,26,037	1,43,297	1,68,375	1,95,855	2,09,242	2,31,633	2,56,583
Change (%)	1.4	5.6	13.7	17.5	16.3	6.8	10.7	10.8
EBITDA	36,745	39,547	36,478	29,423	43,635	49,302	54,188	60,215
Margin (%)	30.8	31.4	25.5	17.5	22.3	23.6	23.4	23.5
Depreciation	16,994	11,399	10,365	15,462	16,147	22,121	25,797	27,884
EBIT	19,751	28,148	26,114	13,961	27,489	27,181	28,390	32,331
Int. and Finance Charges	2,865	2,471	2,178	2,689	2,643	2,253	2,243	2,124
Other Income – Rec.	2,716	4,580	5,373	4,315	5,611	5,408	4,087	3,616
PBT before EO Expense	19,602	30,257	29,309	15,586	30,456	30,335	30,235	33,824
EO Expense/(Income)	0	0	0	0	0	0	0	0
PBT after EO Expense	19,602	30,257	29,309	15,586	30,456	30,335	30,235	33,824
Tax	5,248	7,536	4,382	937	5,098	7,736	7,710	8,625
Deferred Tax	-1,348	-398	1,161	1,368	674	0	0	0
Tax Rate (%)	19.9	23.6	18.9	14.8	19.0	25.5	25.5	25.5
Reported PAT	15,702	23,119	23,766	13,281	24,684	22,600	22,525	25,199
Tax adjustment prior period	0	-103	-1,045	-1,543	0	0	0	0
Adj. PAT for EO items	15,702	23,017	22,721	11,739	24,684	22,600	22,525	25,199
Change (%)	46.0	46.6	-1.3	-48.3	110.3	-8.4	-0.3	11.9
Margin (%)	13.2	18.3	15.9	7.0	12.6	10.8	9.7	9.8

Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	361	361	361	361	361	361	361	361
Other Reserves	1,29,003	1,52,140	1,72,348	1,82,524	2,03,484	2,21,754	2,38,867	2,57,572
Total Reserves	1,29,003	1,52,140	1,72,348	1,82,525	2,03,486	2,21,756	2,38,869	2,57,574
Net Worth	1,29,364	1,52,501	1,72,709	1,82,885	2,03,847	2,22,117	2,39,230	2,57,934
Deferred Liabilities	-7438	-7855	-6695	-6686	-5992	-5992	-5992	-5992
Secured Loan	31,042	21,332	20,142	25,392	14,737	19,508	17,161	16,016
Unsecured Loan	400	0	0	0	0	0	0	0
Total Loans	31,442	21,332	20,142	25,392	14,737	19,508	17,161	16,016
Capital Employed	1,53,368	1,65,978	1,86,155	2,01,592	2,12,591	2,35,634	2,50,399	2,67,959
Gross Block	1,03,634	1,13,644	1,35,229	1,50,803	1,84,610	2,24,610	2,64,610	3,14,610
Less: Accum. Deprn.	60,445	71,729	82,014	97,476	1,13,623	1,35,744	1,61,541	1,89,425
Net Fixed Assets	43,189	41,916	53,215	53,327	70,987	88,866	1,03,069	1,25,185
Capital WIP	12,576	12,836	9,729	23,203	18,328	23,328	28,328	28,328
Financial investments	63,575	83,712	86,014	87,060	77,307	67,307	57,307	42,307
Strategic Investment	25,579	26,794	29,445	29,445	29,445	29,445	29,445	29,445
Curr. Assets	41,022	37,275	49,056	58,467	72,131	81,327	86,396	96,554
Inventory	14,279	14,772	21,614	24,226	31,462	28,663	31,731	35,148
Account Receivables	8,285	4,859	5,957	9,061	9,298	11,465	12,692	14,059
Cash and Bank Balance	1,082	2,098	1,183	1,193	2,971	8,538	4,414	4,154
Others	17,378	15,547	20,303	23,987	28,400	32,660	37,559	43,193
Curr. Liability and Prov.	32,574	36,555	41,304	49,911	55,610	54,642	54,148	53,863
Account Payables	32,470	36,430	41,160	49,756	55,454	54,486	53,992	53,707
Provisions	104	125	144	155	156	156	156	156
Net Current Assets	8,449	721	7,752	8,556	16,522	26,685	32,248	42,691
Appl. of Funds	1,53,368	1,65,978	1,86,155	2,01,592	2,12,591	2,35,634	2,50,399	2,67,959

Source: Company, MOFSL

Financials and valuations - Standalone

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	435	638	630	325	684	626	624	698
Cash EPS	471	316	287	429	448	613	715	773
BV/Share	3,585	4,227	4,787	5,069	5,650	6,156	6,630	7,149
DPS	110.0	60.0	90.0	100.0	105.0	120.0	150.0	180.0
Payout (%)	25.3	9.4	13.7	27.2	15.3	19.2	24.0	25.8
Valuation (x)								
P/E	64.1	43.7	44.3	85.7	40.8	44.5	44.7	39.9
Cash P/E	59.2	88.3	97.1	65.1	62.3	45.5	39.0	36.1
P/BV	7.8	6.6	5.8	5.5	4.9	4.5	4.2	3.9
EV/Sales	8.1	7.4	6.5	5.5	4.7	4.4	4.0	3.7
EV/EBITDA	26.1	23.5	25.5	31.3	21.1	18.8	17.2	15.7
EV/t (USD-Cap)	287	259	242	240	209	199	173	153
Dividend Yield (%)	0.4	0.2	0.3	0.4	0.4	0.4	0.5	0.6
Return Ratios (%)								
RoIC	25.8	39.2	33.4	15.6	26.9	21.7	19.1	18.3
RoE	13.9	16.3	14.0	6.6	12.8	10.6	9.8	10.1
RoCE	12.6	14.9	13.9	7.8	12.6	10.6	9.7	10.1
Working Capital Ratios								
Inventory (Days)	44	43	55	53	59	50	50	50
Debtor (Days)	25	14	15	20	17	20	20	20
Creditor (Days)	99	106	105	108	103	95	85	76
Working Capital Turnover (Days)	26	2	20	19	31	47	51	61
Leverage Ratio (x)								
Current Ratio	1.3	1.0	1.2	1.2	1.3	1.5	1.6	1.8
Net Debt/Equity ratio	-0.3	-0.4	-0.4	-0.3	-0.3	-0.3	-0.2	-0.1

Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
(INR m)								
OP/(Loss) before Tax	19,602	30,257	29,309	15,586	30,456	30,335	30,235	33,824
Depreciation	16,994	11,399	10,365	15,462	16,147	22,121	25,797	27,884
Interest and Finance Charges	1,132	220	-849	-165	139	0	0	0
Direct Taxes Paid	-4,859	-7,439	-1,959	-3,287	-4,400	-7,736	-7,710	-8,625
(Inc.)/Dec. in WC	5,591	8,762	-7,321	967	-6,238	-4,596	-9,687	-10,704
CF from Operations	38,460	43,200	29,546	28,563	36,104	40,125	38,635	42,378
Others	-947	-2,264	-2,317	-1,520	-3,068	0	0	0
CF from Operations incl. EO	37,513	40,936	27,229	27,043	33,036	40,125	38,635	42,378
(Inc.)/Dec. in FA	-12,941	-9,984	-19,483	-27,619	-28,057	-45,000	-45,000	-50,000
Free Cash Flow	24,572	30,953	7,746	-576	4,979	-4,875	-6,365	-7,622
(Pur.)/Sale of Investments	-42,478	-17,791	-77	3,737	14,555	10,000	10,000	15,000
Others	0	0	0	0	0	0	0	0
CF from Investments	-55,419	-27,774	-19,559	-23,882	-13,503	-35,000	-35,000	-35,000
Issue of Shares	23,833	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	1,175	-9,610	-2,707	2,669	-11,961	4,772	-2,348	-1,145
Interest Paid	-2,868	-2,514	-2,088	-2,574	-2,186	0	0	0
Dividend Paid	-6,231	-22	-3,789	-3,245	-3,790	-4,330	-5,412	-6,494
CF from Fin. Activity	15,910	-12,146	-8,584	-3,151	-17,937	442	-7,760	-7,639
Inc./Dec. in Cash	-1,997	1,016	-915	11	1,597	5,567	-4,124	-261
Opening Balance	3,078	1,081	2,097	1,182	1,374	2,971	8,538	4,414
Closing Balance	1,081	2,097	1,183	1,193	2,971	8,538	4,414	4,154

Dalmia Bharat

BSE SENSEX

79,897

S&P CNX

24,316

CMP: INR1,866

TP: INR2,300 (+23%)

Buy



Stock Info

	DALBHARA IN
Bloomberg	DALBHARA IN
Equity Shares (m)	188
M.Cap.(INRb)/(USD\$b)	349.9 / 4.2
52-Week Range (INR)	2431 / 1651
1, 6, 12 Rel. Per (%)	-6/-31/-35
12M Avg Val (INR M)	846
Free float (%)	44.2

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	156.9	173.0	186.9
EBITDA	28.7	34.8	39.7
Adj. PAT	9.9	12.6	16.3
EBITDA Margin (%)	18.3	20.1	21.2
Adj. EPS (INR)	52.7	67.3	86.7
EPS Gr. (%)	28.2	27.7	28.8
BV/Sh. (INR)	914	964	1,030

Ratios

Net D:E	0.1	0.0	-0.1
RoE (%)	5.9	7.2	8.7
RoCE (%)	6.1	7.0	8.2
Payout (%)	24.7	26.7	23.1

Valuations

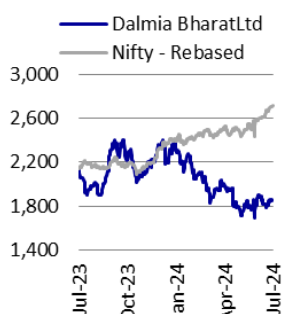
P/E (x)	35.4	27.7	21.5
P/BV (x)	2.0	1.9	1.8
EV/EBITDA(x)	11.8	10.0	8.4
EV/ton (USD)	87	85	81
Div. Yield (%)	0.7	1.0	1.1
FCF Yield (%)	-1.4	2.9	5.9

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	55.8	55.8	55.9
DII	12.8	11.2	8.7
FII	11.3	12.9	12.8
Others	20.0	20.0	22.6

FII Includes depository receipts

Stock Performance (1-year)



Growth slowdown factored in; cost benefits to drive earnings

JPA acquisition at risk...

DALBHARA proposed to acquire the cement assets of JPA located in central India. The company is acquiring clinker/cement/CPG capacities of 6.7mtpa/9.4mtpa/280MW at an enterprise value of INR58.4b (USD75/t). For these, the company entered into different agreements, including tolling arrangements for a few of JPA's plants. The transaction has been delayed due to the pending approvals from different lenders. Recently, at the request of one of the lenders, the Hon'ble NCLT has admitted JPA under IBC, and appointed an interim resolution professional (IRP). Earlier, DALBHARA expected the deal to be closed by 2QFY25. However, with the recent developments, we estimate the acquisition is at risk and IRP may invite fresh bids to sell these assets.

...while, awaiting clarity on the next-leg of organic expansion

In Jul'21, the company laid down a detailed and comprehensive capital allocation plan along with a capacity target of 110-130mtpa by 2031. In Phase-I, it targeted to increase the grinding capacity through the organic route to 48.5mtpa. Now, its grinding capacity has increased to 46.6mtpa, and further expansion of 2.9mtpa is under progress. The total capacity would reach 49.5mtpa by FY26-end. However, management is yet to announce any new organic expansion plan (which would take 12-24 months to become operational). Given the uncertainty over JPA's cement asset acquisition and lack of clarity on further expansion plans, we anticipate the company's growth to slow down vs. peers.

Cost benefits would continue to drive profitability

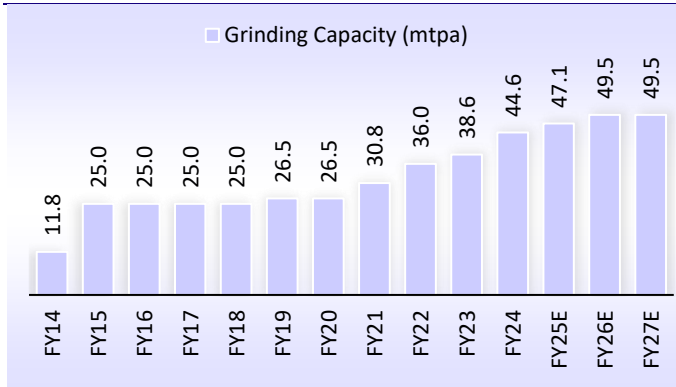
DALBHARA is among the least cost producers in the industry supported by a higher share of blended cement at 87% (the largest producer of slag-based cement), green power at 27%, alternative fuel (TSR stood at ~17%), and higher C:C ratio at 1.7x. Further, it has significantly lowered the lead distance to 285Km. It is installing a chlorine bypass duct to remove chlorine from the system, which improves clinker quality and reduces fossil fuel consumption. DALBHARA aims to achieve 50% TSR in the coming years. It also secured two coal blocks, namely, Brinda Sesai (East) and Mandala North (Central), which will provide fuel security and cost optimization for kilns. The company is also investing in renewable energy (by entering into power purchase agreements and share purchase agreements) to improve its green power share and lower overall costs.

Valuation and view: Leverage at a comfortable level; reiterate BUY

The company's leverage remains low, thanks to strong volume CAGR (~17% over FY15-24), improvement in profitability (EBITDA CAGR of 18%), and divestment of non-core assets. Its net debt (net of investments in IEX) stood at INR3.7b and net debt-to-EBITDA ratio was 0.14x as of Mar'24. We estimate a 15% EBITDA CAGR over FY24-27 fueled by 8% volume CAGR and 7% improvement in EBITDA/t backed by cost efficiency. We believe the lack of clarity over capacity expansion would be a near-term overhang on the stock. The stock trades at 10x Mar'26E EV/EBITDA. We value DALBHARA at 12x Jun'24E EV/EBITDA to arrive at our TP of INR2,300, with an upside of 23%. **Reiterate BUY.**

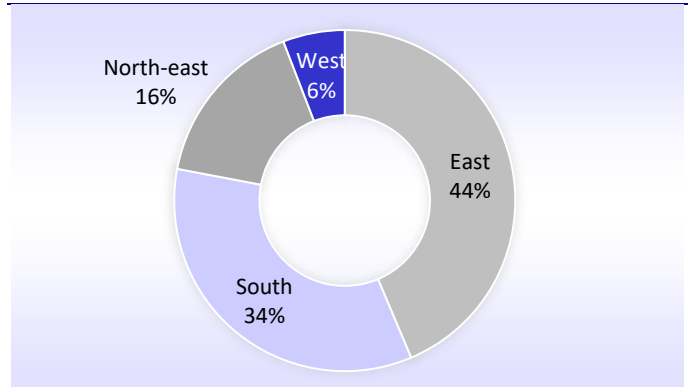
STORY IN CHARTS

Exhibit 81: Capacity CAGR at ~4% over FY24-27E vs. ~13% CAGR over FY21-24



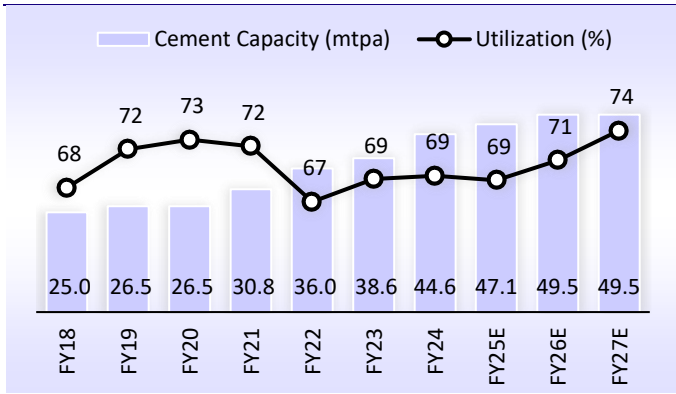
Source: MOFSL, Company; capacity is excluding pending acquisition of JPA cement asset

Exhibit 82: DALBHARA's grinding capacity regional break-up by FY26-27E



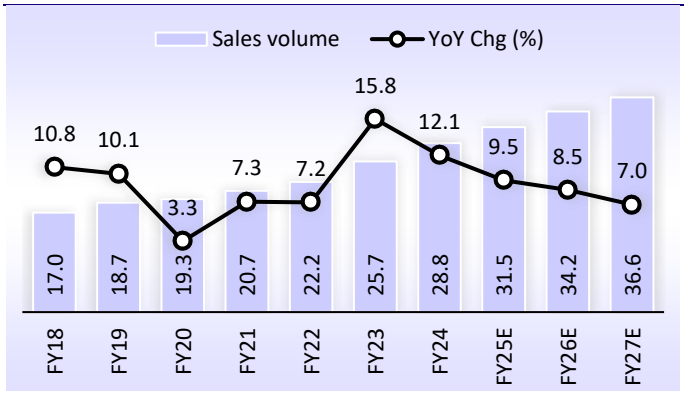
Source: MOFSL, Company

Exhibit 83: Cement utilization should improve



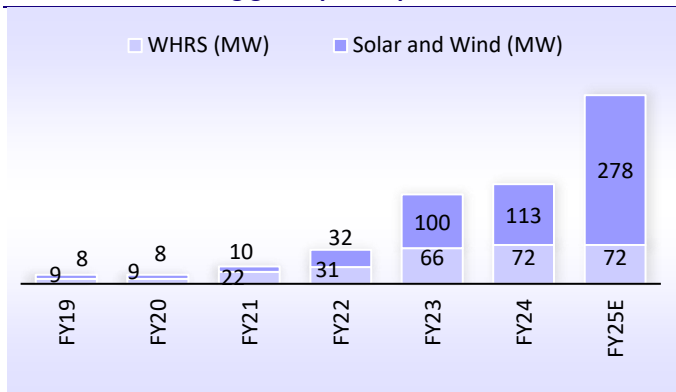
Source: MOFSL, Company; E: MOFSL estimates

Exhibit 84: Estimate volume CAGR of ~8% over FY24-27



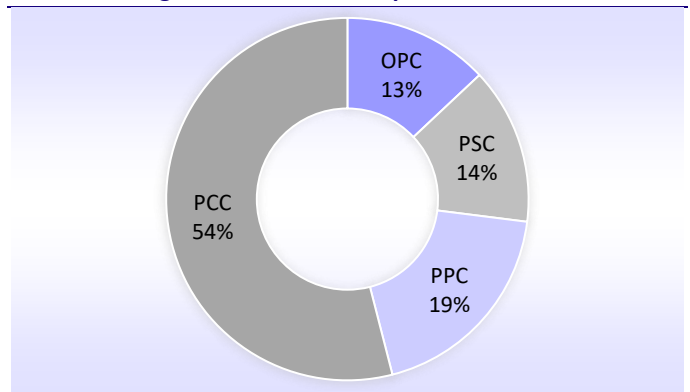
Source: MOFSL, Company; E: MOFSL estimates,

Exhibit 85: Increasing green power portfolio



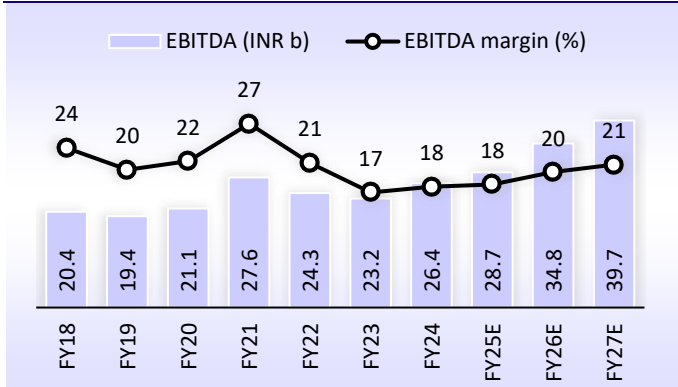
Source: MOFSL, Company

Exhibit 86: Higher PSC and PCC help reduce the clinker factor



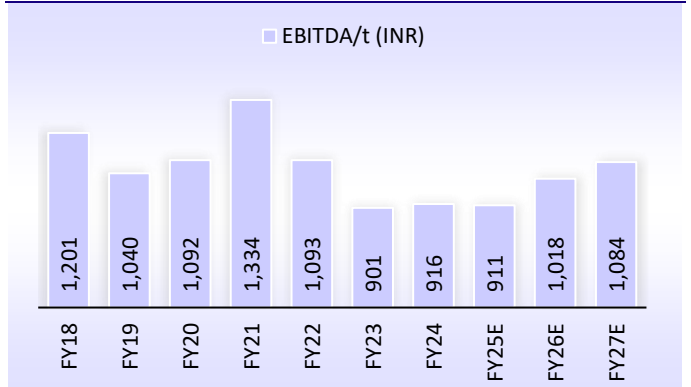
Source: MOFSL, Company

Exhibit 87: Estimate EBITDA CAGR of 15% over FY24-27



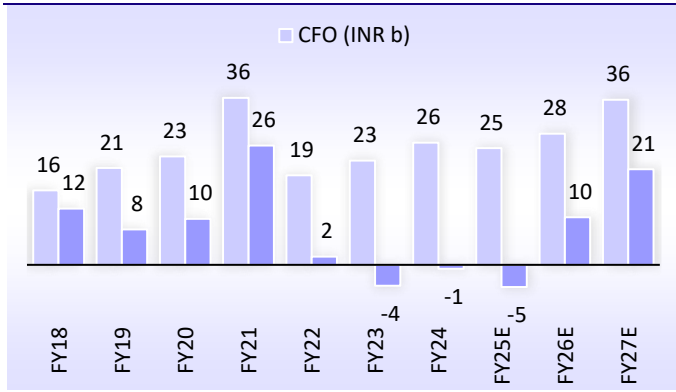
Source: MOFSL, Company; E: MOFSL estimates

Exhibit 88: EBITDA/t growth to be aided by cost efficiencies



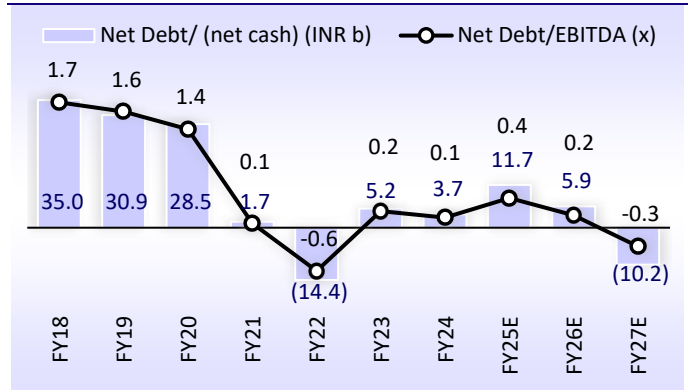
Source: MOFSL, Company; E: MOFSL estimates,

Exhibit 89: OCF and FCF should improve



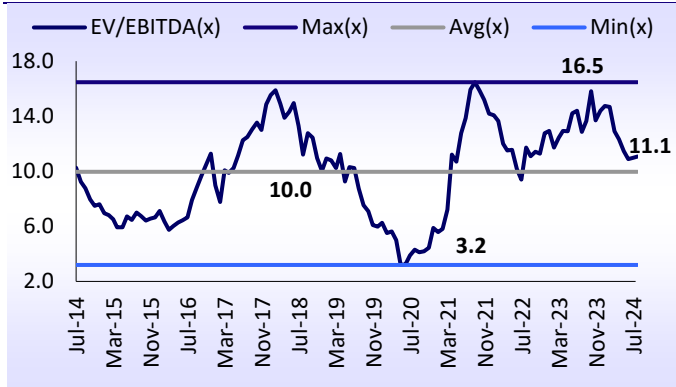
Source: MOFSL, Company; E: MOFSL estimates

Exhibit 90: Net debt-to-EBITDA remains less than 1.0x



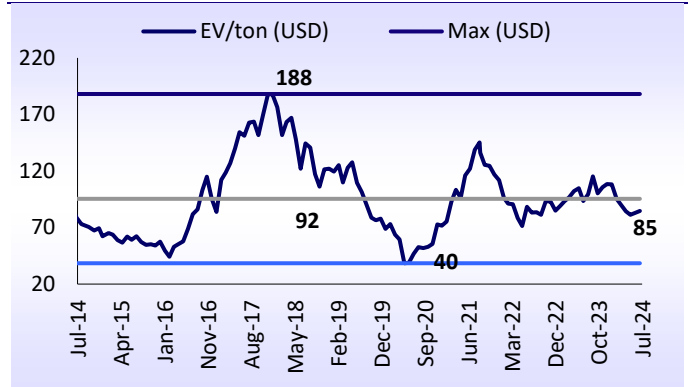
Source: MOFSL, Company; E: MOFSL estimates;

Exhibit 91: One-year forward EV/EBITDA



Source: MOFSL, Company

Exhibit 92: One-year forward EV/t



Source: MOFSL, Company

Financials and valuations - Consolidated

Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	96,740	1,01,100	1,12,860	1,35,400	1,46,910	1,56,924	1,73,000	1,86,941
Change (%)	2.0	4.5	11.6	20.0	8.5	6.8	10.2	8.1
EBITDA	21,060	27,620	24,260	23,160	26,390	28,717	34,834	39,700
Margin (%)	21.8	27.3	21.5	17.1	18.0	18.3	20.1	21.2
Depreciation	15,280	12,500	12,350	13,050	14,980	13,876	16,249	16,515
EBIT	5,780	15,120	11,910	10,110	11,410	14,841	18,585	23,185
Int. and Finance Charges	4,380	2,950	2,020	2,340	3,860	4,140	4,426	4,230
Other Income - Rec.	2,170	1,810	1,600	1,380	3,150	2,955	3,104	3,178
PBT bef. EO Exp.	3,570	13,980	11,490	9,150	10,700	13,656	17,263	22,133
EO Expense/(Income)	0	-3,330	20	-3,850	0	0	0	0
PBT after EO Exp.	3,570	17,310	11,470	13,000	10,700	13,656	17,263	22,133
Current Tax	1,140	2,120	250	320	2,160	3,471	4,388	5,626
Deferred Tax	50	3,330	2,900	2,100	1,310	0	0	0
Tax Rate (%)	27.5	40.4	26.5	29.6	25.4	25.4	25.4	25.4
Reported PAT	2,380	11,860	8,320	10,580	7,230	10,184	12,875	16,506
Minority and Associates	-140	-130	-240	-190	-270	-300	-250	-250
PAT Adj. for EO items	2,240	8,400	8,203	6,850	7,710	9,884	12,625	16,256
Change (%)	-27.3	275.0	-2.3	-16.5	12.6	28.2	27.7	28.8
Margin (%)	2.3	8.3	7.3	5.1	5.2	6.3	7.3	8.7
Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	390	374	375	375	375	375	375	375
Total Reserves	1,05,650	1,27,726	1,60,235	1,55,905	1,63,590	1,71,037	1,80,288	1,92,794
Net Worth	1,06,040	1,28,100	1,60,610	1,56,280	1,63,965	1,71,412	1,80,663	1,93,169
Deferred capital investment subsidy	1,400	1,240	1,250	1,660	1,560	1,560	1,560	1,560
Deferred Liabilities	12,770	16,590	15,640	16,100	17,580	17,580	17,580	17,580
Minority Interest	250	340	720	1,160	1,100	1,400	1,650	1,900
Total Loans	59,500	37,080	31,190	37,420	46,300	52,300	55,800	50,300
Capital Employed	1,79,960	1,83,350	2,09,410	2,12,620	2,30,505	2,44,252	2,57,253	2,64,509
Gross Block	1,66,440	1,86,160	2,00,360	2,16,590	2,39,020	2,68,940	2,98,910	3,13,700
Less: Accum. Deprn.	40,890	49,910	59,020	68,760	81,710	93,556	1,07,776	1,23,081
Net Fixed Assets	1,25,550	1,36,250	1,41,340	1,47,830	1,57,310	1,75,384	1,91,134	1,90,619
Capital WIP	17,400	10,060	10,450	18,710	23,950	22,000	8,000	7,000
Current Investment	26,980	32,930	43,990	29,350	38,720	38,720	38,720	38,720
Non-current Investment	1,610	7,410	13,060	5,900	5,910	5,910	5,910	5,910
Curr. Assets, Loans and Adv.	37,670	32,210	37,840	53,400	51,225	50,867	64,215	77,075
Inventory	9,740	7,600	9,460	13,160	12,180	13,758	16,589	17,926
Account Receivables	6,640	5,110	6,730	7,000	8,360	8,599	9,479	10,243
Cash and Bank Balance	4,030	2,470	1,600	2,850	3,920	1,840	11,174	21,738
Loans and Advances	17,260	17,030	20,050	30,390	26,765	26,670	26,973	27,169
Curr. Liability and Prov.	29,250	35,510	37,270	42,570	46,610	48,628	50,727	54,815
Account Payables	27,210	32,820	34,600	39,370	43,160	44,943	46,664	50,425
Provisions	2,040	2,690	2,670	3,200	3,450	3,685	4,063	4,390
Net Current Assets	8,420	-3,300	570	10,830	4,615	2,238	13,488	22,261
Appl. of Funds	1,79,960	1,83,350	2,09,410	2,12,620	2,30,505	2,44,252	2,57,253	2,64,509

E: MOFSL estimates

Financials and valuations - Consolidated

Ratios								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)*								
EPS	11.5	44.9	43.8	36.5	41.1	52.7	67.3	86.7
Cash EPS	89.8	111.7	109.7	106.1	121.0	126.7	154.0	174.8
BV/Share	543.8	684.6	857.2	833.6	874.6	914.3	963.6	1,030.3
DPS	2.0	1.3	9.0	9.0	9.0	13.0	18.0	20.0
Payout (%)	17.2	3.0	20.6	24.6	21.9	24.7	26.7	23.1
Valuation (x)*								
P/E	162.5	41.6	42.6	51.1	45.4	35.4	27.7	21.5
Cash P/E	20.8	16.7	17.0	17.6	15.4	14.7	12.1	10.7
P/BV	3.4	2.7	2.2	2.2	2.1	2.0	1.9	1.8
EV/Sales	3.7	3.4	2.9	2.5	2.2	2.2	2.0	1.8
EV/EBITDA	17.1	12.4	13.4	14.5	12.5	11.8	10.0	8.4
EV/t (USD)	165	134	109	105	89	87	85	81
Dividend Yield (%)	0.1	0.1	0.5	0.5	0.5	0.7	1.0	1.1
Return Ratios (%)								
RoIC	3.0	6.7	6.0	4.5	5.2	6.4	7.3	8.7
RoE	2.1	7.2	5.7	4.3	4.8	5.9	7.2	8.7
RoCE	3.5	6.1	5.6	4.2	5.4	6.1	7.0	8.2
Working Capital Ratios								
Asset Turnover (x)	0.5	0.6	0.5	0.6	0.6	0.6	0.7	0.7
Inventory (Days)	37	27	31	35	30	32	35	35
Debtor (Days)	25	18	22	19	21	20	20	20
Leverage Ratio (x)								
Current Ratio	1.3	0.9	1.0	1.3	1.1	1.0	1.3	1.4
Debt/Equity ratio	0.6	0.3	0.2	0.2	0.3	0.3	0.3	0.3

Cash Flow Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	3,570	13,640	11,620	13,210	10,690	13,656	17,263	22,133
Depreciation	15,280	12,500	12,360	13,050	14,980	13,876	16,249	16,515
Interest and Finance Charges	3,640	3,190	1,930	2,310	3,860	3,870	4,296	4,100
Direct Taxes Paid	-660	440	240	-140	-540	-3,471	-4,388	-5,626
(Inc.)/Dec. in WC	2,740	7,810	-5,150	-770	460	208	-2,058	1,668
CF from Operations	24,570	37,580	21,000	27,660	29,450	28,139	31,362	38,789
Others	-1,190	-1,540	-1,680	-5,140	-3,100	-2,955	-3,104	-3,178
CF from Operations incl. EO	23,380	36,040	19,320	22,520	26,350	25,184	28,258	35,611
(Inc.)/Dec. in FA	-13,450	-10,270	-17,560	-27,010	-27,230	-30,000	-18,000	-15,000
Free Cash Flow	9,930	25,770	1,760	-4,490	-880	-4,816	10,258	20,611
(Pur.)/Sale of Investments	-4,970	6,050	6,380	2,980	-1,610	-6	-10	-9
Others	300	370	410	1,080	1,340	2,955	3,104	3,178
CF from Investments	-18,120	-3,850	-10,770	-22,950	-27,500	-27,051	-14,906	-11,831
Issue of Shares	0	-4,000	50	0	0	0	0	0
Inc./(Dec.) in Debt	120	-25,340	-5,800	6,670	8,890	6,095	3,652	-5,368
Interest Paid	-4,680	-3,960	-2,320	-2,970	-4,390	-3,870	-4,296	-4,100
Dividend Paid	-930	0	-1,000	-1,690	-1,690	-2,437	-3,375	-3,750
Others	-430	-450	-350	-330	-590	0	0	0
CF from Fin. Activity	-5,920	-33,750	-9,420	1,680	2,220	-212	-4,018	-13,217
Inc./Dec. in Cash	-660	-1,560	-870	1,250	1,070	-2,080	9,334	10,563
Opening Balance	4,690	4,030	2,470	1,600	2,850	3,920	1,840	11,174
Closing Balance	4,030	2,470	1,600	2,850	3,920	1,840	11,174	21,737

JK Cement

BSE SENSEX 79,897 S&P CNX 24,316



Bloomberg	JKCE IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	335.5 / 4
52-Week Range (INR)	4594 / 2996
1, 6, 12 Rel. Per (%)	-1/-5/4
12M Avg Val (INR M)	576

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	125.1	140.6	157.0
EBITDA	22.6	26.9	31.5
Adj. PAT	8.9	11.3	14.4
EBITDA Margin (%)	18.1	19.1	20.1
Adj. EPS (INR)	115.0	146.3	186.8
EPS Gr. (%)	11.9	27.2	27.7
BV/Sh. (INR)	785	901	1,058

Ratios

Net D:E	0.7	0.6	0.4
RoE (%)	15.5	17.4	19.1
RoCE (%)	10.9	12.1	13.8
Payout (%)	21.7	20.5	16.1

Valuations

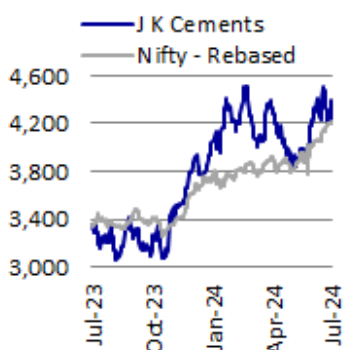
P/E (x)	37.8	29.7	23.3
P/BV (x)	5.5	4.8	4.1
EV/EBITDA(x)	16.3	13.3	11.4
EV/ton (USD)	166	145	132
Div. Yield (%)	0.6	0.7	0.7
FCF Yield (%)	0.9	2.3	5.3

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	45.7	45.7	45.8
DII	22.1	23.4	23.2
FII	17.7	15.9	15.5
Others	14.5	15.0	15.5

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR4,342

TP: INR5,150 (+19%)

Buy

Improving market reach; regional mix improves too

Strong execution capabilities driving growth

JKCE has surprised through its exceptional project executions and marketing strategies. The company's central India expansion achieved 83% utilization in the first full year of operation, driving higher-than-industry growth (its grey cement volume increased ~19% YoY in FY24 vs. ~10% for the industry). This was supported by the company's effective marketing strategies. JKCE expanded its dealership network, and through robust marketing campaigns, it tapped into newer markets in the central region.

Further expansion to deepen market reach

The company has recently commissioned a greenfield grinding unit at Prayagraj, UP, with a capacity of 2mtpa. With this, JKCE's grey cement capacity rose to 24.34mtpa. It announced a capacity expansion in the Central region and Bihar. JKCE plans to set up clinker capacity (line II) of 10,000tpd (3.3mtpa) in Penna, along with grinding units of 6mtpa spread across UP, MP, and Bihar. JKCE also completed the acquisition of Tosahli Cement. It expects production of this plant to start from 3QFY25, after some modernization and upgradation work. Meanwhile, the company is working on mining lease acquisitions and long-term arrangements for limestone, after which it will announce the next phase of expansion at this plant. Apart from that, it has limestone reserves in Jaisalmer, Rajasthan, which will be part of its long-term expansion plan. The company also has expansion opportunities in the South. We believe that JKCE has the potential to reach 50mtpa+ capacity in the long run, as it follows a disciplined expansion approach.

Improvement in profitability led by better regional mix and cost efficiency

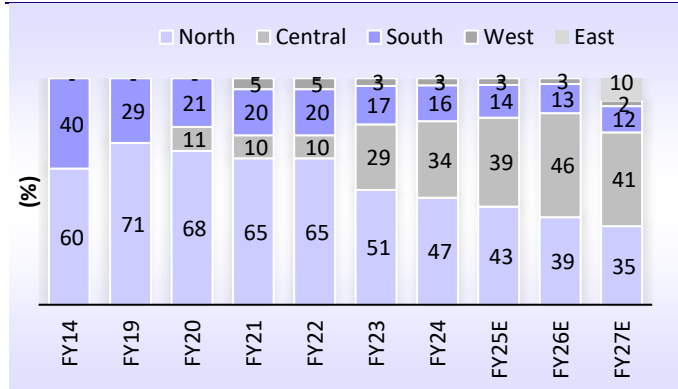
With recent capacity expansions in Central India, the company's regional mix improved, with 80%+ grey cement capacity located in the North, Central, and Gujarat (high-growth markets) regions. Further, in Central India, the share of split-location grinding units stood at ~80%, which we believe would drive higher net plant realization. The company's green energy share stood at 51% and it plans to increase this to ~75% by FY30. It is using alternative fuels (AFR) in its kilns, and its TSR was 14.6% (with a target to increase it to 30% by FY30).

Outlook positive; reiterate BUY

We estimate JKCE's consol. revenue/EBITDA CAGR at 11%/15% over FY24-27, driven by 11% CAGR in sales volume and improvement in EBITDA/t. We estimate its EBITDA/t at INR1,090/ INR1,150/INR1,210 in FY25/FY26/FY27 vs. INR1,080 in FY24 (average INR1,035 over FY19-23). It trades at 13x Mar'26E EV/EBITDA and an EV/t of USD145. Considering JKCE's well-planned growth strategy, higher volume growth, improving regional mix, and improved profitability, we value the stock at 15x Jun'26E EV/EBITDA to arrive at our TP of INR5,150. **Reiterate BUY.**

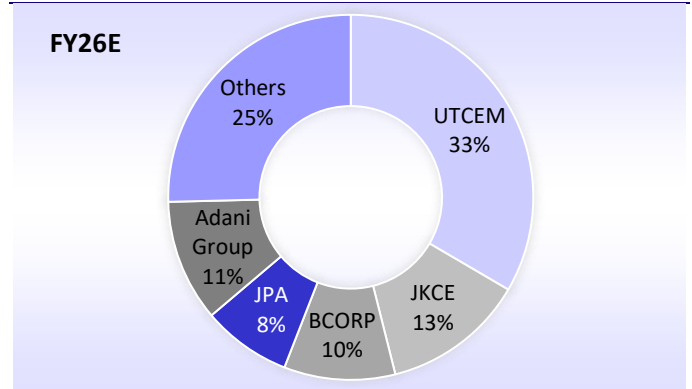
STORY IN CHARTS

Exhibit 93: Central India's expansion enhances regional mix



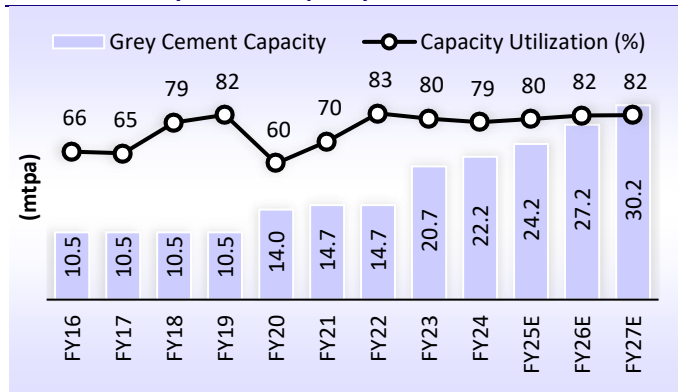
Sources: MOFSL, Company

Exhibit 94: Capacity share of leading players in Central India



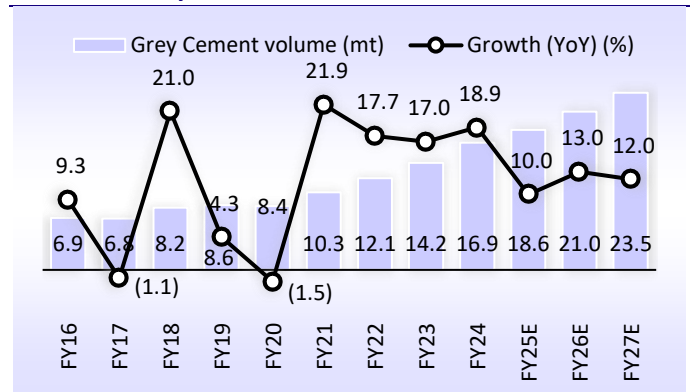
Sources: MOFSL, Company;

Exhibit 95: Grey cement capacity and utilization trends



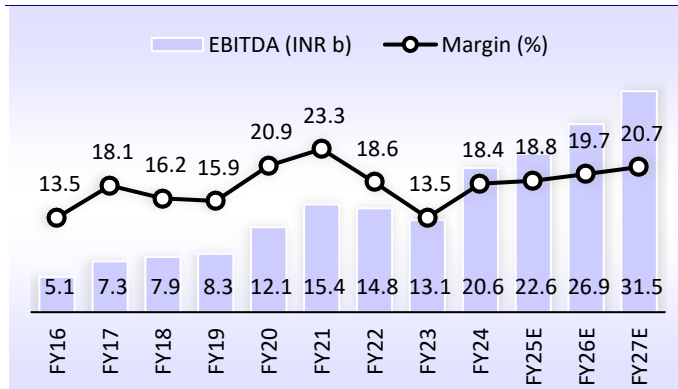
Sources: MOFSL, Company,

Exhibit 96: Grey cement volume CAGR of ~11% over FY24-27E



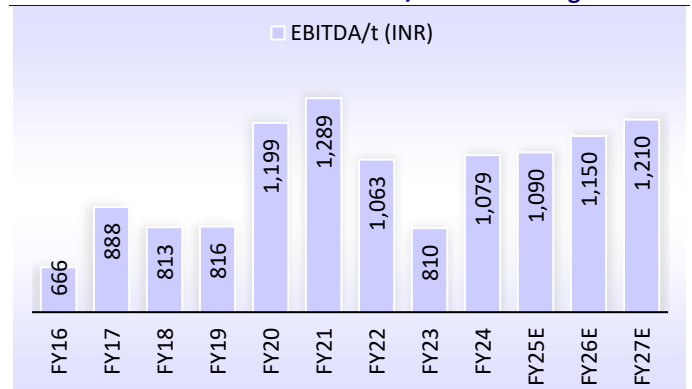
Sources: MOFSL, Company

Exhibit 97: Est. ~15% consol. EBITDA CAGR over FY24-27



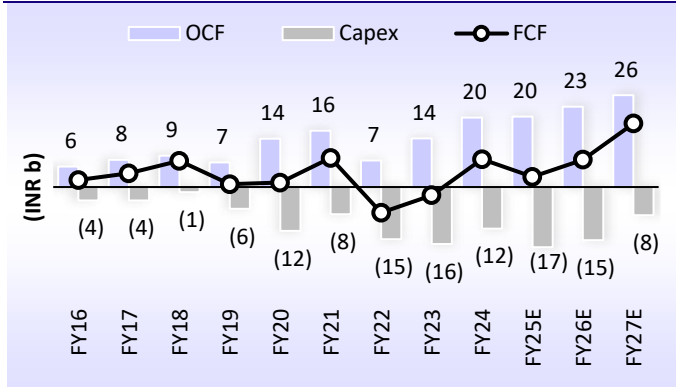
Sources: Company, MOFSL, Note: Consolidated EBITDA

Exhibit 98: Estimate consol. EBITDA/t to rise during FY26-27



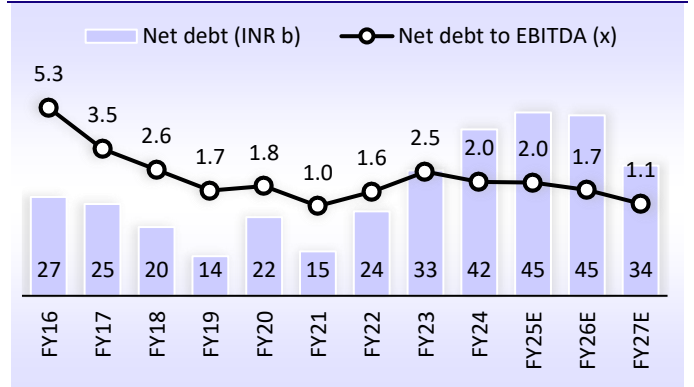
Sources: Company, MOFSL, Note: Consolidated EBITDA/t

Exhibit 99: OCF to improve; will support expansion plans



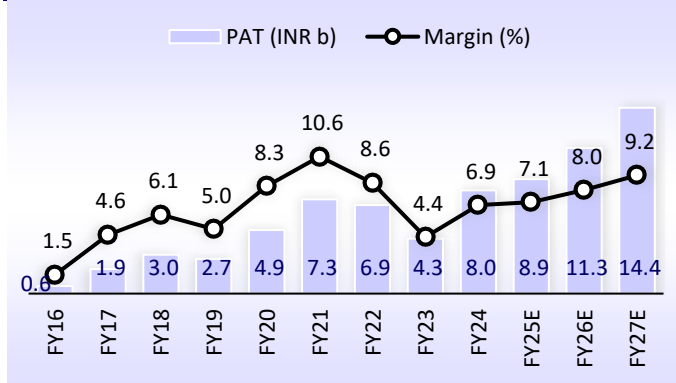
Sources: MOFSL, Company

Exhibit 100: Net debt is estimated to peak out in FY26



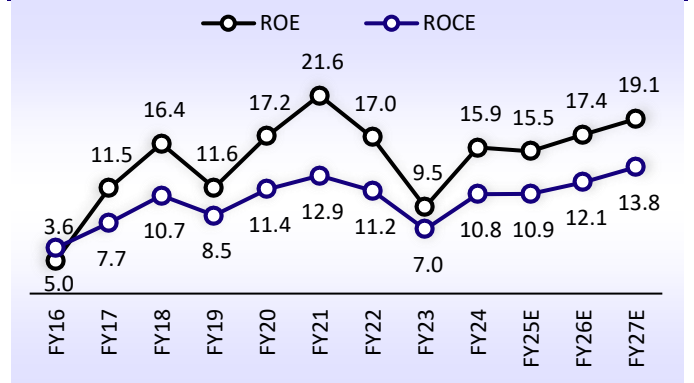
Sources: MOFSL, Company

Exhibit 101: PAT margin to expand



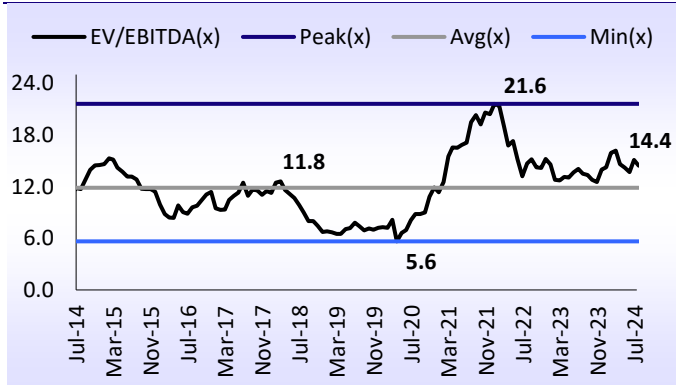
Sources: MOFSL, Company

Exhibit 102: Estimate return ratios to improve



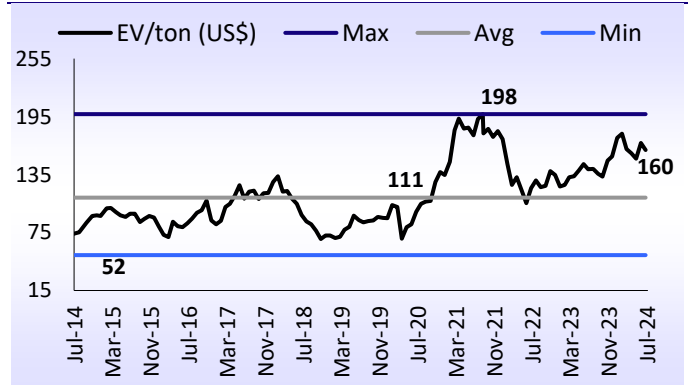
Sources: MOFSL, Company

Exhibit 103: One-year forward EV/EBITDA (x) trend



Sources: MOFSL, Company

Exhibit 104: One-year forward EV/t (USD) trend



Sources: MOFSL, Company

Financials and valuations - Consolidated

Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	58,016	66,061	79,908	97,202	1,15,560	1,25,094	1,40,627	1,57,012
Change (%)	10.3	13.9	21.0	21.6	18.9	8.3	12.4	11.7
EBITDA	12,134	15,387	14,824	13,143	20,598	22,636	26,858	31,540
Margin (%)	20.9	23.3	18.6	13.5	17.8	18.1	19.1	20.1
Depreciation	2,880	3,062	3,425	4,582	5,726	6,172	6,729	7,182
EBIT	9,255	12,325	11,399	8,561	14,872	16,463	20,129	24,359
Int. and Finance Charges	2,764	2,528	2,697	3,122	4,531	4,683	4,794	4,462
Other Income – Rec.	853	1,130	1,429	874	1,451	1,600	1,690	1,843
PBT bef. EO Exp.	7,344	10,927	10,131	6,313	11,791	13,380	17,025	21,740
EO Expense/(Income)	0	0	0	0	55	0	0	0
PBT after EO Exp.	7,344	10,927	10,131	6,313	11,736	13,380	17,025	21,740
Current Tax	1,593	3,296	2,429	1,424	1,487	4,498	5,723	7,308
Deferred Tax	917	600	908	698	2,350	0	0	0
Tax Rate (%)	34.2	35.7	32.9	33.6	32.7	33.6	33.6	33.6
Reported PAT	4,834	7,031	6,794	4,191	7,899	8,882	11,302	14,432
PAT adj. for EO items	4,834	7,031	6,871	4,263	7,936	8,882	11,302	14,432
Change (%)	83.4	45.5	-2.3	-38.0	86.2	11.9	27.2	27.7
Margin (%)	8.3	10.6	8.6	4.4	6.9	7.1	8.0	9.2
Less: Minority Interest	-90.0	-66.2	-77.0	-72.5	-24.1	0.0	0.0	0.0
Net Profit	4,924	7,317	6,871	4,263	8,013	8,882	11,302	14,432

Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	773	773	773	773	773	773	773	773
Total Reserves	29,504	36,595	42,476	46,095	52,899	59,849	68,833	80,947
Net Worth	30,277	37,367	43,249	46,868	53,671	60,622	69,606	81,719
Deferred Liabilities	4,173	5,930	7,383	8,094	10,756	10,756	10,756	10,756
Minority Interest	-203	-257	-343	-444	-455	-455	-455	-455
Total Loans	32,840	34,017	38,549	49,951	52,385	53,385	54,885	45,885
Capital Employed	67,086	77,057	88,838	1,04,469	1,16,358	1,24,308	1,34,792	1,37,906
Gross Block	75,780	82,126	91,614	1,12,857	1,29,469	1,39,108	1,44,108	1,64,108
Less: Accum. Deprn.	20,235	22,752	26,177	30,759	36,486	42,658	49,387	56,569
Net Fixed Assets	55,545	59,374	65,437	82,097	92,983	96,450	94,721	1,07,539
Capital WIP	5,295	5,093	10,321	5,920	4,639	12,000	22,000	10,000
Total Investments	458	1,422	2,157	923	3,683	3,683	3,683	3,683
Curr. Assets, Loans, and Adv.	24,122	32,831	36,115	41,552	46,716	44,315	47,713	51,571
Inventory	6,904	7,566	12,087	9,821	11,816	12,091	13,133	14,573
Account Receivables	2,677	3,615	4,268	4,801	5,663	6,032	6,696	7,372
Cash and Bank Balance	9,649	16,416	10,793	15,874	8,665	5,920	8,012	10,155
Loans and Advances	4,892	5,233	8,967	11,056	20,572	20,272	19,872	19,472
Curr. Liability and Prov.	18,334	21,663	25,192	26,024	31,663	32,139	33,325	34,888
Account Payables	16,725	20,276	23,803	24,512	29,955	30,415	31,586	33,133
Provisions	1,609	1,388	1,389	1,511	1,709	1,724	1,739	1,755
Net Current Assets	5,788	11,167	10,923	15,528	15,053	12,176	14,388	16,683
Appl. of Funds	67,086	77,057	88,838	1,04,469	1,16,358	1,24,308	1,34,792	1,37,906

Source: Company, MOFSL estimates

Financials and valuations - Consolidated

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)*								
Consol. EPS	62.6	91.0	88.9	55.2	102.7	115.0	146.3	186.8
Cash EPS	99.8	130.6	133.2	114.5	176.8	194.8	233.3	279.7
BV/Share	391.8	483.6	559.7	606.6	694.6	784.5	900.8	1,057.6
DPS	17.5	15.0	15.0	15.0	20.0	25.0	30.0	30.0
Payout (%)	33.7	16.5	17.1	27.7	19.6	21.7	20.5	16.1
Valuation (x)*								
P/E	70.2	48.3	49.4	79.6	42.8	38.2	30.0	23.5
Cash P/E	44.0	33.6	33.0	38.4	24.8	22.5	18.8	15.7
P/BV	11.2	9.1	7.8	7.2	6.3	5.6	4.9	4.2
EV/Sales	6.2	5.3	4.4	3.8	3.3	3.0	2.6	2.3
EV/EBITDA	29.4	22.8	23.9	27.9	18.2	16.4	13.4	11.5
EV/t (USD)	270	249	247	190	182	167	146	133
Dividend Yield (%)	0.4	0.3	0.3	0.3	0.5	0.6	0.7	0.7
Return Ratios (%)								
RoIC	13.0	15.0	12.8	7.7	11.1	10.8	13.1	15.0
RoE	17.2	21.6	17.0	9.5	15.9	15.5	17.4	19.1
RoCE	11.4	12.9	11.2	7.0	10.8	10.9	12.1	13.8
Working Capital Ratios								
Asset Turnover (x)	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.1
Inventory (Days)	43.4	41.8	55.2	36.9	37.3	35.3	34.1	33.9
Debtor (Days)	17	20	19	18	18	18	17	17
Creditor (Days)	105	112	109	92	95	89	82	77
Working Capital Turnover (Days)	-24	-29	1	-1	20	18	17	15
Leverage Ratio (x)								
Current Ratio	1.3	1.5	1.4	1.6	1.5	1.4	1.4	1.5
Debt/Equity ratio	1.1	0.9	0.9	1.1	1.0	0.9	0.8	0.6

Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
(INR m)								
OP/(Loss) before Tax	7,344	10,927	10,131	6,276	11,736	13,380	17,025	21,740
Depreciation	2,880	3,062	3,425	4,619	5,726	6,172	6,729	7,182
Interest and Finance Charges	1,975	1,666	2,697	3,019	4,435	4,683	4,794	4,462
Direct Taxes Paid	-1,530	-1,959	-2,429	-1,622	-1,542	-4,498	-5,723	-7,308
(Inc.)/Dec. in WC	2,819	1,715	-5,379	2,276	-6,732	131	-121	-153
CF from Operations	13,488	15,411	8,445	14,568	13,624	19,869	22,704	25,923
Others	179	490	(967)	(797)	5,967	-	-	-
CF from Operations incl. EO	13,668	15,901	7,478	13,771	19,591	19,869	22,704	25,923
(Inc.)/Dec. in FA	-12,428	-7,678	-14,716	-16,115	-11,726	-17,000	-15,000	-8,000
Free Cash Flow	1,240	8,223	-7,238	-2,344	7,865	2,869	7,704	17,923
(Pur.)/Sale of Investments	-2,622	-11,747	-734	-2,021	-5,634	0	0	0
Others	6,998	11,665	2,232	-2,012	1,002	0	0	0
CF from Investments	-8,052	-7,760	-13,218	-20,148	-16,358	-17,000	-15,000	-8,000
Issue of Shares	0	0	0	0	0	0	0	0
Inc./Dec. in Debt	3,133	1,120	4,532	11,560	1,431	1,000	1,500	-9,000
Interest Paid	-2,507	-2,427	-2,697	-2,841	-4,324	-4,683	-4,794	-4,462
Dividend Paid	-1,630	0	-1,159	-1,159	-1,158	-1,932	-2,318	-2,318
Others	-77	-68	-559	-147	-106	1	0	0
CF from Fin. Activity	-1,081	-1,375	117	7,413	-4,157	-5,614	-5,612	-15,780
Inc./Dec. in Cash	4,534	6,767	-5,623	1,036	-924	-2,745	2,092	2,143
Opening Balance	5,116	9,650	16,416	14,838	9,590	8,665	5,920	8,012
Closing Balance	9,650	16,416	10,793	15,874	8,665	5,920	8,012	10,155

The Ramco Cements

BSE SENSEX
79,897

S&P CNX
24,316



Stock Info

Bloomberg	TRCL IN
Equity Shares (m)	236
M.Cap.(INRb)/(USDb)	188.3 / 2.3
52-Week Range (INR)	1058 / 700
1, 6, 12 Rel. Per (%)	-12/-32/-40
12M Avg Val (INR M)	624

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	100.9	109.6	118.4
EBITDA	17.7	20.6	22.8
Adj. PAT	4.9	6.7	7.9
EBITDA Margin (%)	17.6	18.8	19.2
Adj. EPS (INR)	20.7	28.4	33.3
EPS Gr. (%)	24.1	37.1	17.0
BV/Sh. (INR)	320	345	374

Ratios

Net D:E	0.7	0.7	0.6
RoE (%)	6.7	8.6	9.3
RoCE (%)	6.5	7.4	7.9
Payout (%)	16.9	12.3	0.0

Valuations

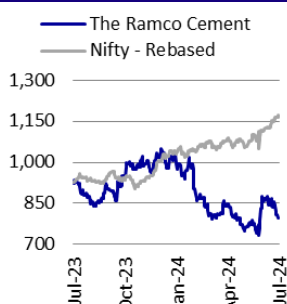
P/E (x)	38.6	28.2	24.1
P/BV (x)	2.5	2.3	2.1
EV/EBITDA(x)	12.8	11.3	10.3
EV/ton (USD)	114	108	109
Div. Yield (%)	0.4	0.4	0.0
FCF Yield (%)	-0.3	1.5	2.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	42.3	42.1	42.3
DII	35.6	36.3	35.9
FII	7.4	7.9	7.6
Others	14.7	13.6	14.3

FII Includes depository receipts

Stock performance (one-year)



CMP: INR797

TP: INR890 (+12%)

Neutral

Capacity constraint and higher leverage restrict upside

Volume CAGR to moderate to ~8% over FY24-27E

TRCL reported an industry leading volume growth of ~23% over FY21-24, driven by capacity expansion, market share gains, and healthy demand growth in its key markets. In FY24, the company's clinker utilization stood at ~94%. It is expanding clinker capacity by adding 3mtpa at its Kurnool, Andhra Pradesh plant (brownfield expansion). However, its clinker capacity is likely to be commissioned by FY26-end, and we anticipate the company to have limited volume growth opportunities (through optimizing blending ratio) until then. We further estimate the company's volume growth to moderate to ~8% over FY24-27E due to: 1) the high base impact; 2) the clinker capacity constraints in the medium term; and 3) capacity expansion by peers in the South, primarily in Tamil Nadu and Andhra Pradesh.

Profitability hit by price corrections and higher costs

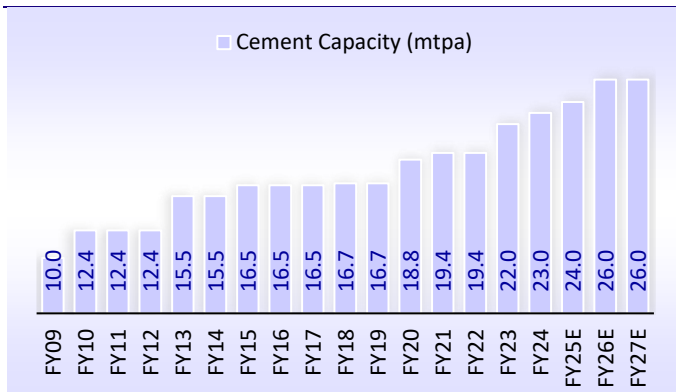
The southern region witnessed significant pricing pressure in 4QFY24 and FY24. Cement price declined ~9% QoQ in 4Q (vs. an all-India average price decline of ~7% QoQ) and ~4% YoY in FY24 (vs. flat all-India average price YoY). The company has a higher presence in the southern region, which led to lower profitability. TRCL is one of the low-cost producers in the industry, supported by higher usage of captive power plants (self-sufficient for its power requirement), lower heat consumption (at less than 700Kcal/kg of clinker), strategic location of plants (average lead distance is less than 300km), and infrastructure created at plants to scale up operations and drive operating efficiencies. However, in the past two years, the company's blended cement share has declined to ~70-68% vs. ~75% in FY21-22. This has resulted in a decline in C:C ratio to 1.25x from 1.34x. Lower C:C ratio is resulting in higher clinker costs.

High leverage and low RoE; stock is fairly valued; reiterate Neutral

TRCL's net debt increased steeply over the past few years due to higher capex and lower profitability. Its cumulative capex over FY20-FY24 stood at ~INR93b, while its cumulative OCF was ~INR73b during the same period. The company's net debt increased to INR47b from INR29b in FY20; the net debt-to-EBITDA stood at 3.0x vs. 2.6x in FY20. We estimate the company's cumulative OCF to be INR51b over FY25-27 with a cumulative capex of INR44b over the same period. The company's net debt is estimated to increase to INR56b by FY27. We estimate TRCL's return ratios to be lower due to weak profitability and higher capex. The company's RoE and RoCE are estimated at ~9% and 8% in FY27E vs. its historical average (over FY16-22) of ~14% and 11%, respectively. The stock is currently trading at 11x Mar'26E EV/EBITDA and EV/t of USD108. We value the stock at 12x Jun'26E EV/EBITDA to arrive at our TP of INR890. **Reiterate Neutral.**

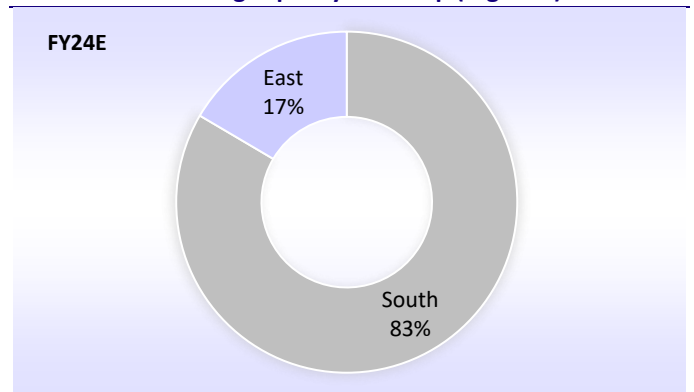
STORY IN CHARTS

Exhibit 105: TRCL's long-term (FY09-24) capacity CAGR at ~6%



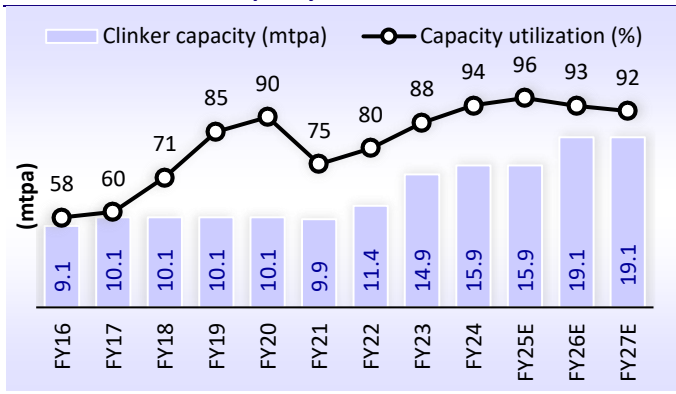
Source: MOFSL, Company

Exhibit 106: Grinding capacity break-up (regional)



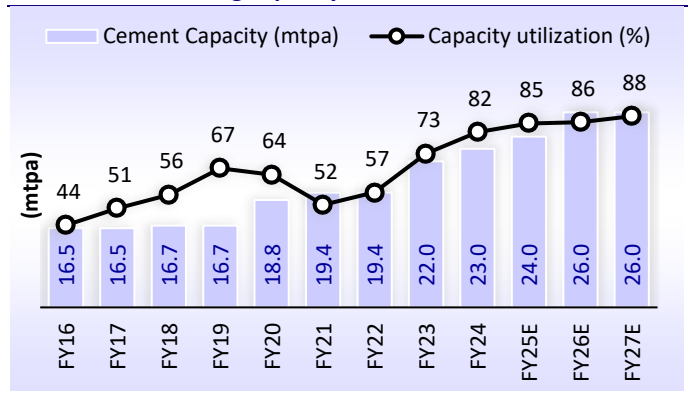
Source: MOFSL, Company;

Exhibit 107: Clinker capacity and utilization trends



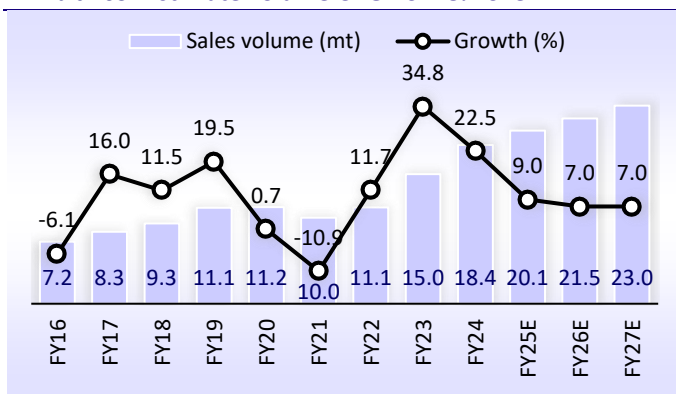
Source: MOFSL, Company;

Exhibit 108: Grinding capacity and utilization trends



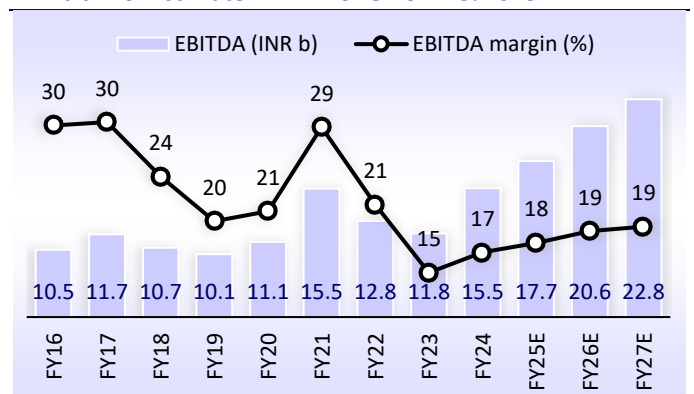
Source: MOFSL, Company;

Exhibit 109: Estimate volume CAGR of ~8% over FY24-27



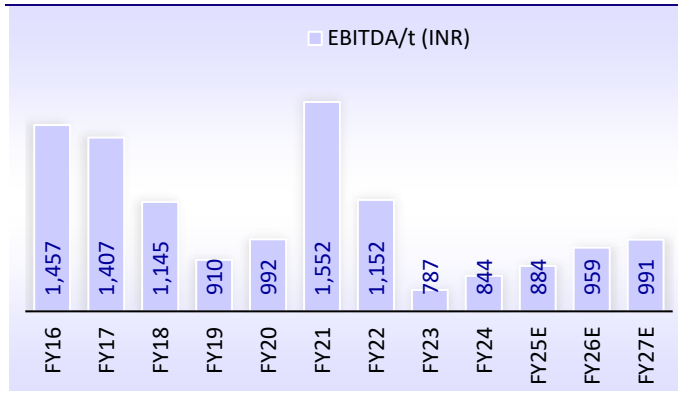
Source: MOFSL, Company

Exhibit 110: Estimate EBITDA CAGR of ~15% over FY24-27



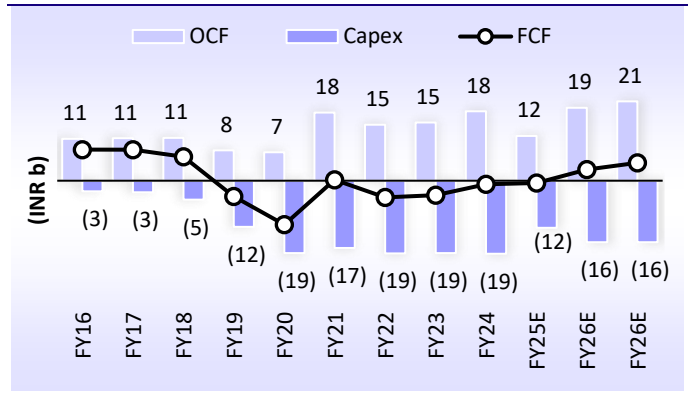
Source: MOFSL, Company

Exhibit 111: EBITDA/t trend



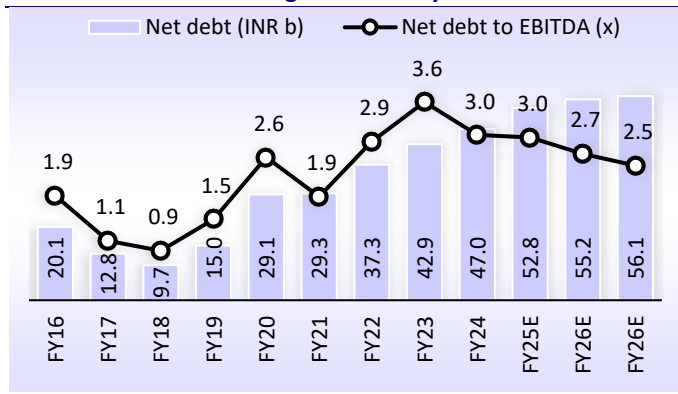
Source: MOFSL, Company

Exhibit 112: Higher capex led to FCF outflow over FY19-24



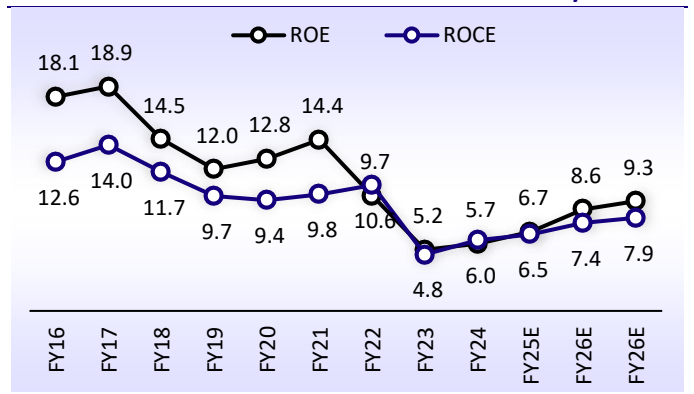
Source: MOFSL, Company

Exhibit 113: Net debt surged over the years



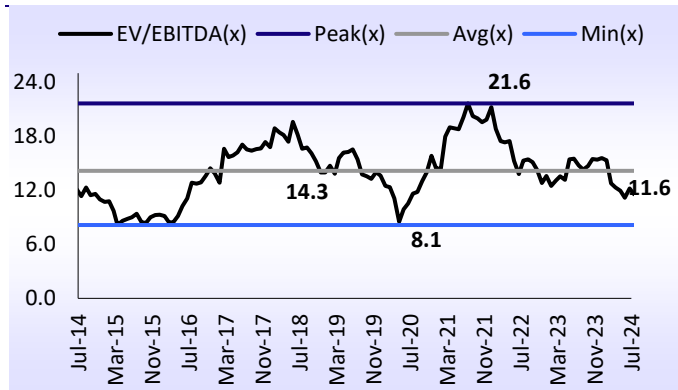
Source: MOFSL, Company;

Exhibit 114: Return ratios to remain low historically



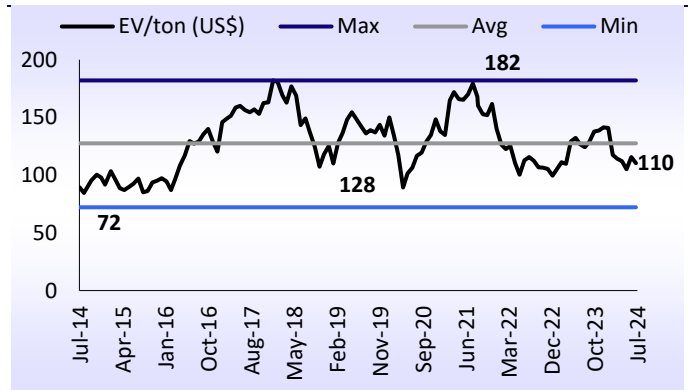
Source: MOFSL, Company;

Exhibit 115: One-year forward EV/EBITDA



Source: MOFSL, Company

Exhibit 116: One-year forward EV/t



Source: MOFSL, Company

Financials and valuations

Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	53,435	52,684	59,800	81,353	93,498	1,00,910	1,09,584	1,18,403
Change (%)	4.3	-1.4	13.5	36.0	14.9	7.9	8.6	8.0
EBITDA	11,117	15,480	12,838	11,820	15,525	17,732	20,575	22,765
Margin (%)	20.8	29.4	21.5	14.5	16.6	17.6	18.8	19.2
Depreciation	3,153	3,553	4,008	5,044	6,359	6,989	7,311	7,785
EBIT	7,964	11,927	8,830	6,775	9,167	10,742	13,264	14,980
Int. and Finance Charges	714	876	1,124	2,405	4,155	4,413	4,473	4,653
Other Income - Rec.	622	346	306	367	423	430	476	520
PBT bef. EO Exp.	7,872	11,397	8,012	4,737	5,435	6,760	9,267	10,846
EO Expense/(Income)	0	0	0	0	0	0	0	0
PBT after EO Exp.	7,872	11,397	8,012	4,737	5,435	6,760	9,267	10,846
Current Tax	1,393	2,440	1,768	257	409	1,859	2,548	2,983
Deferred Tax	469	1,346	-2,682	1,045	1,076	0	0	0
Tax Rate (%)	23.6	33.2	-11.4	27.5	27.3	27.5	27.5	27.5
Reported PAT	6,011	7,611	8,927	3,435	3,950	4,901	6,718	7,863
PAT Adj for EO items	6,011	7,611	5,899	3,435	3,950	4,901	6,718	7,863
Change (%)	18.1	26.6	-22.5	-41.8	15.0	24.1	37.1	17.0
Margin (%)	11.2	14.4	9.9	4.2	4.2	4.9	6.1	6.6

Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	236	236	236	236	236	236	236	236
Total Reserves	48,950	56,032	65,012	67,699	71,205	75,279	81,170	88,206
Net Worth	49,186	56,268	65,249	67,935	71,441	75,515	81,406	88,443
Deferred Liabilities	9,172	10,877	8,240	9,285	10,304	10,304	10,304	10,304
Total Loans	30,241	31,017	39,300	44,874	49,168	54,668	57,168	59,168
Capital Employed	88,599	98,162	1,12,789	1,22,095	1,30,914	1,40,487	1,48,879	1,57,915
Gross Block	93,901	1,06,223	1,18,037	1,47,329	1,72,397	1,82,397	2,02,397	2,18,397
Less: Accum. Deprn.	35,757	38,720	42,728	47,772	54,131	61,120	68,432	76,216
Net Fixed Assets	58,144	67,503	75,309	99,557	1,18,266	1,21,277	1,33,966	1,42,181
Capital WIP	18,143	23,255	30,340	19,873	13,784	16,000	12,000	12,000
Total Investments	4,275	4,369	4,220	4,209	4,397	4,397	4,397	4,397
Curr. Assets, Loans&Adv.	19,908	18,331	20,687	21,530	25,235	30,047	32,668	36,339
Inventory	6,453	5,979	8,333	8,823	9,823	12,441	13,510	14,598
Account Receivables	5,269	3,752	3,498	4,650	8,522	8,294	9,007	9,732
Cash and Bank Balance	914	1,419	1,760	1,686	1,352	1,018	1,144	2,278
Loans and Advances	7,273	7,181	7,095	6,371	5,539	8,294	9,007	9,732
Curr. Liability & Prov.	11,871	15,296	17,767	23,074	30,770	31,233	34,152	37,002
Account Payables	11,341	14,655	16,985	22,141	29,635	30,411	33,025	35,683
Provisions	531	641	782	933	1,135	822	1,127	1,319
Net Current Assets	8,037	3,035	2,920	-1,545	-5,535	-1,187	-1,484	-663
Appl. of Funds	88,599	98,162	1,12,789	1,22,095	1,30,914	1,40,488	1,48,878	1,57,914

Source: Company, MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	25.5	32.3	25.0	14.5	16.7	20.7	28.4	33.3
Cash EPS	38.9	47.3	41.9	35.9	43.6	50.3	59.4	66.2
BV/Share	208.8	238.5	276.1	287.5	302.3	319.6	344.5	374.3
DPS	2.5	3.0	3.0	2.0	2.5	3.5	3.5	0.0
Payout (%)	11.8	9.3	7.9	13.8	15.0	16.9	12.3	0.0
Valuation (x)								
P/E	31.4	24.8	32.1	55.1	48.0	38.6	28.2	24.1
Cash P/E	20.6	16.9	19.1	22.3	18.4	15.9	13.5	12.1
P/BV	3.8	3.4	2.9	2.8	2.7	2.5	2.3	2.1
EV/Sales	3.7	3.7	3.3	2.6	2.4	2.2	2.1	2.0
EV/EBITDA	18.0	12.6	15.3	18.0	14.3	12.8	11.3	10.3
EV/Ton (USD)	129	122	122	117	117	114	108	109
Dividend Yield (%)	0.3	0.4	0.4	0.2	0.3	0.4	0.4	0.0
Return Ratios (%)								
RoIC	10.0	11.9	13.5	5.7	6.4	6.8	7.7	8.0
RoE	12.8	14.4	9.7	5.2	5.7	6.7	8.6	9.3
RoCE	9.4	9.8	10.6	4.8	6.0	6.5	7.4	7.9
Working Capital Ratios								
Asset Turnover (x)	0.6	0.5	0.5	0.7	0.7	0.7	0.7	0.7
Inventory (Days)	44.1	41.4	50.9	39.6	38.3	45.0	45.0	45.0
Debtor (Days)	36.0	26.0	21.3	20.9	33.3	30.0	30.0	30.0
Creditor (Days)	77.5	101.5	103.7	99.3	115.7	110.0	110.0	110.0
Leverage Ratio (x)								
Current Ratio	1.7	1.2	1.2	0.9	0.8	1.0	1.0	1.0
Debt/Equity	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7

Cash Flow Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	7,872	11,397	8,012	4,737	5,435	6,760	9,267	10,846
Depreciation	3,153	3,553	4,008	5,044	6,359	6,989	7,311	7,785
Interest & Finance Charges	714	876	1,124	2,405	4,155	4,413	4,473	4,653
Direct Taxes Paid	-1,861	-3,786	915	-1,302	-1,485	-1,859	-2,548	-2,983
(Inc)/Dec in WC	-2,590	5,507	457	4,390	3,656	-4,682	424	313
CF from Operations	7,287	17,547	14,516	15,275	18,120	11,621	18,927	20,614
Others	100	143	30	-166	-88	0	0	0
CF from Operating incl EO	7,387	17,690	14,546	15,109	18,032	11,621	18,927	20,614
(Inc)/Dec in FA	-18,791	-17,434	-18,900	-18,826	-18,979	-12,216	-16,000	-16,000
Free Cash Flow	-11,404	256	-4,354	-3,717	-948	-594	2,927	4,614
(Pur)/Sale of Investments	19	-94	150	11	-189	0	0	0
Others	-1,257	1,150	-1,904	935	1,254	0	0	0
CF from Investments	-20,029	-16,378	-20,654	-17,880	-17,914	-12,216	-16,000	-16,000
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	14,054	776	8,282	5,575	4,294	5,500	2,500	2,000
Interest Paid	-714	-876	-1,124	-2,405	-4,155	-4,413	-4,473	-4,653
Dividend Paid	-711	-708	-709	-473	-591	-827	-827	-827
Others	0	0	0	0	0	0	0	0
CF from Fin. Activity	12,630	-808	6,450	2,697	-452	260	-2,801	-3,481
Inc/Dec of Cash	-13	504	342	-74	-334	-334	126	1,134
Opening Balance	927	915	1,419	1,761	1,686	1,352	1,018	1,144
Closing Balance	915	1,419	1,761	1,686	1,352	1,018	1,144	2,278

Birla Corporation

BSE SENSEX
79,897

S&P CNX
24,316



**BIRLA
CORPORATION
LIMITED**

Bloomberg	BCORP IN
Equity Shares (m)	77
M.Cap.(INRb)/(USD\$b)	123.6 / 1.5
52-Week Range (INR)	1802 / 1061
1, 6, 12 Rel. Per (%)	2/-1/7
12M Avg Val (INR M)	232

Financial Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	100.4	107.5	116.4
EBITDA	15.7	17.8	20.2
Adj. PAT	5.1	6.7	8.4
EBITDA Margin (%)	15.7	16.5	17.4
Adj. EPS (INR)	66.8	87.2	109.3
EPS Gr. (%)	23.7	30.5	25.4
BV/Sh. (INR)	921	997	1,094

Ratios

Net D:E	0.4	0.3	0.2
RoE (%)	7.5	9.1	10.5
RoCE (%)	6.5	7.5	8.6
Payout (%)	18	14	11

Valuations

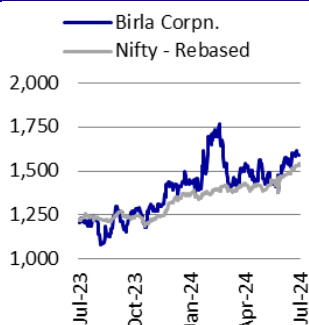
P/E (x)	24.0	18.4	14.7
P/BV (x)	1.7	1.6	1.5
EV/EBITDA(x)	8.8	7.4	6.4
EV/ton (USD)	84	74	69
Div. Yield (%)	0.7	0.7	0.7

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	62.9	62.9	62.9
DII	15.6	16.2	16.4
FII	6.8	6.4	5.7
Others	14.7	14.5	15.0

FII Includes depository receipts

Stock performance (one-year)



CMP: INR1,605

TP: INR1,970 (+23%)

Buy

Operating performance improves

Mukutban's utilization ramp-up to drive growth

BCORP is seeing a steady progress in its Mukutban plant operations, with the capacity utilization of the plant reaching ~77% in Mar'24. Its restructured ramp-up strategy: 1) leveraging its well-known premium brand, Perfect Plus; 2) selling in the markets outside Maharashtra to expand its reach; and 3) increasing direct sales from the plant have achieved better results. BCORP expects FY25 utilization to be +70%, which will help drive its volume growth. Further, it expects state incentives for the Mukutban plant to accrue from the beginning of FY25. The total incentive accrual is estimated at INR1.1b in FY25.

Targets to increase the cement capacity to 25mtpa by FY27

BCORP plans to raise grinding capacity to 25mtpa by FY26-27 from its existing capacity of 20mtpa. It has announced a greenfield grinding capacity expansion of 1.4mtpa in Prayagraj, Uttar Pradesh, at an estimated capex of INR4b, which is estimated to be commissioned by 1QFY26. Further, it announced a brownfield expansion of 1.4mtpa at Kundanganj, Uttar Pradesh with an investment of INR4.25b. The project is likely to be completed by FY26-end. Post-completion of both these expansions, the company's grinding capacity will increase to 22.8mtpa. Earlier, it acquired mining rights of Katni, MP (near to its Maihar, MP plant). We believe, in the next phase of expansion, the company will announce addition of clinker line – II at Maihar, MP plant and the associated grinding capacity would reach its target of 25mtpa by FY27.

Profitability improvement – a mix of improved realization and cost efficiency

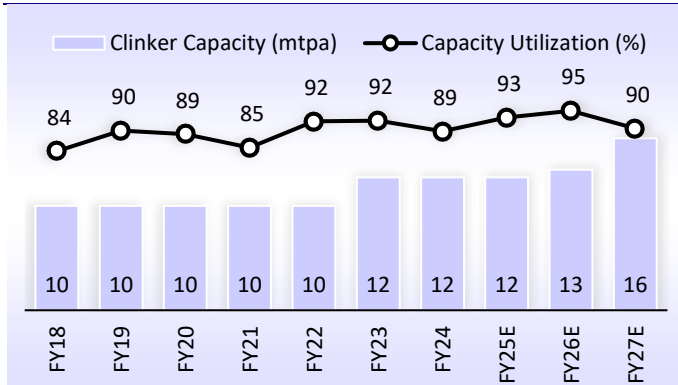
The company has implemented various cost-reduction initiatives under "Project Shikhar" for improving its manufacturing operations (such as power and fuel, fly ash, and limestone costs). On the other hand, "Project Unnati" has been launched with an intent to enhance the "Go-to-Market" strategy, with a focus on sales, logistics, and marketing domains. BCORP aims to expand its market footprint and increase the intensity of coverage in core areas by improving reach and penetration. The company achieved a combined savings of INR90/t+ in FY24. Both these projects remain in a work-in-progress mode, and will lead to further improvement in efficiency and savings. BCORP is further scaling up its production from captive coal mine, thus, reducing dependence on imported coal.

Valuations attractive; reiterate BUY

We estimate BCORP's consol. EBITDA/PAT CAGR at 12%/27% over FY24-27. We estimate the company's EBITDA/t to improve to INR855/INR910/INR970 in FY25/FY26/FY27 vs. INR815 in FY24. The stock currently trades at 7.4x Mar'26E EV/EBITDA, at an attractive valuation compared to its similar-sized peers. We value the stock at 9x Jun'24 EV/EBITDA to arrive at our TP of INR1,970 (EV/t of USD90). **Reiterate BUY.**

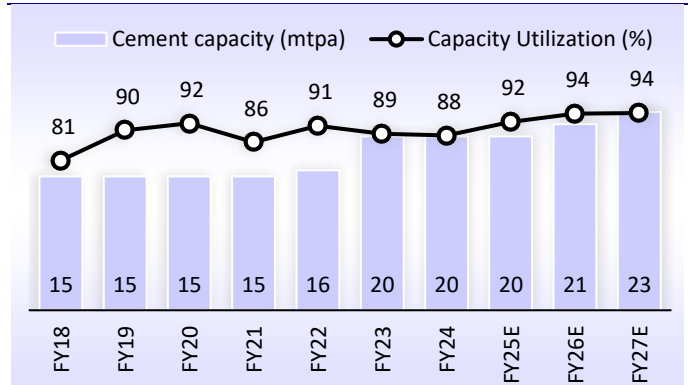
STORY IN CHARTS

Exhibit 117: Clinker utilization is at optimum levels



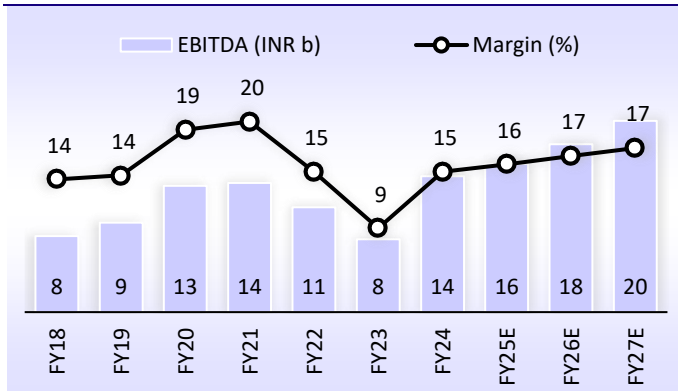
Source: MOFSL, Company,

Exhibit 118: Cement utilization should also improve



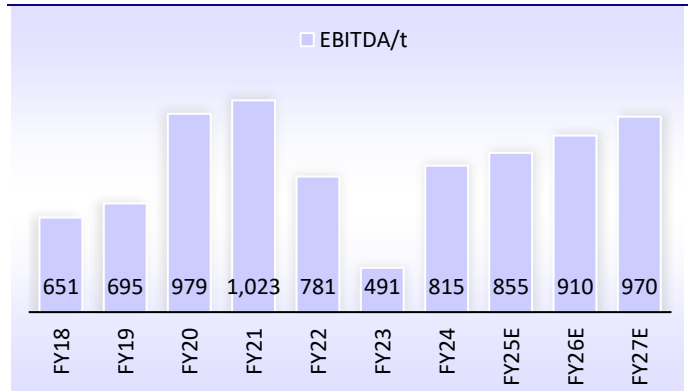
Source: MOFSL, Company

Exhibit 119: Estimate 12% EBITDA CAGR over FY24-27



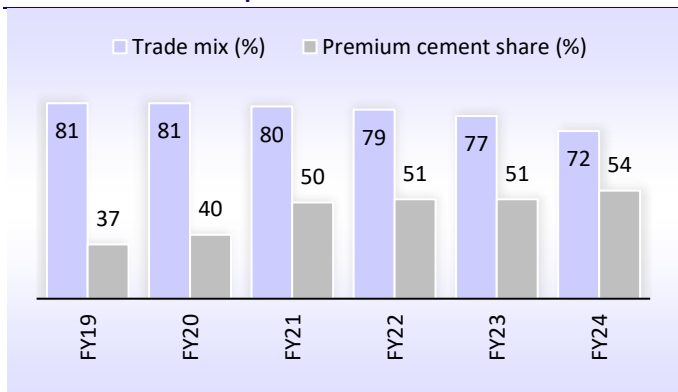
Source: MOFSL, Company

Exhibit 120: Estimate EBITDA/t to improve over FY25-27



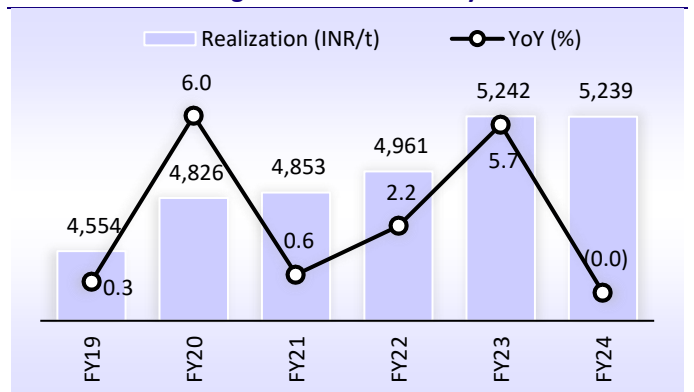
Source: MOFSL, Company

Exhibit 121: BCORP's premium cement share rises...



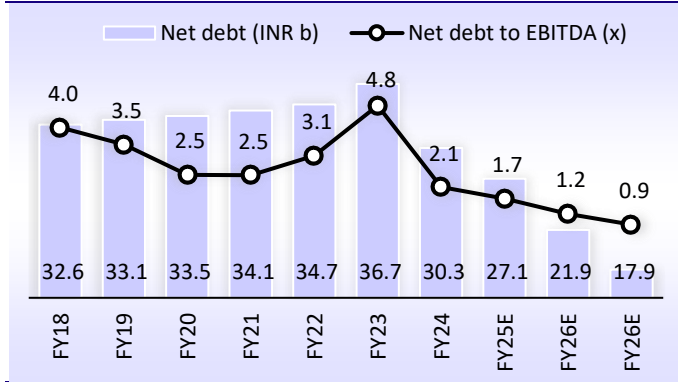
Source: MOFSL, Company, *Premium cement as a % of trade sales

Exhibit 122: ...driving better-than-industry realization



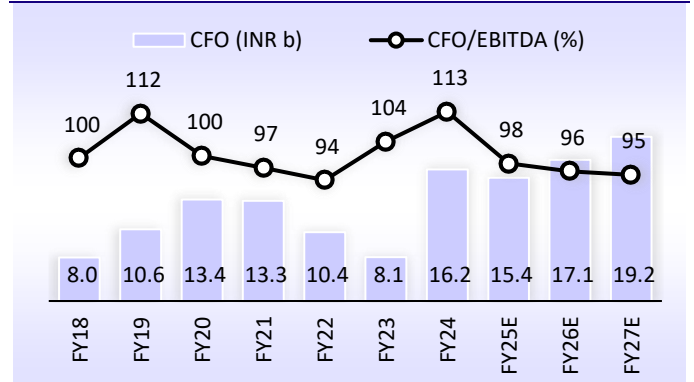
Source: MOFSL, Company

Exhibit 123: Net debt is estimated to peak out in FY24



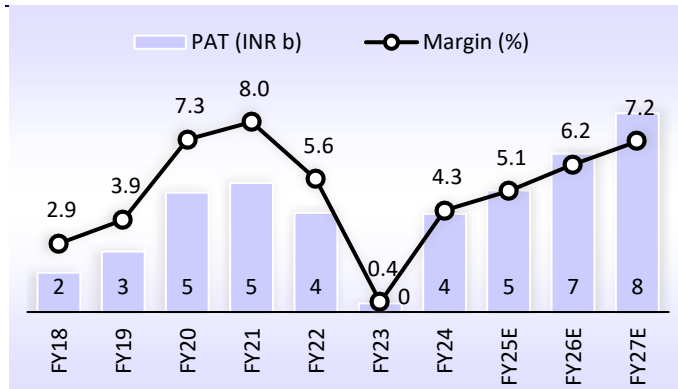
Source: MOFSL, Company

Exhibit 124: EBITDA conversion ratio at above 90%



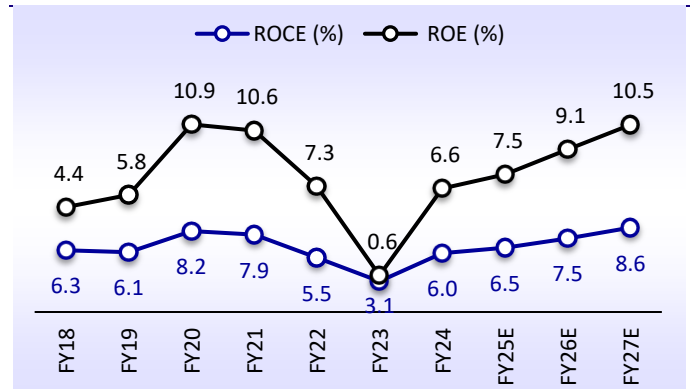
Source: MOFSL, Company

Exhibit 125: Profit margin to expand...



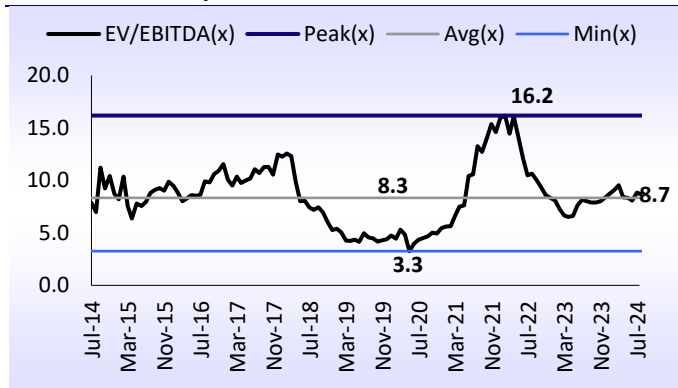
Source: MOFSL, Company

Exhibit 126: ...will drive material increase in return ratio



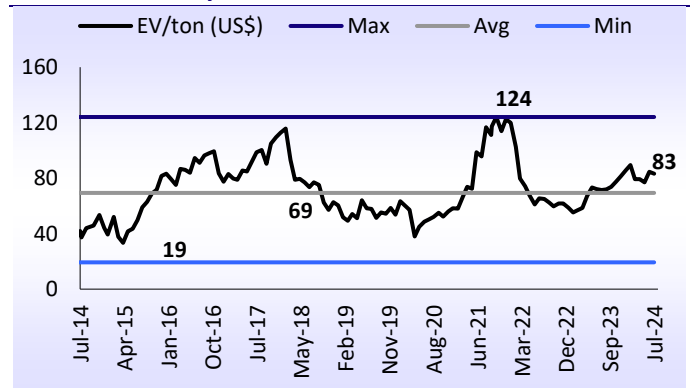
Source: MOFSL, Company

Exhibit 127: One-year forward EV/EBITDA trend



Source: Company, MOFSL

Exhibit 128: One-year forward EV/t trend



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	69,157	67,855	74,612	86,823	96,627	1,00,357	1,07,500	1,16,447
Change (%)	5.6	-1.9	10.0	16.4	11.3	3.9	7.1	8.3
Total Expenditure	55,797	54,163	63,512	79,103	82,251	84,649	89,719	96,204
EBITDA	13,360	13,691	11,100	7,720	14,376	15,708	17,781	20,243
Margin (%)	19.3	20.2	14.9	8.9	14.9	15.7	16.5	17.4
Depreciation	3,519	3,708	3,969	5,099	5,783	6,187	6,603	6,941
EBIT	9,841	9,984	7,131	2,621	8,593	9,521	11,178	13,301
Int. and Finance Charges	3,877	2,963	2,427	3,387	3,717	3,390	2,948	2,785
Other Income - Rec.	851	673	988	1,131	856	963	1,026	1,093
PBT after EO	6,815	8,375	5,421	431	5,799	7,094	9,256	11,610
Change (%)	114.7	22.9	-35.3	-92.0	1,245.2	22.3	30.5	25.4
Tax	1,763	2,074	1,435	26	1,594	1,950	2,544	3,190
Tax Rate (%)	25.9	24.8	26.5	6.1	27.5	27.5	27.5	27.5
Reported PAT	5,052	6,301	3,986	405	4,206	5,145	6,712	8,419
Extra-Ordinary Expenses	0	-681	271	-67	-68	0	0	0
PAT Adjusted for EO Items	5,052	5,460	4,200	361	4,158	5,145	6,712	8,419
Change (%)	97.6	8.1	-23.1	-91.4	1,052.2	23.7	30.5	25.4
Margin (%)	7.3	8.0	5.6	0.4	4.3	5.1	6.2	7.2

Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	770	770	770	770	770	770	770	770
Reserves	47,291	54,090	59,718	59,038	65,968	70,188	75,976	83,472
Net Worth	48,061	54,860	60,488	59,808	66,738	70,958	76,747	84,242
Loans	42,820	40,464	42,080	43,497	37,697	35,197	31,697	28,197
Deferred Liabilities	8,568	8,668	9,722	9,712	11,042	11,042	11,042	11,042
Capital Employed	99,449	1,03,992	1,12,291	1,13,017	1,15,477	1,17,198	1,19,486	1,23,481
Gross Block	87,430	91,087	97,586	1,25,338	1,30,596	1,38,401	1,43,901	1,57,901
Less: Accum. Deprn.	14,158	17,852	21,821	26,920	32,703	38,890	45,493	52,435
Net Fixed Assets	73,273	73,235	75,765	98,418	97,893	99,511	98,408	1,05,466
Capital WIP	16,020	21,048	25,511	3,576	4,805	5,000	7,500	5,000
Investments	8,363	7,526	10,093	8,683	12,881	12,881	12,881	12,881
Curr. Assets	24,098	27,147	27,147	30,042	28,783	31,339	34,409	36,574
Inventory	7,876	8,101	8,200	10,616	9,646	11,039	11,825	12,809
Account Receivables	2,504	2,795	3,028	3,233	4,149	4,014	4,300	4,658
Cash and Bank Balance	2,558	1,773	1,380	2,183	1,592	2,220	3,936	4,472
Others	11,160	14,479	14,539	14,010	13,396	14,065	14,347	14,636
Curr. Liability and Prov.	22,306	24,964	26,225	27,703	28,884	31,533	33,711	36,440
Account Payables	21,637	24,230	25,453	26,797	27,924	30,609	32,787	35,516
Provisions	669	734	772	906	960	924	924	924
Net Current Assets	1,793	2,184	922	2,340	-102	-194	697	134
Appl. of Funds	99,449	1,03,992	1,12,291	1,13,017	1,15,477	1,17,198	1,19,486	1,23,481

Source: Company, MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	65.6	70.9	54.5	4.7	54.0	66.8	87.2	109.3
Cash EPS	111.3	119.0	106.1	70.9	129.1	147.1	172.9	199.5
BV/Share	624.1	712.4	785.5	776.6	866.6	921.4	996.6	1,093.9
DPS	7.5	10.0	10.0	2.5	10.0	12.0	12.0	12.0
Payout (%)	13.3	12.2	19.3	47.5	18.3	18.0	13.8	11.0
Valuation (x)								
P/E	24.5	22.6	29.4	342.5	29.7	24.0	18.4	14.7
Cash P/E	14.4	13.5	15.1	22.6	12.4	10.9	9.3	8.0
P/BV	2.6	2.3	2.0	2.1	1.9	1.7	1.6	1.5
EV/Sales	2.0	2.0	1.7	1.8	1.5	1.4	1.2	1.1
EV/EBITDA	10.4	9.8	11.6	19.8	9.9	8.8	7.4	6.4
EV/t - Cap (USD)	110	105	97	92	86	84	74	69
Dividend Yield (%)	0.5	0.6	0.6	0.2	0.6	0.7	0.7	0.7
Return Ratios (%)								
RoE	10.9	10.6	7.3	0.6	6.6	7.5	9.1	10.5
RoCE	8.2	7.9	5.5	3.1	6.0	6.5	7.5	8.6
RoIC	10.0	10.3	7.0	2.8	6.4	7.1	8.4	9.8
Working Capital Ratios								
Inventory (Days)	42	44	40	45	36	40	40	40
Debtor (Days)	13	15	15	14	16	15	15	15
Working Capital Turnover (Days)	0.7	0.7	0.7	0.8	0.8	0.9	0.9	0.9
Leverage Ratio								
Current ratio	1.1	1.1	1.0	1.1	1.0	1.0	1.0	1.0
Debt/Equity (x)	0.9	0.7	0.7	0.7	0.6	0.5	0.4	0.3
Cash Flow Statement								
								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	6,815	7,126	5,378	431	5,799	7,094	9,256	11,610
Depreciation	3,519	3,708	3,969	5,099	5,783	6,187	6,603	6,941
Interest and Finance Charges	3,877	2,963	2,427	3,387	3,717	3,390	2,948	2,785
Direct Taxes Paid	-418	-843	-610	-508	-751	-1,950	-2,544	-3,190
(Inc.)/Dec. in WC	207	-201	-2	280	2,021	721	825	1,099
CF from Operations	14,000	12,752	11,162	8,689	16,570	15,442	17,088	19,244
Others	-588	532	-770	-634	-376	0	0	0
CF from Operating incl. EO	13,412	13,284	10,392	8,055	16,195	15,442	17,088	19,244
(Inc.)/Dec. in FA	-9,860	-8,028	-7,762	-6,263	-5,255	-8,000	-8,000	-11,500
Free Cash Flow	3,552	5,256	2,629	1,791	10,939	7,442	9,088	7,744
(Pur.)/Sale of Investments	-446	2,438	-1,269	1,595	-1,053	0	0	0
Others	74	-1,699	950	601	-786	0	0	0
CF from Investments	-10,232	-7,289	-8,082	-4,068	-7,094	-8,000	-8,000	-11,500
Issue of Shares	0	0	0	0	0	0	0	0
Inc./Dec. in Debt	1,860	-2,252	1,246	980	-5,998	-2,500	-3,500	-3,500
Interest Paid	-3,872	-3,493	-3,179	-3,393	-3,501	-3,390	-2,948	-2,785
Dividend Paid	0	-1,036	-770	-770	-193	-924	-924	-924
Others	0	0	0	0	0	0	0	0
CF from Fin. Activity	-2,012	-6,781	-2,703	-3,183	-9,691	-6,814	-7,372	-7,209
Inc./Dec. in Cash	1,169	-786	-393	803	-591	628	1,716	535
Opening Balance	1,390	2,559	1,772	1,380	2,183	1,592	2,220	3,936
Closing Balance	2,559	1,772	1,380	2,183	1,592	2,220	3,936	4,472

Source: Company, MOFSL estimates

JK Lakshmi Cement

BSE SENSEX

79,897

S&P CNX

24,316

CMP: INR888

TP: INR1,100 (+24%)

BUY



Stock Info

	JKLC IN
Bloomberg	JKLC IN
Equity Shares (m)	118
M.Cap.(INRb)/(USDb)	104.4 / 1.2
52-Week Range (INR)	1000 / 607
1, 6, 12 Rel. Per (%)	5/-11/5
12M Avg Val (INR M)	256
Free float (%)	53.7

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	71.4	81.6	94.6
EBITDA	11.9	14.2	17.0
Adj. PAT	4.9	5.5	6.4
EBITDA Margin (%)	16.6	17.4	18.0
Adj. EPS (INR)	41.9	47.0	54.2
EPS Gr. (%)	5.8	12.2	15.3
BV/Sh. (INR)	307	348	396

Ratios

Net D:E	0.5	0.6	0.6
RoE (%)	14.5	14.4	14.6
RoCE (%)	11.7	11.9	12.0
Payout (%)	14.7	13.4	11.8

Valuations

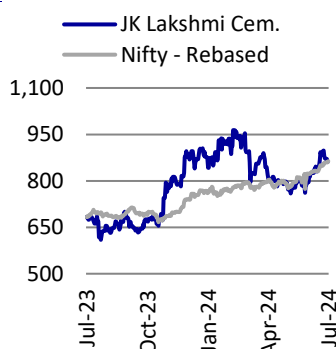
P/E (x)	21.2	18.9	16.4
P/BV (x)	2.9	2.5	2.2
EV/EBITDA(x)	9.9	8.5	7.8
EV/ton (USD)	79	72	67
Div. Yield (%)	0.7	0.7	0.7
FCF Yield (%)	-0.0	-3.2	-1.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	46.3	46.3	46.3
DII	25.8	27.6	28.0
FII	11.3	10.8	11.7
Others	16.5	15.3	14.1

FII Includes depository receipts

Stock's performance (one-year)



Profitability improves; focusing on capacity expansion

Capacity expansion drives growth and relevance

JKLC announced a fresh capacity expansion plan of 3.3mtpa clinker and 6.1mtpa grinding capacity in the next 2-3 years. The company announced an expansion of 4.6mtpa, which includes – 1) brownfield clinker/cement expansion of 2.3mtpa/ 1.2mtpa at Durg, Chhattisgarh; and 2) greenfield split-location grinding units at Prayagraj, Uttar Pradesh (1.2mtpa), Madhubani, Bihar (1.2mtpa) and Patratu, Jharkhand (1mtpa). The estimated cost of the project stands at INR25b, with completion expected in phases by FY26-27. It is doubling Surat Grinding unit capacity to 2.7mtpa and project is likely to be completed in 3QFY25. JKCE is also foraying into north-east markets by setting up 1mtpa/1.5mtpa clinker/grinding capacity (Phase-1) in Assam. Currently, it is in the process of land acquisition and getting external approvals such as environment clearance, etc. After this process, it will take two years to set up the cement plant. The company targets capacity (consol.) expansion to ~24mtpa/30mtpa by FY27E/FY30E vs. 16.4mtpa existing.

Cost-saving initiatives and better realization contribute to profitability

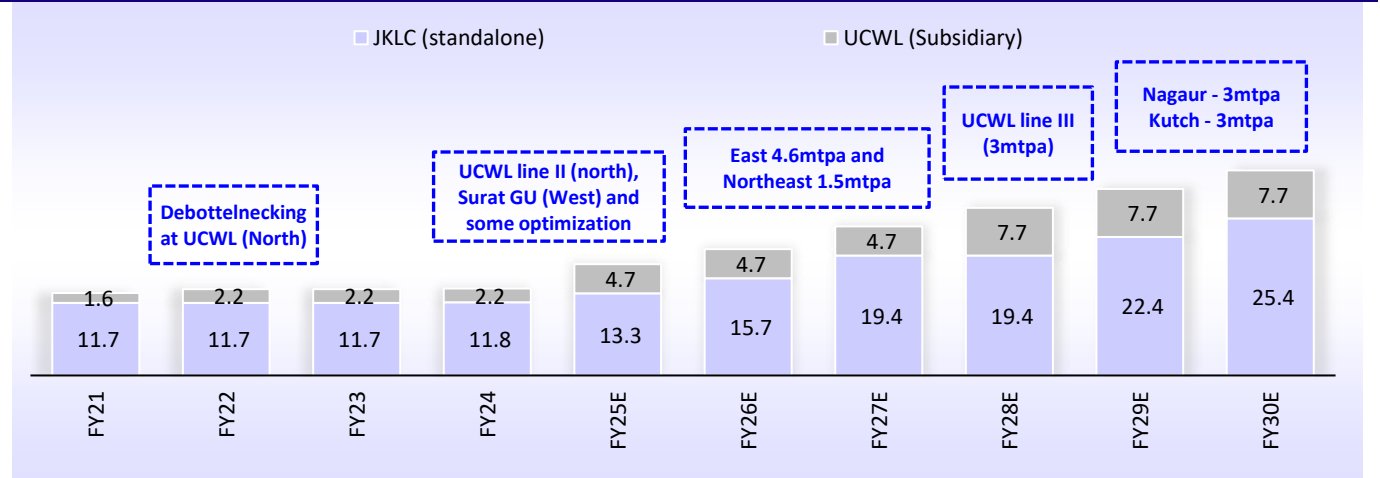
The company continues to focus on: 1) geo-mix optimization, 2) increasing share of trade sales and premium products, 3) better brand visibility, 4) sustainable growth; and 5) digitization and automation to increase yield value per tonne. These initiatives helped it achieve an EBITDA/t (consol.) of INR1,026 in 2HFY24. It is setting up a Railway siding at its Durg, Chhattisgarh plant. Phase-I is expected to be commissioned by Sep'24 and Phase-II is estimated to be completed by Mar'26. The railway siding will help the company to become more competitive in Odisha. Further, this will help to expand JKLC's market in the eastern part of MP, Bihar, and Jharkhand. Apart from that, the company invested in green power (its green power share stood at ~36%) and AFR projects to optimize power and fuel costs.

Profitability improvement and growth plans drive re-rating; reiterate BUY

Over FY24-27, we estimate a 17% EBITDA CAGR (consolidated), driven by 11% volume growth and improvement in EBITDA/t. We estimate an EBITDA/t (consol.) of INR910/INR970/INR1,020 in FY25/FY26/FY27 vs. INR878 in FY24. We estimate a cumulative OCF (consolidated) of INR40b and capex (consolidated) of INR45b during FY25-27. JKLC's consolidated net debt is estimated to increase to INR28b by FY27 from INR14b in FY24 due to its aggressive expansion plans. However, we expect its leverage (Net debt-to-EBITDA) to be at a comfortable level of less than 2.0x. We believe timely capacity addition by JKLC will help it maintain its capacity/ market share. The stock is currently trading at 8.5x Mar'26E EV/EBITDA and EV/T of USD72/t. JKLC's robust expansion plans, improvement in profitability, and higher return ratios (RoE/RoCE of 15%/12%) warrant a re-rating of the stock. We value JKLC at 10x Jun'26 EV/EBITDA to arrive at our TP of INR1,100. **Reiterate BUY.**

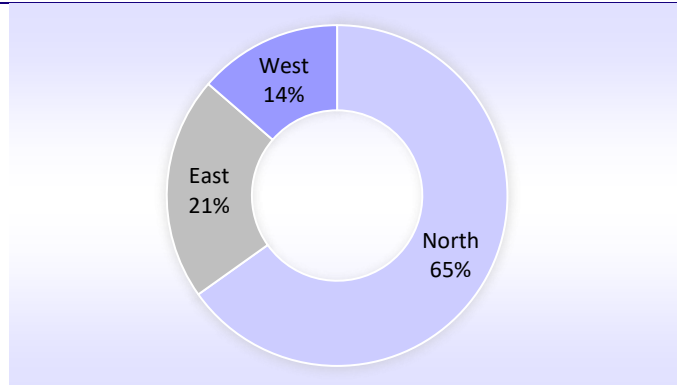
STORY IN CHARTS

Exhibit 129: Expansion plans of JKLC and UCWL (subsidiary)



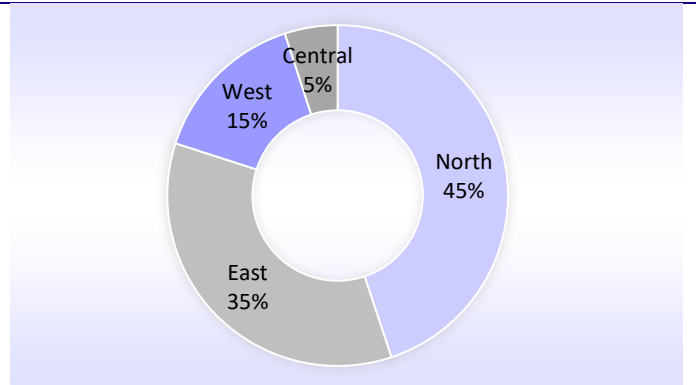
Sources: MOFSL, company reports; Note Grinding capacity expansion

Exhibit 130: JKLC's regional capacity mix in FY24-end



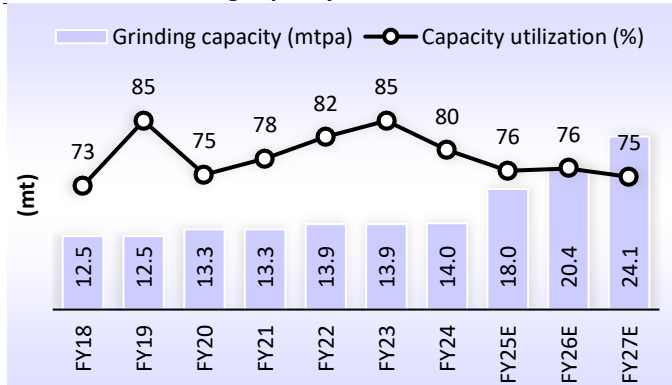
Sources: MOFSL, company reports

Exhibit 131: JKLC's regional capacity mix by FY27E



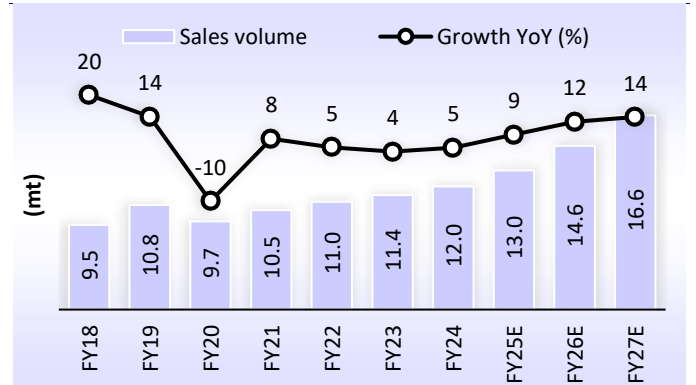
Sources: MOFSL, company reports, East including Northeast

Exhibit 132: Grinding capacity and utilization trends



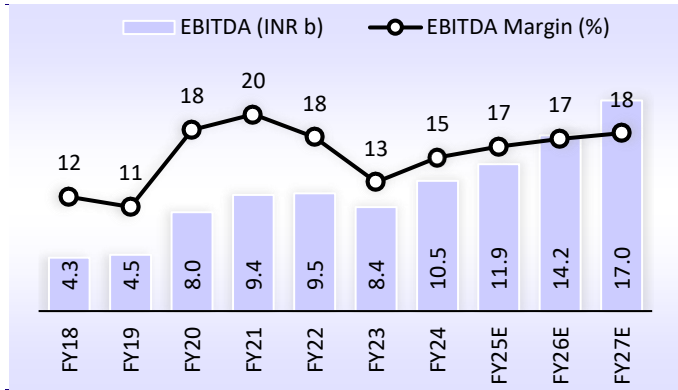
Sources: Company reports, MOFSL; Note: estimate new capacities will have low utilization in initial

Exhibit 133: Estimate volume CAGR of ~11% over FY24-27



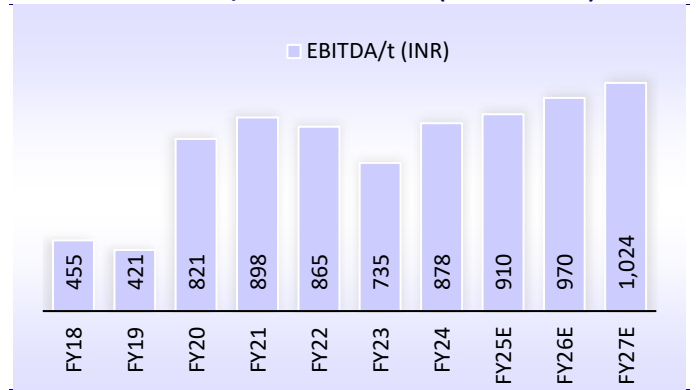
Sources: Company reports, MOFSL,

Exhibit 134: Estimate EBITDA CAGR of ~19% over FY24-27



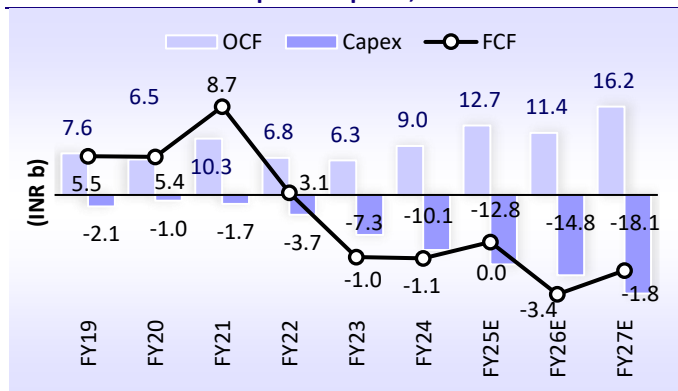
Sources: Company reports, MOFSL

Exhibit 135: EBITDA/t to also increase (consolidated)



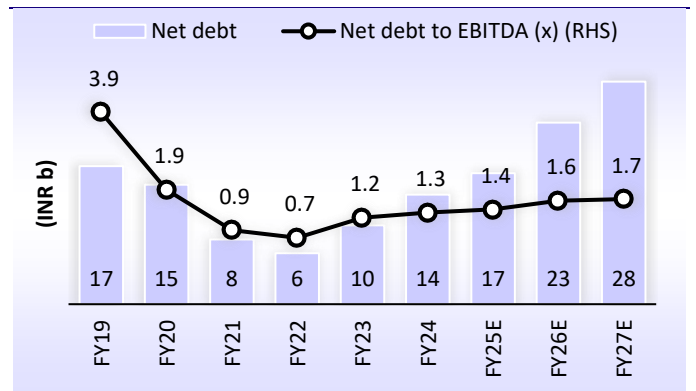
Sources: Company reports, MOFSL

Exhibit 136: Robust expansion plans; FCF remains low...



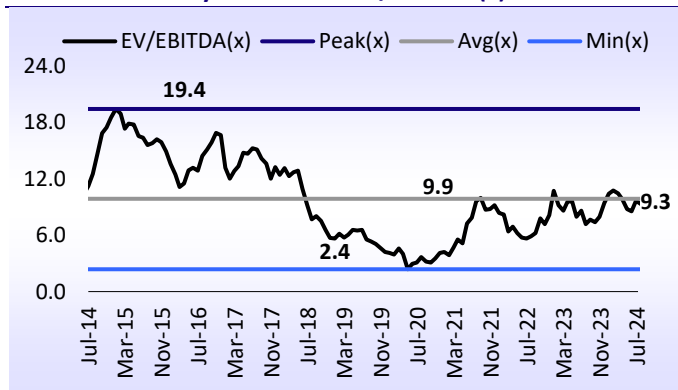
Sources: MOFSL, Company reports; Note: OCF, Capex and FCF used in consolidated

Exhibit 137: ...this will lead to a rise in consolidated debt



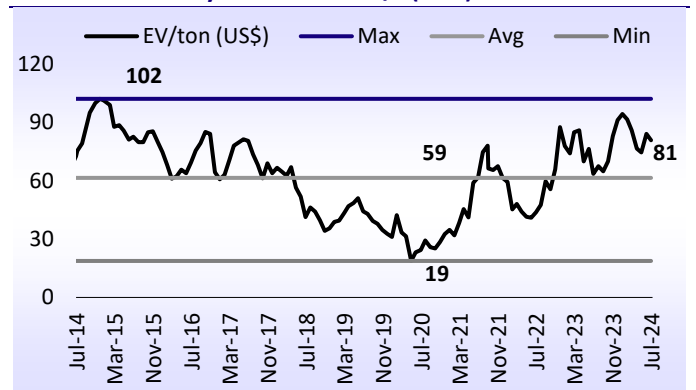
Sources: MOFSL, Company reports

Exhibit 138: One-year forward EV/EBITDA (x) trend



Sources: MOFSL, company reports

Exhibit 139: One-year forward EV/t (USD) trend



Sources: MOFSL, company reports

Financials and valuations - Consolidated

Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	43,641	47,274	54,199	64,515	67,885	71,448	81,599	94,602
Change (%)	1.1	8.3	14.6	19.0	5.2	5.2	14.2	15.9
EBITDA	7,981	9,386	9,507	8,387	10,522	11,861	14,180	16,997
Margin (%)	18.3	19.9	17.5	13.0	15.5	16.6	17.4	18.0
Depreciation	2,198	2,253	2,235	2,283	2,460	2,883	3,452	4,302
EBIT	5,782	7,133	7,272	6,104	8,062	8,978	10,728	12,695
Int. and Finance Charges	2,250	1,920	1,422	1,334	1,504	1,997	2,325	2,642
Other Income – Rec.	460	726	683	575	681	758	828	903
PBT bef. EO Exp.	3,993	5,939	6,534	5,345	7,239	7,739	9,231	10,955
EO Expense/(Income)	302	379	270	0	-89	0	0	0
PBT after EO Exp.	3,690	5,561	6,264	5,345	7,328	7,739	9,231	10,955
Total Tax	1,161	1,349	1,488	1,654	2,446	2,523	2,971	3,505
Tax Rate (%)	31.4	24.3	23.7	30.9	33.4	32.6	32.2	32.0
Reported PAT	2,530	4,211	4,776	3,691	4,882	5,217	6,260	7,450
Less: Minority Interest	49	157	140	105	163	289	730	1,075
PAT Adj. for EO items and MI	2,686	4,311	4,073	3,586	4,658	4,928	5,530	6,375
Change (%)	464.9	60.5	-5.5	-12.0	29.9	5.8	12.2	15.3
Margin (%)	6.2	9.1	7.5	5.6	6.9	6.9	6.8	6.7

Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	589	589	589	589	589	589	589	589
Total Reserves	16,281	20,357	24,463	27,450	31,278	35,500	40,323	45,992
Net Worth	16,869	20,946	25,052	28,039	31,867	36,088	40,912	46,581
Minority Interest	(29)	128	267	370	1,704	1,992	2,723	3,797
Deferred Liabilities	(390)	68	531	1,327	2,651	2,651	2,651	2,651
Total Loans	19,871	16,531	18,565	18,463	20,249	24,306	30,506	36,206
Capital Employed	36,322	37,672	44,415	48,199	56,470	65,037	76,791	89,235
Gross Block	44,722	44,138	47,469	49,667	68,338	75,328	87,078	1,11,828
Less: Accum. Deprn.	9,598	11,748	13,992	16,275	18,734	21,638	25,111	29,434
Net Fixed Assets	35,124	32,390	33,477	33,392	49,604	53,690	61,967	82,394
Capital WIP	1,662	2,738	2,425	8,902	3,832	9,592	12,592	5,892
Total Investments	4,583	5,922	7,677	6,421	5,222	5,222	5,222	5,222
Goodwill	723	723	723	723	725	725	725	725
Curr. Assets, Loans, and Adv.	9,146	11,090	14,959	15,971	17,118	16,444	18,352	20,477
Inventory	4,806	3,662	5,810	8,416	9,912	7,709	9,704	11,129
Account Receivables	959	545	352	654	443	486	485	556
Cash and Bank Balance	328	3,719	5,729	3,390	2,673	4,010	3,805	4,313
Loans and Advances	3,054	3,164	3,068	3,511	4,090	4,240	4,359	4,479
Curr. Liability and Prov.	14,917	15,190	14,847	17,210	20,030	20,635	22,067	25,475
Account Payables	5,102	4,368	3,660	5,860	5,560	6,165	7,596	11,005
Other Liabilities	9,610	10,609	10,894	11,098	14,261	14,261	14,261	14,261
Provisions	205	212	293	252	209	209	209	209
Net Current Assets	(5,770)	(4,100)	112	(1,239)	(2,913)	(4,191)	(3,715)	(4,998)
Appl. of Funds	36,322	37,672	44,415	48,199	56,470	65,037	76,791	89,235

Source: Company, MOFSL estimates

Financials and valuations - Consolidated

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	22.6	32.7	32.5	28.1	36.1	40.9	44.8	51.0
Cash EPS	38.6	49.2	48.7	44.5	52.6	58.5	67.1	80.4
BV/Share	145.5	176.6	208.4	231.4	261.8	296.7	335.6	380.6
DPS	3.1	3.8	5.0	3.8	6.5	6.0	6.0	6.0
Payout (%)	19.6	12.1	13.8	13.3	18.0	14.7	13.4	11.8
Valuation (x)								
P/E	39.3	27.1	27.2	31.5	24.6	21.6	19.8	17.4
Cash P/E	23.0	18.0	18.2	19.9	16.8	15.1	13.2	11.0
P/BV	6.1	5.0	4.3	3.8	3.4	3.0	2.6	2.3
EV/Sales	2.6	2.3	1.9	1.6	1.5	1.5	1.4	1.4
EV/EBITDA	15.8	12.6	12.2	13.8	11.1	9.9	8.9	8.4
EV/t (USD)	110	103	101	100	99	87	77	71
Dividend Yield (%)	0.4	0.4	0.6	0.4	0.7	0.7	0.7	0.7
Return Ratios (%)								
RoE	16.4	20.3	16.9	12.8	14.6	14.7	14.2	14.2
RoCE	11.7	15.4	15.6	11.3	13.2	12.9	11.7	11.1
RoIC	12.1	16.7	18.1	12.8	17.0	18.0	15.0	13.4
Working Capital Ratios								
Asset Turnover (x)	1.3	1.3	1.4	1.6	1.6	1.3	1.2	1.1
Inventory (Days)	37	26	36	42	44	35	40	40
Debtor (Days)	8	4	2	4	2	2	2	2
Creditor (Days)	120	114	94	90	106	105	100	100
Leverage Ratio (x)								
Current Ratio	0.6	0.7	0.8	1.0	0.7	0.7	0.8	0.7
Interest Coverage Ratio	2.9	4.2	6.3	5.6	7.7	7	6	5
Debt/Equity ratio	0.9	0.5	0.4	0.3	0.2	0.3	0.5	0.6

Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	3,993	5,939	6,534	5,345	7,325	7,739	9,231	10,955
Depreciation	2,198	2,253	2,235	2,283	2,460	2,904	3,473	4,323
Interest and Finance Charges	2,250	1,920	1,422	1,334	1,504	1,997	2,325	2,642
Direct Taxes Paid	(761)	(871)	(888)	(909)	(1,126)	(2,523)	(2,971)	(3,505)
(Inc.)/Dec. in WC	(483)	2,060	(1,526)	(1,135)	(430)	2,616	(682)	1,792
CF from Operations	7,196	11,301	7,776	6,918	9,733	12,733	11,377	16,207
Others	(701)	(983)	(976)	(576)	(741)	-	-	-
CF from Operations incl. EO	6,495	10,318	6,800	6,342	8,992	12,733	11,377	16,207
(Inc.)/Dec. in FA	(1,047)	(1,661)	(3,661)	(7,320)	(10,060)	(12,750)	(14,750)	(18,050)
Free Cash Flow	5,449	8,658	3,138	(978)	(1,069)	(17)	(3,373)	(1,843)
(Pur.)/Sale of Investments	(951)	(2,678)	(3,264)	4,070	818	-	-	-
Others	-	-	274	255	442	-	-	-
CF from Investments	(1,997)	(4,339)	(6,651)	(2,995)	(8,800)	(12,750)	(14,750)	(18,050)
Issue of Shares	-	-	-	-	931	-	-	-
Inc./(Dec.) in Debt	(1,552)	(3,392)	2,042	(431)	1,601	4,057	6,200	5,700
Interest Paid	(2,489)	(2,130)	(1,401)	(1,505)	(2,033)	(1,997)	(2,325)	(2,642)
Dividend Paid	(455)	(5)	(443)	(587)	(674)	(706)	(706)	(706)
Others	-	-	(90)	(136)	(181)	-	-	-
CF from Fin. Activity	(4,496)	(5,526)	108	(2,658)	(356)	1,354	3,168	2,351
Inc./Dec. in Cash	2	453	257	689	(164)	1,337	(205)	508
Opening Balance	29	30	484	2,701	2,837	2,673	4,010	3,805
Closing Balance	30	484	740	3,390	2,673	4,010	3,805	4,313

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- Strong growth opportunities ahead
- Relatively attractive valuations

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Diversified play on high-growth business services

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February 2024
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UNDER REVIEW	Rating may undergo a change
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