

Construction Materials

India

Sector View: **Cautious**

NIFTY-50: **22,056**

March 18, 2024

Price cuts continue despite favorable seasonality

Our dealer checks suggest that cement price cuts continue in March 2024, the fifth consecutive month of price declines. All-India prices are down by 5.2% qoq in 4QFY24 as per our checks, led by East and South. Demand remains robust and we expect 7-8% industry demand growth in 4QFY24E. We see operating margins for cement producers to have hit a near-term peak in 3QFY24 and expect margins to contract in 4QFY24 notwithstanding marginal energy cost deflation and operating leverage. We trim earnings and FV across coverage and see downside risk to consensus earnings for FY2025-26E. SRCM and TRCL are our top SELLS in the coverage.

Dealer checks: Prices cuts in March mark fifth consecutive month of cuts

As per our checks, all-India prices declined further in March 2024 by Rs7-8/bag on average (or 1.7%). Price decline in March 2024 is the fifth consecutive month of sequential price cuts after the last hike in October 2023. We estimate 5.2% qoq price decline in 4QFY24 majorly led by South and East. Competitive intensity among large players to gain market share and cost deflation have been the key reasons behind price weakness. Among regions, South/East saw the highest declines by 8%/6% qoq whereas Central/West/North saw ~1%/4%/5% declines qoq in 4QFY24.

Demand—remains robust in 4QFY24E

Our channel checks suggest that cement demand remains robust across regions with an exception of a few states in the Eastern region. Infrastructure and real estate segments continue to drive demand whereas bunched up holidays during the quarter resulted in better labor availability. We estimate industry to witness 7-8% qoq demand growth in 4QFY24E and end FY2024 with ~8.5% yoy growth. Capacity addition at 7% yoy lagged demand growth resulting in utilization increasing marginally to 69% in FY2024E.

Cost deflation to continue to aid margins

Both international thermal coal/pet coke prices remain subdued and prices in 4QFY24E are ~15%/10% qoq lower. Inventory lag should continue to drive energy cost deflation for cement companies over the next few quarters although majority of the benefits have been absorbed until 3QFY24. Additionally, diesel prices were cut by Rs2/liter after 20 months in March 2024 should marginally reduce freight cost from 1QFY25.

Price weakness to keep margins under pressure and drive downgrades

We see 3QFY24 operating margins for cement producers as a near-term peak. We expect margins to contract in 4QFY24E on sequential basis, an aberration in seasonally strong 4Q, led by unseasonal price cuts only partly offset by cost deflation and operating leverage. We trim earnings and Fair Value across our coverage factoring the recent weakness in cement prices. Our EBITDA estimates for FY2024-26E are ~5% lower than consensus and we expect consensus downgrades. TRCL and SRCM are our top SELLS in the coverage.

Company data and valuation summary

| Ticker | CMP(Rs) | FV (Rs) | Rating | Upside |
|----------|---------|---------|--------|--------|
| ACC | 2,442 | 2,160 | REDUCE | -12% |
| ACEM | 585 | 395 | SELL | -32% |
| UTCEM | 9,611 | 7,000 | SELL | -27% |
| SRCM | 25,271 | 19,000 | SELL | -25% |
| DALBHARA | 1,885 | 2,100 | ADD | 11% |
| JKCE | 4,065 | 2,800 | SELL | -31% |
| ORCMNT | 202 | 210 | REDUCE | 4% |
| TRCL | 804 | 630 | SELL | -22% |
| NUVOCO | 299 | 340 | ADD | 14% |

| Ticker | EV/ton (x) | | EV/EBITDA (x) | |
|----------|------------|-------|---------------|-------|
| | 2025E | 2026E | 2025E | 2026E |
| ACC | 123 | 110 | 11.6 | 9.5 |
| ACEM | 262 | 220 | 20.1 | 17.6 |
| UTCEM | 213 | 197 | 17.5 | 15.4 |
| SRCM | 182 | 154 | 17.2 | 15.4 |
| DALBHARA | 87 | 86 | 10.8 | 8.7 |
| JKCE | 162 | 131 | 14.4 | 12.7 |
| ORCMNT | 58 | 52 | 7.8 | 6.4 |
| RAMCO | 131 | 127 | 13.3 | 11.3 |
| NUVOCO | 68 | 69 | 7.8 | 7.2 |

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of March 18, 2024

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We trim earnings and Fair Values by ~5% across our coverage universe factoring the recent price trends
Exhibit 1: Changes in estimates for coverage universe, March fiscal year-ends, 2024-26E

| | Revised estimate | | | Previous estimate | | | % Change yoy | | |
|------------------------|------------------|---------|---------|-------------------|---------|---------|--------------|-------|-------|
| | 2024E | 2025E | 2026E | 2024E | 2025E | 2026E | 2024E | 2025E | 2026E |
| ACC | | | | | | | | | |
| Cement sales (mn tons) | 34.8 | 36.9 | 39.1 | 34.8 | 36.9 | 39.1 | - | - | - |
| EBITDA (Rs/ton) | 815 | 943 | 1,046 | 870 | 973 | 1,076 | (6) | (3) | (3) |
| EBITDA (Rs mn) | 28,380 | 34,803 | 40,900 | 30,274 | 35,884 | 42,077 | (6) | (3) | (3) |
| PAT (Rs mn) | 17,357 | 21,103 | 24,616 | 18,774 | 21,911 | 25,496 | (8) | (4) | (3) |
| Fair Value (Rs/share) | | | 2,160 | | | 2,220 | | | (3) |
| ACEM | | | | | | | | | |
| Cement sales (mn tons) | 33.5 | 36.2 | 39.3 | 33.5 | 36.2 | 39.3 | - | - | - |
| EBITDA (Rs/ton) | 1,046 | 1,203 | 1,233 | 1,073 | 1,230 | 1,260 | (2) | (2) | (2) |
| EBITDA (Rs mn) | 35,050 | 43,518 | 48,403 | 35,929 | 44,487 | 49,476 | (2) | (2) | (2) |
| PAT (Rs mn) | 24,923 | 33,200 | 35,569 | 25,578 | 33,939 | 36,407 | (3) | (2) | (2) |
| Fair Value (Rs/share) | | | 395 | | | 400 | | | (1) |
| UTCEM | | | | | | | | | |
| Cement sales (mn tons) | 115.1 | 126.9 | 137.0 | 115.1 | 127.5 | 137.6 | - | (0) | (0) |
| EBITDA (Rs/ton) | 1,069 | 1,228 | 1,274 | 1,133 | 1,264 | 1,308 | (6) | (3) | (3) |
| EBITDA (Rs mn) | 125,814 | 159,238 | 177,900 | 133,692 | 164,453 | 183,263 | (6) | (3) | (3) |
| PAT (Rs mn) | 69,593 | 94,263 | 104,420 | 75,486 | 98,416 | 108,890 | (8) | (4) | (4) |
| Fair Value (Rs/share) | | | 7,000 | | | 7,150 | | | (2) |
| SRCM | | | | | | | | | |
| Cement sales (mn tons) | 36.0 | 39.5 | 43.5 | 36.0 | 39.5 | 43.5 | - | - | - |
| EBITDA (Rs/ton) | 1,179 | 1,261 | 1,283 | 1,241 | 1,324 | 1,347 | (5) | (5) | (5) |
| EBITDA (Rs mn) | 42,389 | 49,866 | 55,819 | 44,605 | 52,346 | 58,593 | (5) | (5) | (5) |
| PAT (Rs mn) | 23,359 | 26,672 | 29,006 | 25,017 | 28,566 | 31,178 | (7) | (7) | (7) |
| Fair Value (Rs/share) | | | 19,000 | | | 19,700 | | | (4) |
| DALBHARA | | | | | | | | | |
| Cement sales (mn tons) | 28.5 | 32.8 | 37.7 | 28.0 | 34.4 | 39.5 | 2 | (5) | (5) |
| EBITDA (Rs/ton) | 984 | 1,124 | 1,204 | 1,064 | 1,211 | 1,293 | (8) | (7) | (7) |
| EBITDA (Rs mn) | 28,062 | 36,881 | 45,411 | 29,793 | 41,612 | 51,105 | (6) | (11) | (11) |
| PAT (Rs mn) | 7,581 | 12,165 | 16,462 | 8,846 | 15,674 | 20,783 | (14) | (22) | (21) |
| Fair Value (Rs/share) | | | 2,100 | | | 2,320 | | | (10) |
| TRCL | | | | | | | | | |
| Cement sales (mn tons) | 18.1 | 19.1 | 20.3 | 17.9 | 19.0 | 20.1 | 1 | 1 | 1 |
| EBITDA (Rs/ton) | 870 | 983 | 1,071 | 948 | 1,037 | 1,127 | (8) | (5) | (5) |
| EBITDA (Rs mn) | 15,718 | 18,815 | 21,728 | 16,982 | 19,694 | 22,678 | (7) | (4) | (4) |
| PAT (Rs mn) | 3,867 | 5,804 | 7,997 | 4,813 | 6,515 | 8,806 | (20) | (11) | (9) |
| Fair Value (Rs/share) | | | 630 | | | 665 | | | (5) |
| Nuvoco | | | | | | | | | |
| Cement sales (mn tons) | 19.1 | 20.5 | 22.1 | 19.0 | 20.4 | 22.0 | - | - | - |
| EBITDA (Rs/ton) | 843 | 886 | 907 | 905 | 922 | 943 | (7) | (4) | (4) |
| EBITDA (Rs mn) | 16,129 | 18,141 | 20,048 | 17,229 | 18,777 | 20,750 | (6) | (3) | (3) |
| PAT (Rs mn) | 1,078 | 3,414 | 4,955 | 1,901 | 3,981 | 5,532 | (43) | (14) | (10) |
| Fair Value (Rs/share) | | | 340 | | | 380 | | | (10) |
| JKCE | | | | | | | | | |
| Cement sales (mn tons) | 18.6 | 20.7 | 23.1 | 18.4 | 20.5 | 22.9 | 1 | 1 | 1 |
| EBITDA (Rs/ton) | 1,095 | 1,158 | 1,186 | 1,171 | 1,175 | 1,203 | (6) | (1) | (1) |
| EBITDA (Rs mn) | 20,836 | 24,480 | 27,874 | 22,082 | 24,649 | 28,050 | (6) | (1) | (1) |
| PAT (Rs mn) | 7,835 | 10,123 | 11,710 | 8,658 | 10,260 | 11,859 | (9) | (1) | (1) |
| Fair Value (Rs/share) | | | 2,800 | | | 2,850 | | | (2) |
| ORCMNT | | | | | | | | | |
| Cement sales (mn tons) | 6.2 | 6.9 | 7.5 | 6.2 | 6.9 | 7.5 | - | - | - |
| EBITDA (Rs/ton) | 681 | 755 | 776 | 769 | 845 | 868 | (11) | (11) | (11) |
| EBITDA (Rs mn) | 4,257 | 5,241 | 5,817 | 4,798 | 5,851 | 6,488 | (11) | (10) | (10) |
| PAT (Rs mn) | 1,664 | 2,408 | 2,778 | 2,016 | 2,820 | 3,249 | (17) | (15) | (14) |
| Fair Value (Rs/share) | | | 210 | | | 240 | | | (13) |

Source: Companies, Kotak Institutional Equities estimates

Cement prices in 4QFY24 were down 5% qoq, led by East and South, as per our channel checks

Exhibit 2: Quarterly trend in cement prices in India across geographies, March fiscal year-ends, 4QFY22-24E (Rs per 50 kg bag)

| | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24E |
|-------------------------------|------------|------------|--------------|------------|--------------|--------------|------------|------------|--------------|
| North | 377 | 410 | 377 | 376 | 382 | 384 | 394 | 400 | 380 |
| Central | 369 | 410 | 386 | 384 | 398 | 399 | 406 | 410 | 407 |
| East | 349 | 371 | 359 | 379 | 385 | 388 | 385 | 398 | 374 |
| West | 362 | 389 | 375 | 385 | 392 | 396 | 400 | 407 | 389 |
| South | 384 | 387 | 397 | 398 | 381 | 378 | 373 | 394 | 362 |
| All India average | 372 | 394 | 382 | 387 | 387 | 387 | 389 | 401 | 380 |
| Change per bag (% qoq) | | | | | | | | | |
| North | (0.0) | 8.6 | (8.0) | (0.3) | 1.6 | 0.6 | 2.5 | 1.5 | (5.1) |
| Central | 0.2 | 11.0 | (6.0) | (0.4) | 3.5 | 0.3 | 1.7 | 1.0 | (0.8) |
| East | 4.4 | 6.3 | (3.2) | 5.8 | 1.5 | 0.6 | (0.6) | 3.4 | (6.1) |
| West | (0.9) | 7.4 | (3.6) | 2.8 | 1.6 | 1.2 | 0.9 | 1.9 | (4.5) |
| South | 1.0 | 0.8 | 2.4 | 0.3 | (4.3) | (0.8) | (1.2) | 5.5 | (8.0) |
| All India average | 0.8 | 5.9 | (2.9) | 1.2 | (0.0) | 0.2 | 0.5 | 3.0 | (5.2) |
| Change per bag (% yoy) | | | | | | | | | |
| North | 4.1 | 12.6 | 4.1 | (0.4) | 1.3 | (6.2) | 4.5 | 6.3 | (0.7) |
| Central | 4.0 | 14.1 | 8.2 | 4.2 | 7.6 | (2.8) | 5.2 | 6.7 | 2.3 |
| East | 9.9 | 7.1 | 6.3 | 13.6 | 10.5 | 4.6 | 7.4 | 5.0 | (2.9) |
| West | 10.3 | 12.0 | 6.0 | 5.4 | 8.0 | 1.9 | 6.6 | 5.7 | (0.7) |
| South | 5.5 | (0.1) | 6.8 | 4.6 | (0.8) | (2.5) | (5.9) | (1.0) | (4.9) |
| All India average | 6.3 | 7.7 | 6.4 | 4.9 | 4.0 | (1.6) | 1.8 | 3.6 | (1.8) |

Source: Industry Data, Kotak Institutional Equities estimates

Cement prices in March 2024 continued to decline for the fifth consecutive month

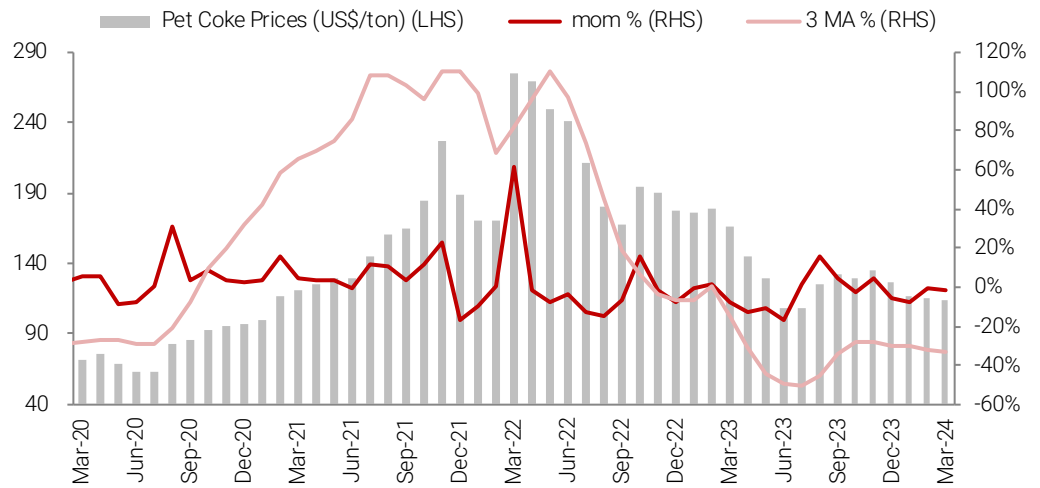
Exhibit 3: Monthly trend in cement prices in India across geographies, March fiscal year-ends, March 2023-24E (Rs per 50 kg bag)

| | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 |
|-------------------------------|--------------|--------------|--------------|------------|--------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|
| North | 383 | 383 | 383 | 387 | 392 | 392 | 397 | 407 | 397 | 396 | 391 | 381 | 366 |
| Central | 395 | 399 | 398 | 400 | 401 | 403 | 413 | 414 | 408 | 408 | 408 | 408 | 404 |
| East | 385 | 391 | 387 | 385 | 376 | 365 | 415 | 415 | 400 | 380 | 377 | 373 | 373 |
| West | 388 | 395 | 395 | 400 | 401 | 400 | 400 | 409 | 409 | 403 | 396 | 390 | 382 |
| South | 370 | 379 | 378 | 375 | 368 | 375 | 375 | 404 | 397 | 380 | 372 | 360 | 354 |
| All India average | 382 | 388 | 387 | 387 | 385 | 386 | 396 | 409 | 402 | 392 | 387 | 380 | 373 |
| Change per bag (% mom) | | | | | | | | | | | | | |
| North | (1.1) | – | – | 1.2 | 1.3 | – | 1.3 | 2.4 | (2.5) | (0.4) | (1.1) | (2.6) | (3.9) |
| Central | (1.5) | 0.9 | (0.3) | 0.4 | 0.5 | 0.3 | 2.5 | 0.3 | (1.6) | – | – | – | (0.9) |
| East | (1.1) | 1.7 | (1.0) | (0.5) | (2.3) | (2.9) | 13.7 | – | (3.6) | (5.0) | (0.8) | (1.1) | – |
| West | (1.5) | 1.7 | (0.1) | 1.3 | 0.3 | (0.2) | – | 2.5 | – | (1.5) | (1.9) | (1.4) | (2.1) |
| South | (2.9) | 2.4 | (0.3) | (0.8) | (1.9) | 1.9 | – | 7.5 | (1.5) | (4.4) | (2.1) | (3.2) | (1.5) |
| All India average | (1.8) | 1.5 | (0.3) | 0.2 | (0.6) | 0.2 | 2.5 | 3.2 | (1.7) | (2.4) | (1.3) | (1.9) | (1.7) |
| Change per bag (% yoy) | | | | | | | | | | | | | |
| North | 0.8 | (10.1) | (6.8) | (1.7) | 1.9 | 5.1 | 6.5 | 9.4 | 6.4 | 3.3 | 3.8 | (1.4) | (4.3) |
| Central | 5.3 | (4.9) | (3.7) | 0.5 | 2.9 | 5.0 | 7.6 | 9.1 | 6.1 | 4.9 | 3.0 | 1.6 | 2.2 |
| East | 9.0 | 3.5 | 4.1 | 6.4 | 5.1 | 2.2 | 14.9 | 11.1 | 4.6 | (0.6) | (1.4) | (4.1) | (3.0) |
| West | 5.5 | 0.8 | 0.5 | 4.3 | 6.9 | 6.5 | 6.5 | 7.3 | 6.9 | 2.9 | 0.9 | (1.2) | (1.7) |
| South | (6.6) | (3.8) | (1.7) | (1.8) | (5.8) | (6.8) | (5.1) | 0.2 | (0.4) | (2.9) | (4.7) | (5.7) | (4.3) |
| All India average | 0.9 | (3.5) | (1.9) | 0.8 | 0.8 | 0.8 | 3.8 | 6.1 | 3.9 | 0.9 | (0.4) | (2.5) | (2.4) |

Source: Industry Data, Kotak Institutional Equities estimates

International pet-coke prices remain subdued

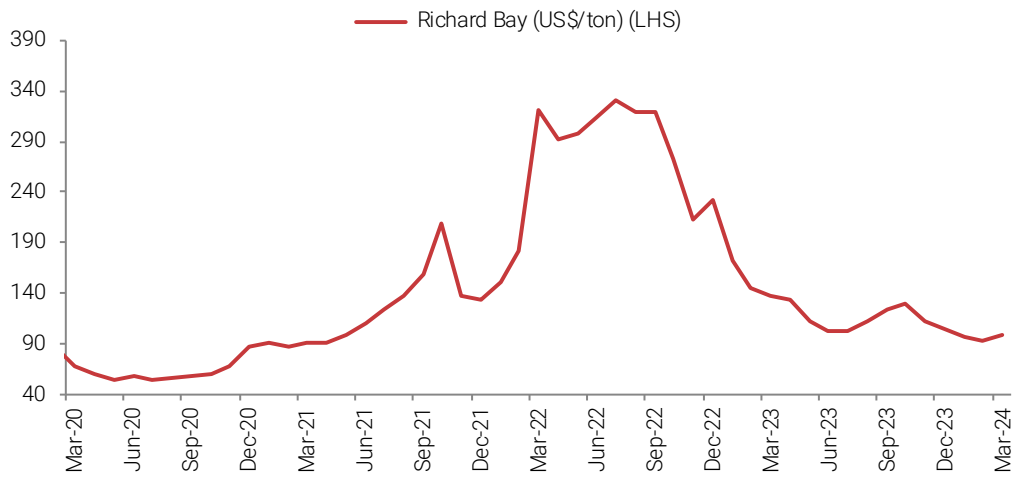
Exhibit 4: US pet coke prices (CFR basis), March 2020-24 (US\$/ton)



Source: Industry Data, Bloomberg, Kotak Institutional Equities estimates

Imported coal prices continue to exhibit weakness, with spot prices around ~US\$100/ton

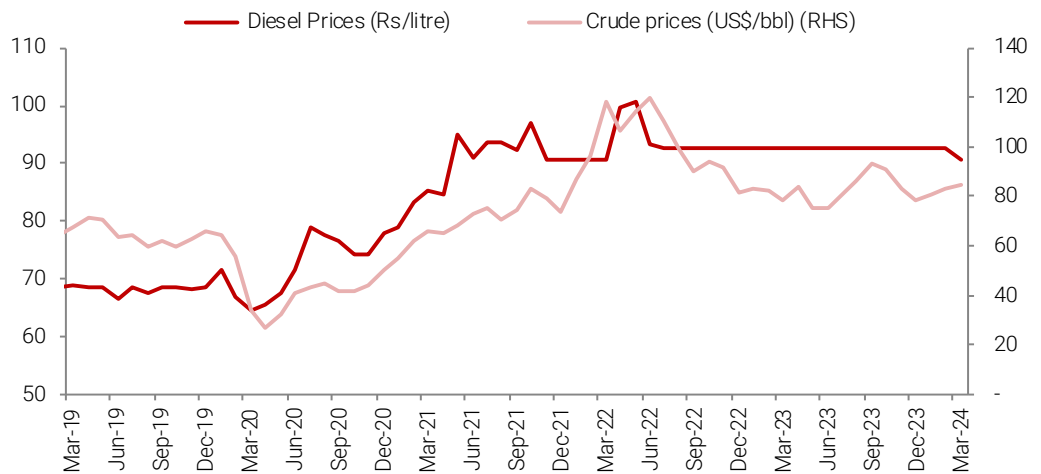
Exhibit 5: Coal prices at Richard Bay, March 2020-24 (US\$/ton)



Source: Industry Data, Bloomberg, Kotak Institutional Equities estimates

Diesel prices in India were recently reduced by Rs2/litre after 20 months

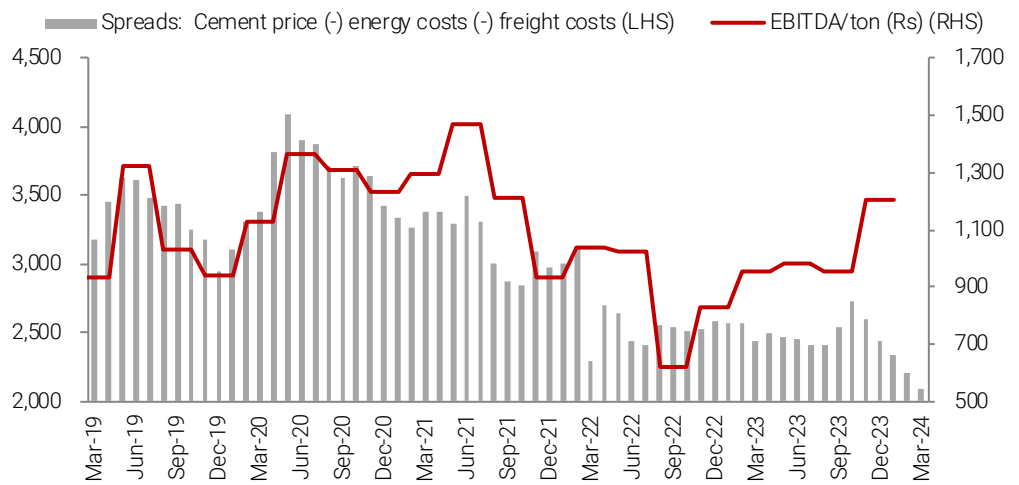
Exhibit 6: Average retail price of diesel in major cities in India, March 2019-24 (US\$/ton)



Source: Industry Data, Bloomberg, Kotak Institutional Equities estimates

We expect cement spreads to decline in 4QFY24E on the back of weak prices

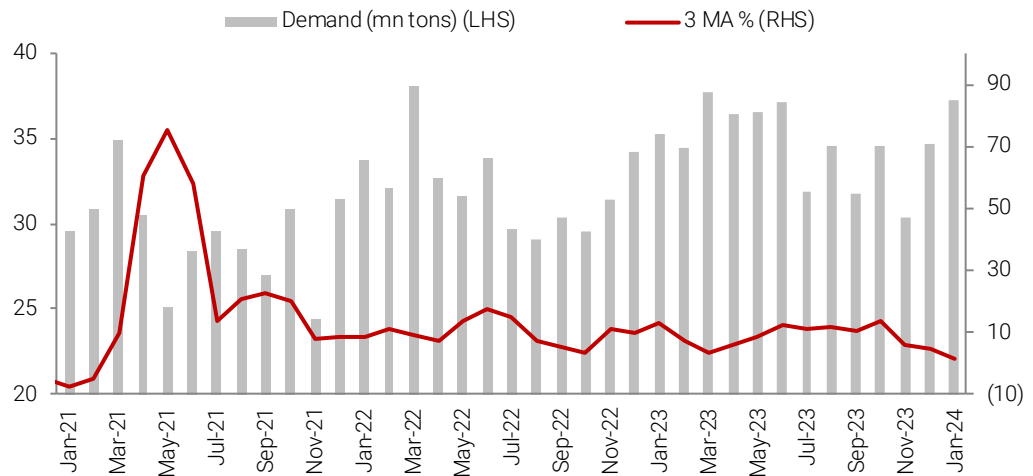
Exhibit 7: Spreads and EBITDA/ton for Indian cement companies, March 2019-24 (Rs/ton)



Source: Industry Data, Bloomberg, Kotak Institutional Equities estimates

As per DIPP, cement volumes grew by 8.6% yoy during 10MFY24

Exhibit 8: Monthly cement production volumes in India, January 2021-24 (mn tons, %)



Source: Industry Data, Bloomberg, Kotak Institutional Equities estimates

We estimate higher EBITDA/ton in FY2024E for cement companies, led by moderating costs

Exhibit 9: Realization/ton, costs/ton, EBITDA/ton and volumes, March fiscal year-ends, 2019-26E (Rs/ton, mn tons)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E | % Change | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|------------|------------|------------|
| | | | | | | | | | 2023 | 2024E | 2025E | 2026E |
| Realization (Rs/ton) | | | | | | | | | | | | |
| ACC | 5,212 | 5,419 | 5,399 | 5,591 | 5,755 | 5,658 | 5,802 | 5,951 | 3 | (2) | 3 | 3 |
| Ambuja Cements | 4,697 | 4,870 | 5,025 | 5,275 | 5,290 | 5,342 | 5,449 | 5,558 | — | 1 | 2 | 2 |
| Ultratech Cement | 4,860 | 5,157 | 5,222 | 5,678 | 6,021 | 5,941 | 6,084 | 6,202 | 6 | (1) | 2 | 2 |
| Shree Cement | 4,533 | 4,776 | 4,690 | 5,158 | 5,292 | 5,534 | 5,581 | 5,633 | 3 | 5 | 1 | 1 |
| J K Cement | 5,173 | 5,741 | 5,690 | 5,641 | 5,694 | 5,921 | 6,047 | 6,140 | 1 | 4 | 2 | 2 |
| Dalmia Bharat | 5,077 | 5,039 | 4,884 | 5,036 | 5,268 | 5,174 | 5,309 | 5,451 | 5 | (2) | 3 | 3 |
| Orient Cement | 3,933 | 4,176 | 4,602 | 4,975 | 5,100 | 5,125 | 5,215 | 5,306 | 3 | 1 | 2 | 2 |
| The Ramco Cements | 4,641 | 4,811 | 5,303 | 5,389 | 5,429 | 5,123 | 5,303 | 5,462 | 1 | (6) | 3 | 3 |
| Nuvoco Vistas Corp | 5,566 | 5,092 | 4,710 | 5,226 | 5,631 | 5,772 | 5,916 | 6,034 | 8 | 3 | 2 | 2 |
| Average | 4,854 | 5,009 | 5,058 | 5,330 | 5,498 | 5,510 | 5,634 | 5,749 | 3 | — | 2 | 2 |
| EBITDA (Rs/ton) | | | | | | | | | | | | |
| ACC | 718 | 834 | 972 | 1,038 | 499 | 815 | 943 | 1,046 | (52) | 63 | 16 | 11 |
| Ambuja Cements | 782 | 897 | 1,170 | 1,213 | 852 | 1,046 | 1,203 | 1,233 | (30) | 23 | 15 | 3 |
| Ultratech Cement | 869 | 1,153 | 1,370 | 1,272 | 1,011 | 1,069 | 1,228 | 1,274 | (20) | 6 | 15 | 4 |
| Shree Cement | 1,026 | 1,474 | 1,473 | 1,315 | 925 | 1,179 | 1,261 | 1,283 | (30) | 27 | 7 | 2 |
| J K Cement | 841 | 1,241 | 1,396 | 1,089 | 847 | 1,095 | 1,158 | 1,186 | (22) | 29 | 6 | 2 |
| Dalmia Bharat | 1,040 | 1,097 | 1,338 | 1,085 | 901 | 984 | 1,124 | 1,204 | (17) | 9 | 14 | 7 |
| Orient Cement | 487 | 660 | 1,090 | 1,079 | 633 | 681 | 755 | 776 | (41) | 8 | 11 | 3 |
| The Ramco Cements | 939 | 1,024 | 1,561 | 1,158 | 789 | 870 | 983 | 1,071 | (32) | 10 | 13 | 9 |
| Nuvoco Vistas Corp | 724 | 971 | 919 | 842 | 644 | 843 | 886 | 907 | (24) | 31 | 5 | 2 |
| Average | 825 | 1,039 | 1,254 | 1,121 | 789 | 954 | 1,060 | 1,109 | (30) | 21 | 11 | 5 |
| Volumes (mn tons) | | | | | | | | | | | | |
| ACC | 28 | 29 | 26 | 29 | 39 | 35 | 37 | 39 | 34 | (10) | 6 | 6 |
| Ambuja Cements | 24 | 24 | 23 | 27 | 38 | 34 | 36 | 39 | 43 | (11) | 8 | 9 |
| Ultratech Cement | 82 | 79 | 81 | 89 | 102 | 115 | 127 | 137 | 14 | 13 | 11 | 8 |
| Shree Cement | 25 | 24 | 26 | 28 | 31 | 35 | 39 | 43 | 12 | 13 | 10 | 10 |
| J K Cement | 10 | 10 | 11 | 14 | 16 | 19 | 21 | 23 | 16 | 18 | 11 | 11 |
| Dalmia Bharat | 19 | 19 | 21 | 22 | 26 | 29 | 33 | 38 | 15 | 11 | 15 | 15 |
| Orient Cement | 6 | 6 | 5 | 5 | 6 | 6 | 7 | 7 | 5 | 9 | 11 | 8 |
| The Ramco Cements | 11 | 11 | 10 | 11 | 15 | 18 | 19 | 20 | 35 | 20 | 6 | 6 |
| Nuvoco Vistas Corp | 13 | 17 | 16 | 18 | 19 | 19 | 20 | 22 | 5 | 2 | 7 | 8 |
| Total | 218 | 219 | 218 | 242 | 290 | 309 | 339 | 369 | 19.6 | 6.3 | 9.8 | 8.8 |

Source: Industry Data, Bloomberg, Kotak Institutional Equities estimates

We estimate +8.5%/6% yoy demand growth in FY2024/25E to push industry utilization levels to 70% by FY2025E

Exhibit 10: Cement capacity, demand and utilization, March fiscal year-ends, 2019-26E (mtpa, %)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Cement capacity (mtpa) | 483 | 501 | 527 | 546 | 574 | 613 | 642 | 681 |
| Cement demand (mtpa) | 337 | 334 | 331 | 359 | 390 | 423 | 449 | 480 |
| Growth yoy (%) | 13 | (1) | (1.0) | 8.5 | 8.6 | 8.5 | 6.0 | 7.0 |
| Capacity utilization (%) | 70 | 67 | 63 | 66 | 68 | 69 | 70 | 70 |

Source: Industry Data, Bloomberg, Kotak Institutional Equities estimates

Exhibit 11: Valuation summary for cement companies in coverage companies

| Company | Market cap. (US\$ mn) | CMP (Rs) 17-Mar | Fair Value (Rs) | Rating | EPS (Rs) | | | | P/E (X) | | | | EV/ton of capacity (US\$) | | | | EV/EBITDA (X) | | | | RoE(%) | | | | | | | |
|--------------------------|--------------------------|--------------------|--------------------|--------|----------|-------|-------|-------|---------|-------|-------|-------|---------------------------|-------|-------|-------|---------------|-------|-------|-------|--------|-------|-------|-------|------|------|------|------|
| | | | | | 2023 | 2024E | 2025E | 2026E | 2023 | 2024E | 2025E | 2026E | 2023 | 2024E | 2025E | 2026E | 2023 | 2024E | 2025E | 2026E | 2023 | 2024E | 2025E | 2026E | | | | |
| Large-cap. stocks | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ACC | 5,530 | 2,442 | 2,160 | REDUCE | 56 | 92 | 112 | 131 | 44 | 26 | 22 | 19 | 3.2 | 3.0 | 2.7 | 2.4 | 145 | 134 | 123 | 110 | 22.2 | 14.7 | 11.6 | 9.5 | 7.4 | 11.7 | 12.9 | 13.5 |
| Ambuja Cements | 14,002 | 585 | 395 | SELL | 14 | 13 | 17 | 19 | 43 | 44 | 34 | 31 | 3.9 | 2.9 | 2.7 | 2.5 | 283 | 296 | 262 | 220 | 27.0 | 25.0 | 20.1 | 17.6 | 10.1 | 8.1 | 8.4 | 8.5 |
| UltraTech Cement | 33,465 | 9,611 | 7,000 | SELL | 175 | 241 | 327 | 362 | 55 | 40 | 29 | 27 | 5.1 | 4.6 | 4.1 | 3.7 | 263 | 234 | 213 | 197 | 26.4 | 22.3 | 17.5 | 15.4 | 9.3 | 11.6 | 14.0 | 13.8 |
| Shree Cement | 10,997 | 25,271 | 19,000 | SELL | 368 | 647 | 739 | 804 | 69 | 39 | 34 | 31 | 5.0 | 4.5 | 4.1 | 3.7 | 227 | 193 | 182 | 154 | 28.9 | 20.1 | 17.2 | 15.4 | 7.5 | 12.1 | 12.5 | 12.3 |
| Mid-cap. stocks | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dalmia Bharat | 4,264 | 1,885 | 2,100 | ADD | 34 | 40 | 65 | 88 | 56 | 47 | 29 | 21 | 2.3 | 2.2 | 2.0 | 1.9 | 116 | 100 | 87 | 86 | 15.5 | 12.9 | 10.8 | 8.7 | 4.0 | 4.8 | 7.2 | 9.1 |
| J K Cement | 3,788 | 4,065 | 2,800 | SELL | 55 | 101 | 131 | 152 | 74 | 40 | 31 | 27 | 6.7 | 5.9 | 5.0 | 4.3 | 189 | 173 | 162 | 131 | 26.1 | 16.5 | 14.4 | 12.7 | 9.5 | 15.6 | 17.4 | 17.3 |
| Orient Cement | 499 | 202 | 210 | REDUCE | 6 | 8 | 12 | 14 | 34 | 25 | 17 | 15 | 2.6 | 2.4 | 2.1 | 1.9 | 65 | 61 | 58 | 52 | 12.2 | 10.1 | 7.8 | 6.4 | 7.8 | 10.0 | 13.2 | 13.6 |
| The Ramco Cements | 2,291 | 804 | 630 | SELL | 13 | 16 | 25 | 34 | 60 | 49 | 33 | 24 | 2.8 | 2.6 | 2.5 | 2.2 | 138 | 129 | 131 | 127 | 19.7 | 15.5 | 13.3 | 11.3 | 5.1 | 5.5 | 7.8 | 9.9 |
| Nuvoco Vistas Corp | 1,288 | 299 | 340 | ADD | 0 | 3 | 10 | 14 | 673 | 99 | 31 | 22 | 1.2 | 1.2 | 1.1 | 1.1 | 79 | 71 | 68 | 69 | 12.5 | 9.1 | 7.8 | 7.2 | 1.4 | 3.7 | 4.5 | 5.2 |

Source: Bloomberg, Kotak Institutional Equities estimates

Ambuja Cements and ACC – Key assumptions, SoTP and financials

Exhibit 12: Key assumptions in profit model for ACEM, March fiscal year-ends from 2023E, 2019-26E (Rs mn)

| | CY2019 | CY2020 | CY2021 | FY2023* | FY2024E | FY2025E | FY2026E | Growth % | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------|-----------|-------------|------------|-----------|-----------|
| | | | | | | | | CY2020 | CY2021 | FY2023* | FY2024E | FY2025E | FY2026E |
| Ambuja—standalone (Rs mn) | | | | | | | | | | | | | |
| Revenue | 116,679 | 113,719 | 139,790 | 199,854 | 178,962 | 197,144 | 218,180 | (3) | 23 | 43 | (10) | 10 | 11 |
| EBITDA | 21,489 | 26,466 | 32,152 | 32,204 | 35,050 | 43,518 | 48,403 | 23 | 21 | 0 | 9 | 24 | 11 |
| PAT | 15,286 | 17,901 | 21,489 | 27,108 | 24,923 | 33,200 | 35,569 | 17 | 20 | 26 | (8) | 33 | 7 |
| Key operating metrics | | | | | | | | | | | | | |
| Capacity (mn tons) | 29.7 | 29.7 | 31.5 | 31.4 | 31.4 | 36.4 | 44.4 | 0 | 6 | (0) | 0 | 16 | 22 |
| Volumes (mn tons) | 24.0 | 22.6 | 26.5 | 37.8 | 33.5 | 36.2 | 39.3 | (6) | 17 | 43 | (11) | 8 | 9 |
| Utilization (%) | 81% | 76% | 84% | 121% | 107% | 100% | 89% | | | | | | |
| Realization (Rs/ton) | 4,738 | 4,938 | 5,210 | 5,237 | 5,263 | 5,368 | 5,476 | 4 | 6 | 1 | 0 | 2 | 2 |
| Operating cost (Rs/ton) | 3,841 | 3,769 | 3,997 | 4,385 | 4,217 | 4,166 | 4,243 | (2) | 6 | 10 | (4) | (1) | 2 |
| EBITDA (Rs/ton) | 897 | 1,170 | 1,213 | 852 | 1,046 | 1,203 | 1,233 | 30 | 4 | (30) | 23 | 15 | 3 |
| ACC—standalone (Rs mn) | | | | | | | | | | | | | |
| Revenue | 156,567 | 137,845 | 161,517 | 222,101 | 196,940 | 214,080 | 232,744 | (12) | 17 | 38 | (11) | 9 | 9 |
| EBITDA | 24,095 | 24,811 | 29,981 | 19,249 | 28,380 | 34,803 | 40,900 | 3 | 21 | (36) | 47 | 23 | 18 |
| PAT | 13,589 | 15,403 | 19,179 | 10,469 | 17,357 | 21,103 | 24,616 | 13 | 25 | (45) | 66 | 22 | 17 |
| Key operating metrics | | | | | | | | | | | | | |
| Capacity (mn tons) | 33.5 | 33.6 | 35.0 | 36.6 | 37.6 | 39.2 | 41.6 | 0 | 4 | 4 | 3 | 4 | 6 |
| Volumes (mn tons) | 28.9 | 25.5 | 28.9 | 38.6 | 34.8 | 36.9 | 39.1 | (12) | 13 | 34 | (10) | 6 | 6 |
| Utilization (%) | 86% | 76% | 83% | 106% | 93% | 94% | 94% | | | | | | |
| Realization (Rs/ton) | 5,419 | 5,399 | 5,591 | 5,755 | 5,658 | 5,802 | 5,951 | (0) | 4 | 3 | (2) | 3 | 3 |
| Operating cost (Rs/ton) | 4,585 | 4,428 | 4,553 | 5,257 | 4,843 | 4,859 | 4,905 | (3) | 3 | 15 | (8) | 0 | 1 |
| EBITDA (Rs/ton) | 834 | 972 | 1,038 | 499 | 815 | 943 | 1,046 | 17 | 7 | (52) | 63 | 16 | 11 |

* FY2023E (revised) consists of 15 months due to change of financial year.

Source: Company, Kotak Institutional Equities estimates

ACEM: We revise Fair Value to Rs395/share

Exhibit 13: ACEM, valuation details, March 2026E basis

| | |
|--------------------------------------|----------------|
| Attributable EBITDA (Rs mn) | 68,853 |
| EV/EBITDA (X) | 8.5 |
| Attributable EV (Rs mn) | 588,348 |
| Attributable net cash (Rs mn) | 231,133 |
| CWIP (Rs mn) | 151,786 |
| Equity value (Rs mn) | 971,266 |
| No. of shares | 2,463 |
| Fair Value (Rs/share) | 395 |

Source: Company, Kotak Institutional Equities estimates

ACC: We revise Fair Value to Rs2,160/share

Exhibit 14: ACC, valuation details, March 2026E basis

| | (Rs mn) | Multiple (X) | EV (Rs mn) | (Rs/share) |
|----------------------------|---------|--------------|----------------|--------------|
| EBITDA | 40,900 | 8.0 | 328,999 | 1,750 |
| Net cash (incl. dividends) | | | 75,077 | 399 |
| CWIP | | | 2,139 | 11 |
| Equity value | | | 406,214 | 2,160 |

Source: Company, Kotak Institutional Equities estimates

Exhibit 15: ACC, financial summary, calendar year-ends till 2021, March fiscal year-ends from 2023, 2018-26E (Rs mn)

| | 2018 | 2019 | 2020 | 2021 | FY2023* | FY2024E | FY2025E | FY2026E |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Profit model (Rs mn) | | | | | | | | |
| Net sales | 148,014 | 156,567 | 137,845 | 161,517 | 222,101 | 196,940 | 214,080 | 232,744 |
| EBITDA | 20,392 | 24,095 | 24,811 | 29,981 | 19,249 | 28,380 | 34,803 | 40,900 |
| Other income | 1,385 | 3,112 | 2,040 | 2,067 | 3,419 | 4,446 | 4,320 | 3,931 |
| Interest | (892) | (862) | (570) | (546) | (773) | (1,000) | (1,000) | (1,000) |
| Depreciation | (5,996) | (6,030) | (6,353) | (6,007) | (8,413) | (8,630) | (9,922) | (10,935) |
| Extraordinary items | - | - | (1,253) | (548) | (1,618) | - | - | - |
| Profit before tax | 14,889 | 20,315 | 18,674 | 25,064 | 12,025 | 23,196 | 28,201 | 32,896 |
| Current tax | (4,570) | (6,898) | (5,474) | (6,362) | (2,742) | (5,838) | (7,098) | (8,280) |
| Deferred tax | 4,694 | (317) | 950 | (71) | (432) | - | - | - |
| Reported net income | 15,012 | 13,100 | 14,150 | 18,631 | 8,851 | 17,357 | 21,103 | 24,616 |
| Adjusted PAT | 10,006 | 13,589 | 15,403 | 19,179 | 10,469 | 17,357 | 21,103 | 24,616 |
| Earnings per share (Rs) | 53.2 | 72.3 | 81.9 | 102.0 | 55.7 | 92.3 | 112.3 | 130.9 |
| Balance sheet (Rs mn) | | | | | | | | |
| Equity | 105,277 | 115,213 | 126,614 | 143,122 | 141,420 | 155,305 | 172,187 | 191,880 |
| Deferred tax liability | 6,631 | 6,422 | 3,762 | 4,037 | 4,573 | 4,573 | 4,573 | 4,573 |
| Borrowings | - | - | 840 | - | - | - | - | - |
| Current liabilities | 48,343 | 49,186 | 50,043 | 63,230 | 59,445 | 59,616 | 62,749 | 65,858 |
| Total liabilities | 160,251 | 170,821 | 181,259 | 210,388 | 205,438 | 219,494 | 239,509 | 262,311 |
| Fixed assets | 74,416 | 73,926 | 70,282 | 77,578 | 87,863 | 94,232 | 99,310 | 103,375 |
| Investments | 2,302 | 2,302 | 2,206 | 1,496 | 28,742 | 18,742 | 8,742 | 1,449 |
| Cash | 30,003 | 45,381 | 58,911 | 75,224 | 4,147 | 24,659 | 47,672 | 71,606 |
| Other current assets | 53,530 | 49,212 | 49,860 | 56,091 | 84,686 | 81,861 | 83,785 | 85,881 |
| Total assets | 160,251 | 170,821 | 181,259 | 210,388 | 205,438 | 219,494 | 239,509 | 262,311 |
| Net debt | (30,003) | (45,418) | (58,153) | (75,408) | (31,440) | (41,952) | (54,965) | (71,606) |
| Free cash flow (Rs mn) | | | | | | | | |
| Operating cash flow excl. working capital | 15,556 | 20,987 | 19,731 | 28,521 | 15,934 | 25,987 | 31,025 | 35,551 |
| Working capital changes | (3,881) | 2,661 | 3,872 | 1,303 | (26,708) | 2,995 | 1,209 | 1,013 |
| Capital expenditure | (4,951) | (5,404) | (7,458) | (11,754) | (21,047) | (15,000) | (15,000) | (15,000) |
| Free cash flow | 6,725 | 18,243 | 16,144 | 18,070 | (31,821) | 13,983 | 17,234 | 21,564 |
| Ratios | | | | | | | | |
| Book value (Rs/share) | 560 | 613 | 674 | 761 | 752 | 826 | 916 | 1,021 |
| RoAE (%) | 10.1 | 12.3 | 12.7 | 14.2 | 7.4 | 11.7 | 12.9 | 13.5 |
| RoACE (%) | 14.5 | 10.6 | 11.8 | 13.2 | 5.8 | 10.0 | 11.4 | 12.3 |
| CRoCI (%) | 23.6 | 18.9 | 22.0 | 25.6 | 14.5 | 15.9 | 17.3 | 18.7 |
| FCF Yield (%) | 1.4 | 3.9 | 3.4 | 3.8 | (6.8) | 3.0 | 3.7 | 4.6 |
| EV/EBITDA | 21.6 | 17.6 | 16.6 | 13.2 | 24.2 | 15.7 | 12.1 | 9.8 |
| EV (US\$/ton) | 188 | 179 | 165 | 152 | 158 | 143 | 129 | 115 |
| P/B | 4.3 | 3.9 | 3.5 | 3.1 | 3.2 | 2.9 | 2.6 | 2.3 |
| \$/Rs | 69.9 | 70.9 | 74.2 | 74.5 | 80.7 | 82.9 | 83.5 | 83.5 |
| Net debt/EBITDA | (1.5) | (1.9) | (2.3) | (2.5) | (1.6) | (1.5) | (1.6) | (1.8) |

* FY2023E revised is for 15 months due to change of financial year end

Source: Company, Kotak Institutional Equities estimates

Exhibit 16: ACEM (consolidated), financial summary, calendar year-ends till 2021, March fiscal year-ends from 2023, 2018-26E (Rs mn)

| | CY2018 | CY2019 | CY2020 | CY2021 | FY2023* | FY2024E | FY2025E | FY2026E |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| Profit model (Rs mn) | | | | | | | | |
| Net sales | 260,409 | 271,036 | 245,162 | 289,655 | 389,370 | 343,317 | 378,639 | 418,339 |
| EBITDA | 40,108 | 45,970 | 51,346 | 62,104 | 51,224 | 63,200 | 78,092 | 89,074 |
| Other income | 3,714 | 5,808 | 4,496 | 3,524 | 7,377 | 11,087 | 16,116 | 15,845 |
| Interest | (1,705) | (1,699) | (1,402) | (1,457) | (1,949) | (2,676) | (2,605) | (2,537) |
| Depreciation | (11,539) | (11,525) | (11,618) | (11,525) | (16,447) | (16,371) | (20,232) | (23,133) |
| Extraordinary items | 7,567 | 200 | (2,906) | (1,002) | (2,910) | – | – | – |
| Pretax profits | 38,145 | 38,753 | 39,916 | 51,645 | 37,295 | 55,240 | 71,370 | 79,249 |
| Tax | (8,544) | (10,922) | (8,848) | (14,534) | (7,051) | (13,814) | (17,922) | (19,919) |
| Net profits before minority | 29,602 | 27,832 | 31,068 | 37,110 | 30,244 | 41,426 | 53,448 | 59,330 |
| Minority interest | (7,953) | (6,881) | (7,414) | (9,307) | (4,410) | (8,661) | (10,530) | (12,283) |
| Reported Net profit | 21,649 | 20,951 | 23,654 | 27,804 | 25,834 | 32,765 | 42,918 | 47,047 |
| Adjusted Net profit | 14,081 | 20,751 | 26,560 | 28,806 | 28,744 | 32,765 | 42,918 | 47,047 |
| Adjusted EPS (Rs) | 7.1 | 10.5 | 13.4 | 14.5 | 13.7 | 13.3 | 17.4 | 19.1 |
| Balance sheet (Rs mn) | | | | | | | | |
| Equity | 223,705 | 240,780 | 227,576 | 253,537 | 316,982 | 494,763 | 531,041 | 570,974 |
| Borrowings | 409 | 359 | 436 | 469 | 477 | 477 | 477 | 477 |
| Minority interest | 52,312 | 57,368 | 63,409 | 71,450 | 70,584 | 79,245 | 89,775 | 102,058 |
| Deferred tax liability | 11,153 | 9,367 | 6,260 | 7,562 | 7,004 | 7,004 | 7,004 | 7,004 |
| Current liabilities | 85,829 | 93,950 | 99,526 | 119,027 | 122,168 | 123,603 | 128,460 | 133,564 |
| Total liabilities and equity | 373,407 | 401,823 | 397,207 | 452,046 | 517,215 | 705,091 | 756,757 | 814,078 |
| Cash | 64,393 | 93,546 | 89,356 | 116,930 | 115,501 | 230,270 | 247,567 | 272,829 |
| Current assets | 91,241 | 84,225 | 77,100 | 88,922 | 138,803 | 140,282 | 144,883 | 150,076 |
| Total fixed assets | 137,626 | 141,604 | 143,072 | 163,275 | 178,434 | 250,063 | 279,830 | 306,697 |
| Goodwill | 78,815 | 80,954 | 86,006 | 80,938 | 82,340 | 82,340 | 82,340 | 82,340 |
| Investments | 1,332 | 1,496 | 1,673 | 1,981 | 2,137 | 2,137 | 2,137 | 2,137 |
| Total assets | 373,407 | 401,824 | 397,207 | 452,046 | 517,215 | 705,091 | 756,757 | 814,078 |
| Net debt | (64,021) | (93,224) | (89,047) | (116,736) | (115,300) | (230,069) | (247,366) | (272,628) |
| Net debt (attributable) | (47,972) | (69,397) | (58,408) | (79,094) | (72,594) | (180,954) | (216,862) | (231,205) |
| Free cash flow (Rs mn) | | | | | | | | |
| Operating cash flow, excl. working capital | 25,888 | 39,745 | 39,887 | 55,088 | 40,803 | 57,797 | 73,681 | 82,463 |
| Working capital change | (9,775) | 6,512 | 7,572 | (3,314) | (34,729) | (45) | 257 | (88) |
| Cash flow from operations | 16,113 | 46,257 | 47,459 | 51,774 | 6,074 | 57,752 | 73,938 | 82,375 |
| Capital expenditure | (10,918) | (16,070) | (17,337) | (23,341) | (42,318) | (88,000) | (50,000) | (50,000) |
| Free cash flow | 5,194 | 30,186 | 30,123 | 28,433 | (36,244) | (30,248) | 23,937 | 32,375 |
| Free cash flow (attributable) | 1,832 | 21,065 | 22,051 | 19,398 | (20,333) | (37,239) | 15,320 | 21,593 |
| Ratios | | | | | | | | |
| EV/ton (US\$/ton) | 383 | 346 | 343 | 303 | 298 | 313 | 270 | 230 |
| EV/EBITDA | 39.3 | 33.5 | 29.2 | 23.6 | 28.5 | 26.4 | 20.7 | 18.1 |
| P/E | 85 | 57 | 45 | 41 | 44 | 45 | 34 | 31 |
| P/B | 5.3 | 5.0 | 5.2 | 4.7 | 4.0 | 3.0 | 2.8 | 2.6 |
| FCF Yield | 0% | 2% | 2% | 2% | -2% | -3% | 1% | 1% |
| Book value (Rs/share) | 113 | 121 | 115 | 128 | 151 | 201 | 216 | 232 |
| Cash (Rs/share) | 32 | 47 | 45 | 59 | 55 | 93 | 101 | 111 |
| RoAE (%) | 6.5 | 8.9 | 11.3 | 12.0 | 10.1 | 8.1 | 8.4 | 8.5 |
| RoACE (%) | 7.8 | 8.6 | 10.7 | 11.7 | 7.1 | 7.0 | 7.0 | 7.3 |
| CRoCI (%) | 11.6 | 12.5 | 15.2 | 16.3 | 12.1 | 12.0 | 13.1 | 16.2 |

* FY2023 (revised) consists of 15 months due to change of financial year

Source: Company, Kotak Institutional Equities estimates

Ultratech Cement – key assumptions, SoTP and financials

Exhibit 17: Key assumptions for UTCEM (India operations, consolidated), March fiscal year-ends, 2019-26E (Rs mn, Rs/ton)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|-------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| India Operations | | | | | | | | |
| Capacity (mtpa) | 105 | 111 | 113 | 116 | 127 | 140 | 152 | 160 |
| Utilization (%) | 79 | 71 | 72 | 77 | 80 | 82 | 84 | 86 |
| Volumes (mn tons) | 82 | 79 | 81 | 89 | 102 | 115 | 127 | 137 |
| % yoy | | (4) | 3 | 10 | 14 | 13 | 11 | 8 |
| Realisation (Rs/ton) | 4,860 | 5,157 | 5,222 | 5,678 | 6,021 | 5,941 | 6,084 | 6,202 |
| Costs (Rs/ton) | 3,991 | 4,004 | 3,852 | 4,406 | 5,010 | 4,872 | 4,856 | 4,928 |
| EBITDA (Rs/ton) | 869 | 1,153 | 1,370 | 1,272 | 1,011 | 1,069 | 1,228 | 1,274 |
| Revenue (Rs mn) | 404,808 | 406,180 | 431,150 | 505,700 | 612,370 | 680,572 | 772,345 | 849,546 |
| Costs (Rs mn) | 333,258 | 315,390 | 318,060 | 392,430 | 509,520 | 558,106 | 616,456 | 674,995 |
| EBITDA (Rs mn) | 71,550 | 90,790 | 113,090 | 113,270 | 102,850 | 122,466 | 155,889 | 174,551 |
| Consolidated | | | | | | | | |
| Revenues (Rs mn) | 416,088 | 424,299 | 447,258 | 525,988 | 632,400 | 700,602 | 792,375 | 869,576 |
| EBITDA (Rs mn) | 73,469 | 92,472 | 115,679 | 115,144 | 106,199 | 125,814 | 159,238 | 177,900 |
| PAT (Rs mn) | 24,004 | 57,521 | 53,168 | 71,726 | 50,694 | 69,478 | 94,148 | 104,305 |
| Net Debt (Rs mn) | 230,808 | 169,810 | 67,170 | 39,010 | 27,020 | 33,716 | 19,701 | (36,118) |
| Capex (Rs mn) | (95,482) | (99,980) | (18,387) | (56,134) | (62,001) | (90,000) | (90,000) | (60,000) |

Source: Company, Kotak Institutional Equities estimates

UTCEM: We revise Fair Value to Rs7,000/share

Exhibit 18: UTCEM, valuation details, March fiscal year-ends, March 2026E financials

| Valuation | Rs bn | Multiple | EV | Rs/share |
|--|-------|----------|--------------|--------------|
| | | (X) | Rs bn | |
| Consolidated EBITDA | 178 | 9.5 | 1,698 | 5,884 |
| Net-debt (adjusted for dividends and tax credit) | | | (69) | (239) |
| CWIP | | | 253 | 877 |
| Equity value | | | 2,020 | 7,000 |
| FV (Rs/share) | | | | 7,000 |

Source: Kotak Institutional Equities estimates, Company

Exhibit 19: UTCEM, profit model, balance sheet and cash flow model (consolidated), March fiscal year-ends, 2019-26E (Rs mn)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|-----------------|-----------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Profit model (Rs mn) | | | | | | | | |
| Net sales | 416,088 | 424,299 | 447,258 | 525,988 | 632,400 | 700,602 | 792,375 | 869,576 |
| EBITDA | 73,469 | 92,472 | 115,679 | 115,144 | 106,199 | 125,814 | 159,238 | 177,900 |
| Other income | 4,634 | 6,511 | 7,342 | 5,078 | 5,031 | 6,479 | 3,623 | 1,465 |
| Interest | (17,779) | (19,917) | (14,857) | (9,447) | (8,227) | (8,145) | (3,538) | (3,538) |
| Depreciation | (24,507) | (27,227) | (27,002) | (27,148) | (28,880) | (31,263) | (33,456) | (36,381) |
| Profit before tax | 35,818 | 51,840 | 81,162 | 83,627 | 74,122 | 92,885 | 125,866 | 139,445 |
| Extra-ordinary items | (1,133) | - | (2,607) | 15,180 | - | - | - | - |
| Current tax | (7,166) | (9,203) | (14,151) | (27,292) | (20,708) | (23,407) | (31,718) | (35,140) |
| Deferred tax | (3,515) | 14,885 | (11,237) | 212 | (2,721) | - | - | - |
| Net profit | 24,004 | 57,521 | 53,168 | 71,726 | 50,694 | 69,478 | 94,148 | 104,305 |
| Adjusted PAT | 25,169 | 57,553 | 55,809 | 56,623 | 50,640 | 69,593 | 94,263 | 104,420 |
| Earnings per share (Rs) | 92 | 199 | 193 | 196 | 175 | 241 | 327 | 362 |
| Balance sheet (Rs mn) | | | | | | | | |
| Equity | 337,507 | 390,437 | 441,746 | 504,352 | 543,245 | 598,888 | 674,266 | 757,770 |
| Borrowings | 253,370 | 217,646 | 196,184 | 103,528 | 99,008 | 79,008 | 38,008 | 38,008 |
| Current liabilities | 103,576 | 119,440 | 142,778 | 151,054 | 188,874 | 196,649 | 207,111 | 215,912 |
| Other Non current Liabilities | 6,807 | 15,554 | 20,719 | 19,011 | 20,141 | 20,066 | 19,991 | 19,916 |
| Total liabilities | 765,374 | 792,198 | 861,835 | 838,277 | 913,870 | 957,212 | 1,001,978 | 1,094,208 |
| Fixed assets | 446,433 | 452,814 | 436,254 | 425,922 | 464,803 | 463,540 | 490,084 | 513,703 |
| CWIP | 11,486 | 9,095 | 16,810 | 47,773 | 40,349 | 100,349 | 130,349 | 130,349 |
| Investments | 13,862 | 16,618 | 12,554 | 2,129 | 5,643 | 5,643 | 5,643 | 5,643 |
| Cash | 7,397 | 5,399 | 20,076 | 3,592 | 13,622 | (13,074) | (40,059) | 15,759 |
| Other current assets | 111,211 | 135,754 | 210,461 | 182,596 | 193,807 | 205,108 | 220,315 | 233,107 |
| Other Non current Assets | 54,926 | 53,721 | 47,761 | 59,024 | 76,307 | 76,307 | 76,307 | 76,307 |
| Goodwill | 120,060 | 118,796 | 117,920 | 117,242 | 119,338 | 119,338 | 119,338 | 119,338 |
| Total assets | 765,374 | 792,198 | 861,835 | 838,277 | 913,870 | 957,212 | 1,001,978 | 1,094,208 |
| Net Debt | 230,808 | 169,810 | 67,170 | 39,010 | 27,020 | 33,716 | 19,701 | (36,118) |
| Free cash flow (Rs mn) | | | | | | | | |
| Operating cash flow excl. working capital | 66,304 | 83,269 | 101,529 | 87,851 | 85,491 | 102,407 | 127,519 | 142,760 |
| Working capital changes | (6,957) | 5,157 | 23,289 | (4,730) | (3,370) | (3,526) | (4,745) | (3,991) |
| Net finance cost/ income | (13,144) | (13,406) | (7,515) | (4,369) | (3,196) | (1,667) | 85 | (2,074) |
| Cash flow from operations | 46,202 | 75,020 | 117,303 | 78,752 | 78,925 | 97,215 | 122,860 | 136,695 |
| Capital expenditure | (95,482) | (99,980) | (18,387) | (56,134) | (62,001) | (90,000) | (90,000) | (60,000) |
| Free cash flow | (49,280) | (24,960) | 98,916 | 22,618 | 16,924 | 7,215 | 32,860 | 76,695 |
| Ratios | | | | | | | | |
| Book value (Rs/share) | 1,229 | 1,353 | 1,531 | 1,748 | 1,882 | 2,075 | 2,336 | 2,625 |
| RoAE (%) | 7.5 | 14.7 | 12.6 | 11.2 | 9.3 | 11.6 | 14.0 | 13.8 |
| RoACE (%) | 8.1 | 10.7 | 13.4 | 13.5 | 11.4 | 13.3 | 16.3 | 16.3 |
| CRoCI (%) | 12.4 | 21.8 | 19.1 | 17.0 | 14.9 | 17.6 | 19.4 | 19.5 |
| EV (US\$/ton) | 380 | 363 | 323 | 312 | 263 | 234 | 214 | 197 |
| EV/EBITDA | 39.2 | 31.9 | 24.6 | 24.5 | 26.4 | 22.4 | 17.6 | 15.4 |
| P/E | 110.2 | 48.3 | 52.3 | 49.2 | 54.9 | 40.0 | 29.5 | 26.7 |
| P/B | 7.8 | 7.1 | 6.3 | 5.5 | 5.1 | 4.6 | 4.1 | 3.7 |
| Net Debt/EBITDA | 3.1 | 1.8 | 0.6 | 0.3 | 0.3 | 0.3 | 0.1 | (0.2) |

Source: Company, Kotak Institutional Equities estimates

Shree Cement – key assumptions, SoTP and financials

Exhibit 20: Key assumptions in the earnings model for SRCM, March fiscal year-ends, 2019-26E

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E | Growth (%) | | |
|----------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|------------|-----------|-----------|
| | | | | | | | | | 2024E | 2025E | 2026E |
| Cement segment | | | | | | | | | | | |
| Cement Capacity (mn tons) | 37.9 | 40.4 | 43.4 | 46.4 | 46.4 | 53.4 | 56.4 | 65.8 | 15 | 6 | 17 |
| Utilization (%) | 68 | 62 | 62 | 60 | 69 | 67 | 70 | 66 | | | |
| Volumes (mn tons) | 25.9 | 24.9 | 26.8 | 27.7 | 31.8 | 36.0 | 39.5 | 43.5 | 13 | 10 | 10 |
| Blended realization (Rs/ton) | 4,420 | 4,670 | 4,583 | 4,863 | 4,909 | 4,922 | 5,008 | 5,095 | — | 2 | 2 |
| EBITDA (Rs/ton) | 1,026 | 1,474 | 1,473 | 1,315 | 925 | 1,179 | 1,261 | 1,283 | 27 | 7 | 2 |
| Costs (Rs/ton) | 3,507 | 3,302 | 3,217 | 3,843 | 4,367 | 4,355 | 4,320 | 4,350 | (0) | (1) | 1 |
| Revenues (Rs bn) | 117 | 119 | 126 | 143 | 168 | 199 | 221 | 245 | 18 | 11 | 11 |
| EBITDA (Rs bn) | 27 | 37 | 40 | 36 | 29 | 42 | 50 | 56 | 44 | 18 | 12 |
| PAT (Rs bn) | 10 | 16 | 23 | 24 | 13 | 23 | 27 | 29 | 76 | 14 | 9 |
| EPS (Rs/Share) | 323 | 435 | 641 | 659 | 368 | 647 | 739 | 804 | 76 | 14 | 9 |

Source: Company, Kotak Institutional Equities estimates

SRCM: We revise Fair Value to Rs19,000/share

Exhibit 21: SRCM, valuation details, March 2026E basis

| | |
|-----------------------------------|----------------|
| Cement | |
| Adjusted EBITDA (Rs mn) | 55,819 |
| EV/EBITDA (X) | 9 |
| EV (Rs mn) | 502,368 |
| Net cash (Rs mn) | 54,681 |
| CWIP | 108,422 |
| Equity value (Rs mn) | 665,471 |
| UAE Plant @ book value | 20,000 |
| Total Equity Value (Rs mn) | 685,471 |
| No. of shares (Mn) | 36.1 |
| Fair Value (Rs/share) | 19,000 |

Source: Company, Kotak Institutional Equities estimates

Exhibit 22: SRCM, profit model, balance sheet and cash flow model, March fiscal year-ends, 2019-26E (Rs mn)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Profit model (Rs mn) | | | | | | | | |
| Net sales | 117,220 | 119,040 | 125,884 | 143,059 | 168,375 | 198,952 | 220,706 | 245,054 |
| EBITDA | 26,528 | 36,745 | 39,547 | 36,478 | 29,423 | 42,389 | 49,866 | 55,819 |
| Other Income | 2,454 | 2,716 | 4,580 | 5,373 | 4,315 | 5,885 | 5,683 | 5,485 |
| Interest | (2,470) | (2,865) | (2,471) | (2,178) | (2,689) | (3,023) | (2,976) | (2,722) |
| Depreciation | (13,917) | (16,994) | (11,399) | (10,365) | (15,462) | (14,022) | (16,917) | (19,803) |
| Profit before tax | 12,596 | 19,602 | 30,257 | 29,309 | 15,586 | 31,228 | 35,657 | 38,779 |
| Current tax | (2,204) | (5,302) | (7,638) | (4,382) | (937) | (7,869) | (8,986) | (9,772) |
| Deferred tax | 873 | 1,401 | 500 | (1,161) | (1,368) | – | – | – |
| Net profit | 9,510 | 15,702 | 23,119 | 23,766 | 13,281 | 23,359 | 26,672 | 29,006 |
| Adjusted PAT | 11,265 | 15,702 | 23,119 | 23,766 | 13,281 | 23,359 | 26,672 | 29,006 |
| Earnings per share (Rs) | 323.3 | 435.2 | 640.8 | 658.7 | 368.1 | 647.4 | 739.2 | 803.9 |
| Balance sheet (Rs mn) | | | | | | | | |
| Equity | 95,974 | 129,364 | 152,501 | 172,709 | 182,884 | 202,155 | 224,159 | 248,090 |
| Borrowings | 27,980 | 31,755 | 21,413 | 20,142 | 25,392 | 25,392 | 25,392 | 25,392 |
| Current liabilities | 14,755 | 16,008 | 26,375 | 35,287 | 43,243 | 45,110 | 46,548 | 48,158 |
| Other Current Liabilities | 13,224 | 16,251 | 10,099 | 6,017 | 6,668 | 6,668 | 6,668 | 6,668 |
| Total liabilities | 151,933 | 193,379 | 210,388 | 234,154 | 258,187 | 279,325 | 302,767 | 328,307 |
| Fixed assets | 55,862 | 49,214 | 47,617 | 56,847 | 69,114 | 88,091 | 111,175 | 131,371 |
| Goodwill | 106 | 194 | 270 | 6,097 | 7,416 | 7,416 | 7,416 | 7,416 |
| Investments | 44,439 | 89,154 | 110,506 | 115,460 | 116,505 | 116,505 | 116,505 | 116,505 |
| Cash | 3,078 | 1,082 | 2,098 | 1,183 | 1,193 | (2,841) | (6,799) | (6,287) |
| Other current assets | 36,512 | 36,312 | 32,104 | 40,879 | 46,662 | 52,855 | 57,172 | 62,004 |
| Deferred tax asset | 7,234 | 7,438 | 7,855 | 6,695 | 6,686 | 6,686 | 6,686 | 6,686 |
| Other Non Current Assets | 4,702 | 9,986 | 9,939 | 6,994 | 10,612 | 10,612 | 10,612 | 10,612 |
| Total assets | 151,933 | 193,379 | 210,388 | 234,154 | 258,187 | 279,325 | 302,767 | 328,307 |
| Net debt | 2,045 | (32,902) | (65,468) | (70,954) | (62,161) | (58,127) | (54,169) | (54,681) |
| Free cash flow (Rs mn) | | | | | | | | |
| Operating cash flow excl. working capital | 24,324 | 31,444 | 31,909 | 32,097 | 28,486 | 34,519 | 40,881 | 46,046 |
| Working capital changes | (5,302) | 5,591 | 8,762 | (7,321) | 967 | (4,327) | (2,879) | (3,222) |
| Other income-finance costs | (16) | (149) | 2,109 | 3,196 | 1,626 | 2,862 | 2,707 | 2,763 |
| Cash flow from Operations | 19,006 | 36,886 | 42,780 | 27,972 | 31,078 | 33,054 | 40,710 | 45,588 |
| Capital expenditure | (18,853) | (12,941) | (9,984) | (19,694) | (28,053) | (33,000) | (40,000) | (40,000) |
| Free cash flow | 153 | 23,945 | 32,797 | 8,278 | 3,025 | 54 | 710 | 5,588 |
| Ratios | | | | | | | | |
| EV/EBITDA | 33.0 | 23.7 | 21.2 | 22.9 | 28.6 | 20.0 | 17.1 | 15.2 |
| P/E | 91.8 | 57.6 | 39.1 | 38.1 | 68.1 | 38.7 | 33.9 | 31.2 |
| P/B | 9.1 | 7.0 | 5.9 | 5.2 | 4.9 | 4.5 | 4.0 | 3.6 |
| EV/ton (US\$) | 331 | 304 | 261 | 241 | 225 | 191 | 181 | 153 |
| Book value (Rs/share) | 2,755 | 3,583 | 4,224 | 4,784 | 5,066 | 5,600 | 6,209 | 6,872 |
| RoAE (%) | 12.2 | 13.9 | 16.4 | 14.6 | 7.5 | 12.1 | 12.5 | 12.3 |
| RoACE (%) | 9.0 | 11.1 | 12.8 | 11.5 | 5.9 | 9.7 | 10.3 | 10.3 |
| CRoCI (%) | 26.2 | 28.6 | 28.1 | 25.4 | 19.6 | 20.7 | 20.0 | 18.5 |

Source: Company, Kotak Institutional Equities estimates

JK Cement – key assumptions, SoTP and financials

Exhibit 23: JKCE, assumptions, March fiscal year-ends, 2019-26E (mn tons, Rs mn)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E | % Change yoy | | |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|-------|-------|
| | | | | | | | | | 2024E | 2025E | 2026E |
| Capacity (mn tons) | | | | | | | | | | | |
| Grey cement | 10.5 | 14.0 | 14.7 | 14.7 | 20.7 | 22.2 | 24.2 | 30.2 | 7 | 9 | 25 |
| White cement | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | – | – | – |
| Wall Putty - India | 0.9 | 0.9 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0 | – | – |
| Wall Putty +White Cement | 1.5 | 1.5 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 0 | – | – |
| Volumes (mn tons) | | | | | | | | | | | |
| Grey cement | 8.4 | 8.2 | 9.8 | 12.1 | 14.2 | 16.9 | 18.9 | 21.2 | 19 | 12 | 12 |
| White cement (Including Putty) | 1.3 | 1.3 | 1.3 | 1.5 | 1.6 | 1.7 | 1.8 | 1.9 | 5 | 6 | 6 |
| Total Sales | 9.6 | 9.5 | 11.1 | 13.6 | 15.8 | 18.6 | 20.7 | 23.1 | 18 | 11 | 11 |
| Utilization | 80% | 59% | 67% | 82% | 69% | 76% | 78% | 70% | | | |
| Grey Realization (Rs/ton) | 4,107 | 4,669 | 4,733 | 4,774 | 5,167 | 5,154 | 5,296 | 5,401 | (0) | 3 | 2 |
| Blended Realization (Rs/ton) | 5,173 | 5,741 | 5,690 | 5,641 | 5,694 | 5,921 | 6,047 | 6,140 | 4 | 2 | 2 |
| Costs (Rs/ton) | 4,331 | 4,500 | 4,294 | 4,553 | 4,846 | 4,827 | 4,889 | 4,954 | (0) | 1 | 1 |
| Blended EBITDA (Rs/ton) | 841 | 1,241 | 1,396 | 1,089 | 847 | 1,095 | 1,158 | 1,186 | 29 | 6 | 2 |

Source: Company, Kotak Institutional Equities estimates

JKCE: We revise Fair Value to Rs2,800/share

Exhibit 24: JKCE, valuation details, March 2026E financials

| Valuation | Rs mn | Multiple | EV | |
|-----------------------------|--------|----------|----------------|--------------|
| | | (X) | Rs mn | Rs/share |
| EBITDA | 27,874 | 8.0 | 222,994 | 2,886 |
| Net debt (Rs mn) | | | (40,885) | (529) |
| CWIP | | | 34,286 | 444 |
| Equity value (Rs mn) | | | 216,395 | 2,800 |
| FV (Rs/share) | | | | 2,800 |

Source: Company, Kotak Institutional Equities estimates

Exhibit 25: JK Cement (consolidated), financial summary, March fiscal year-ends, 2019-26E (Rs mn)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|--|----------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Profit model (Rs mn) | | | | | | | | |
| Net sales | 52,587 | 58,016 | 66,061 | 79,908 | 97,202 | 113,628 | 128,824 | 145,337 |
| EBITDA | 8,345 | 12,134 | 15,387 | 14,823 | 13,143 | 20,836 | 24,480 | 27,874 |
| Other income | 804 | 853 | 1,130 | 1,429 | 874 | 1,041 | 1,078 | 943 |
| Interest | (2,611) | (2,764) | (2,528) | (2,697) | (3,122) | (4,586) | (4,628) | (5,053) |
| Depreciation | (2,413) | (2,880) | (3,062) | (3,425) | (4,582) | (5,518) | (5,681) | (6,101) |
| Pretax profits | 4,124 | 7,344 | 10,927 | 10,130 | 6,313 | 11,773 | 15,249 | 17,663 |
| Tax | (1,488) | (2,511) | (3,675) | (3,337) | (2,122) | (4,003) | (5,185) | (6,005) |
| Net profit before minority | 2,636 | 4,834 | 7,251 | 6,793 | 4,191 | 7,770 | 10,064 | 11,658 |
| Adjusted net income | 2,703 | 4,964 | 7,232 | 6,872 | 4,263 | 7,835 | 10,123 | 11,710 |
| Earnings per share (Rs) | 35.0 | 64.2 | 93.6 | 88.9 | 55.2 | 101.4 | 131.0 | 151.6 |
| Balance sheet (Rs mn) | | | | | | | | |
| Equity | 773 | 773 | 773 | 773 | 773 | 773 | 773 | 773 |
| Reserves and surplus | 26,249 | 29,504 | 36,595 | 42,477 | 46,095 | 52,771 | 61,735 | 72,286 |
| Borrowings | 29,731 | 32,840 | 34,017 | 38,549 | 49,951 | 51,951 | 56,951 | 61,951 |
| Deferred tax liability | 3,123 | 4,173 | 5,930 | 7,383 | 8,094 | 8,094 | 8,094 | 8,094 |
| Current liabilities | 10,954 | 12,443 | 15,488 | 18,021 | 20,527 | 21,916 | 23,201 | 24,598 |
| Total liabilities and equity | 74,316 | 85,420 | 98,720 | 114,030 | 132,851 | 142,851 | 158,041 | 174,936 |
| Net fixed assets | 45,074 | 52,207 | 55,081 | 60,919 | 77,561 | 77,043 | 81,362 | 103,261 |
| Capital work in progress | 5,744 | 5,295 | 5,093 | 10,321 | 5,920 | 13,220 | 24,520 | 14,820 |
| Cash | 4,556 | 6,345 | 12,246 | 3,252 | 8,333 | 9,081 | 6,366 | 8,578 |
| Current assets | 11,955 | 12,686 | 14,446 | 18,198 | 16,562 | 19,033 | 21,318 | 23,802 |
| Investments | 4,383 | 3,763 | 5,578 | 13,907 | 12,703 | 12,703 | 12,703 | 12,703 |
| Other Non Current Assets | 2,604 | 5,125 | 6,274 | 7,434 | 11,772 | 11,772 | 11,772 | 11,772 |
| Total assets | 74,316 | 85,420 | 98,720 | 114,030 | 132,851 | 142,851 | 158,041 | 174,936 |
| Net debt | 21,232 | 23,180 | 16,632 | 21,500 | 29,130 | 30,382 | 38,097 | 40,885 |
| Free cash flow (Rs mn) | | | | | | | | |
| Operating cash flow, excl. working capital | 5,288 | 8,625 | 12,496 | 11,434 | 9,248 | 13,288 | 15,745 | 17,758 |
| Working capital | (681) | 2,820 | 1,715 | (4,308) | 2,264 | (1,082) | (1,001) | (1,087) |
| Cash flow from operations | 4,607 | 11,445 | 14,212 | 7,126 | 11,512 | 12,207 | 14,745 | 16,671 |
| Capital expenditure | (6,313) | (12,428) | (7,678) | (15,538) | (16,114) | (12,300) | (21,300) | (18,300) |
| Free cash flow | (1,706) | (982) | 6,534 | (8,411) | (4,603) | (93) | (6,555) | (1,629) |
| Ratios | | | | | | | | |
| EV/ton (US\$) | 433 | 326 | 299 | 297 | 218 | 205 | 192 | 156 |
| EV/EBITDA | 40.2 | 27.8 | 21.5 | 22.7 | 26.1 | 16.6 | 14.4 | 12.7 |
| P/E | 116.3 | 63.4 | 44.4 | 45.8 | 73.8 | 40.1 | 31.1 | 26.9 |
| P/B | 11.6 | 10.4 | 8.4 | 7.3 | 6.7 | 5.9 | 5.0 | 4.3 |
| FCF Yield | (0.5) | (0.3) | 2.1 | (2.7) | (1.5) | (0.0) | (2.1) | (0.5) |
| Net debt/equity (X) | 0.8 | 0.8 | 0.4 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 |
| Net debt/EBITDA (X) | 2.5 | 1.9 | 1.1 | 1.5 | 2.2 | 1.5 | 1.6 | 1.5 |
| RoAE (%) | 11.6 | 17.3 | 21.0 | 17.0 | 9.5 | 15.6 | 17.4 | 17.3 |
| RoACE (%) | 7.2 | 10.2 | 12.2 | 10.0 | 6.4 | 10.0 | 11.0 | 11.3 |
| CRoCI (%) | 11.1 | 14.8 | 16.2 | 15.3 | 12.3 | 15.2 | 16.3 | 15.6 |

Source: Company, Kotak Institutional Equities estimates

Dalmia Bharat – key assumptions, SoTP and financials

Exhibit 26: DALBHARA, assumptions, March fiscal year-ends, 2019-26E (Rs mn)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E | % yoy | | | | | | | |
|--------------------------------|---------------|---------------|---------------|-----------------|---------------|---------------|---------------|---------------|-------------|------------|-------------|--------------|--------------|-----------|------------|------------|
| | | | | | | | | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
| Consolidated financials | | | | | | | | | | | | | | | | |
| Revenue (Rs mn) | 94,840 | 96,740 | 101,100 | 112,860 | 135,400 | 147,597 | 174,179 | 205,660 | 11 | 2 | 5 | 12 | 20 | 9 | 18 | 18 |
| EBITDA (Rs mn) | 19,420 | 21,060 | 27,700 | 24,310 | 23,160 | 28,062 | 36,881 | 45,411 | (5) | 8 | 32 | (12) | (5) | 21 | 31 | 23 |
| PAT (Rs mn) | 3,050 | 2,680 | 12,070 | 8,100 | 6,290 | 7,581 | 12,165 | 16,462 | 15 | (12) | 350 | (33) | (22) | 21 | 60 | 35 |
| Net debt (Rs mn) | 30,940 | 28,490 | 2,020 | (14,210) | 6,610 | 8,639 | 44,007 | 42,487 | (12) | (8) | (93) | (803) | (147) | 31 | 409 | (3) |
| Operational details | | | | | | | | | | | | | | | | |
| Capacity (mn tons) | 26.5 | 26.5 | 30.8 | 35.9 | 38.6 | 46.6 | 54.7 | 54.7 | 2 | – | 16 | 17 | 8 | 21 | 17 | – |
| Volumes (mn tons) | 18.7 | 19.2 | 20.7 | 22.4 | 25.7 | 28.5 | 32.8 | 37.7 | 10 | 3 | 8 | 8 | 15 | 11 | 15 | 15 |
| Utilisation | 70% | 72% | 67% | 63% | 67% | 61% | 60% | 69% | | | | | | | | |
| Realization (Rs/ton) | 5,077 | 5,039 | 4,884 | 5,036 | 5,268 | 5,174 | 5,309 | 5,451 | – | (1) | (3) | 3 | 5 | (2) | 3 | 3 |
| Costs (Rs/ton) | 4,037 | 3,942 | 3,546 | 3,951 | 4,367 | 4,190 | 4,185 | 4,248 | 5 | (2) | (10) | 11 | 11 | (4) | (0) | 1 |
| EBITDA (Rs/ton) | 1,040 | 1,097 | 1,338 | 1,085 | 901 | 984 | 1,124 | 1,204 | (13) | 6 | 22 | (19) | (17) | 9 | 14 | 7 |

Source: Company, Kotak Institutional Equities estimates

DALBHARA: We revise Fair Value to Rs2,100/share

Exhibit 27: DALBHARA, valuation details, March 2026E financials

| Valuation | Rs mn | Multiple | EV | |
|------------------------------|--------|----------|----------------|--------------|
| | | (X) | Rs mn | Rs/share |
| EBITDA (Rs mn) | 45,411 | 8.0 | 364,199 | 1,946 |
| Net Debt (Rs mn) | | | (42,487) | (227) |
| CWIP | | | 71,141 | 380 |
| Equity value (Rs mn) | | | 392,853 | 2,100 |
| Fair Value (Rs/share) | | | | 2,100 |

Source: Company, Kotak Institutional Equities estimates

Exhibit 28: DALBHARA, financial summary (consolidated), March fiscal year-ends, 2019-26E (Rs mn)

| | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E |
|--|----------------|----------------|----------------|-----------------|----------------|----------------|-----------------|----------------|
| Profit model (Rs mn) | | | | | | | | |
| Net sales | 94,840 | 96,740 | 101,100 | 112,860 | 135,400 | 147,597 | 174,179 | 205,660 |
| EBITDA | 19,420 | 21,060 | 27,700 | 24,310 | 23,160 | 28,062 | 36,881 | 45,411 |
| Other income | 2,440 | 2,170 | 1,810 | 1,600 | 1,380 | 2,482 | 2,039 | 2,017 |
| Interest | (5,510) | (4,150) | (3,030) | (2,020) | (2,340) | (4,013) | (4,810) | (5,810) |
| Depreciation | (12,960) | (15,280) | (12,500) | (12,350) | (13,050) | (15,712) | (16,956) | (18,518) |
| Pretax profits | 3,390 | 3,800 | 13,980 | 11,540 | 9,150 | 10,818 | 17,154 | 23,100 |
| Tax | 70 | (980) | (1,780) | (3,150) | (2,420) | (2,705) | (4,289) | (5,775) |
| Less: Minority Interest | 410 | 140 | 120 | 290 | 440 | 533 | 701 | 863 |
| Net profits | 3,050 | 2,680 | 12,070 | 8,100 | 6,290 | 7,581 | 12,165 | 16,462 |
| Extraordinary items | 30 | (440) | (360) | 60 | 4,060 | – | – | – |
| Earnings per share (Rs) | 15.9 | 14.0 | 64.5 | 43.2 | 33.6 | 40.4 | 64.9 | 87.8 |
| Balance sheet (Rs mn) | | | | | | | | |
| Equity | 390 | 390 | 370 | 370 | 370 | 370 | 370 | 370 |
| Reserves and surplus | 106,000 | 105,220 | 127,730 | 160,240 | 155,910 | 162,353 | 172,694 | 186,687 |
| Borrowings | 58,780 | 59,500 | 37,420 | 31,400 | 37,630 | 42,630 | 77,630 | 67,630 |
| Deferred tax liability | 12,790 | 12,770 | 18,150 | 15,870 | 16,340 | 16,340 | 16,340 | 16,340 |
| Current liabilities | 27,310 | 27,980 | 36,410 | 38,310 | 44,020 | 45,118 | 47,511 | 50,346 |
| Total liabilities and equity | 205,380 | 206,110 | 220,420 | 246,910 | 255,430 | 268,505 | 316,939 | 324,629 |
| Gross block | 115,700 | 117,640 | 142,160 | 159,580 | 179,490 | 226,790 | 251,790 | 276,790 |
| Net fixed assets | 90,860 | 84,190 | 98,240 | 105,340 | 114,230 | 147,818 | 157,862 | 166,344 |
| Capital work in progress | 5,200 | 17,020 | 8,690 | 10,340 | 18,590 | 1,290 | 41,290 | 46,290 |
| Cash | 4,690 | 4,030 | 2,470 | 1,600 | 2,850 | 5,821 | 5,453 | (3,027) |
| Current assets | 26,200 | 25,680 | 23,720 | 27,960 | 33,580 | 35,396 | 39,354 | 44,041 |
| Investments | 24,240 | 28,160 | 40,330 | 57,060 | 34,060 | 34,060 | 34,060 | 34,060 |
| Goodwill | 44,870 | 39,680 | 39,390 | 9,330 | 7,300 | 5,300 | 3,300 | 1,300 |
| Other Long Term Assets | 9,320 | 7,350 | 7,580 | 35,280 | 44,820 | 38,820 | 35,620 | 35,620 |
| Total assets | 205,380 | 206,110 | 220,420 | 246,911 | 255,430 | 268,505 | 316,939 | 324,629 |
| Net debt | 30,940 | 28,490 | 2,020 | (14,210) | 6,610 | 8,639 | 44,007 | 42,487 |
| Free cash flow (Rs mn) | | | | | | | | |
| Operating cash flow, excl. working capital | 19,490 | 20,080 | 23,550 | 23,950 | 23,130 | 25,357 | 32,592 | 39,636 |
| Working capital | (1,630) | 2,740 | 7,520 | (5,150) | (770) | (718) | (1,565) | (1,853) |
| Net finance costs-other income | (3,070) | (1,980) | (1,220) | (420) | (960) | (1,531) | (2,771) | (3,793) |
| Cash flow from operations | 14,790 | 20,840 | 29,850 | 18,380 | 21,400 | 23,108 | 28,257 | 33,990 |
| Capital expenditure | (9,260) | (13,450) | (10,380) | (17,690) | (27,090) | (30,000) | (65,000) | (30,000) |
| Free cash flow | 5,530 | 7,390 | 19,470 | 690 | (5,690) | (6,892) | (36,743) | 3,990 |
| Ratios | | | | | | | | |
| EV/EBITDA | 19.9 | 17.7 | 12.5 | 13.5 | 14.7 | 12.8 | 9.6 | 7.7 |
| P/E | 117.3 | 161.2 | 30.0 | 43.2 | 34.1 | 46.5 | 29.0 | 21.4 |
| P/B | 3.4 | 3.4 | 2.7 | 2.2 | 2.3 | 2.2 | 2.0 | 1.9 |
| EV/ton (US\$) | 212 | 207 | 159 | 127 | 126 | 105 | 98 | 98 |
| Net debt/equity (X) | 0.3 | 0.3 | 0.0 | (0.1) | 0.0 | 0.1 | 0.3 | 0.2 |
| Book value per share (Rs) | 554 | 550 | 685 | 857 | 834 | 868 | 923 | 998 |
| Net debt/EBITDA (X) | 1.6 | 1.4 | 0.1 | (0.6) | 0.3 | 0.3 | 1.2 | 0.9 |
| RoAE (%) | 2.9 | 2.5 | 10.3 | 5.6 | 4.0 | 4.8 | 7.2 | 9.1 |
| RoACE (%) | 3.0 | 2.8 | 8.0 | 4.9 | 3.9 | 4.6 | 6.6 | 8.0 |
| CRoCI (%) | 17.0 | 16.5 | 20.3 | 14.7 | 12.6 | 12.6 | 13.6 | 14.8 |

Source: Company, Kotak Institutional Equities estimates

Orient Cement – key assumptions, SoTP and financials

Exhibit 29: ORCMNT, assumptions, March fiscal year-ends, 2019-26E (Rs mn)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E | % change yoy | | | | | | |
|---------------------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------|
| | | | | | | | | | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
| Capacity (mn tons) | 8.0 | 8.0 | 8.0 | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | - | - | 6 | - | - | - | - |
| Utilization (%) | 80 | 73 | 63 | 64 | 68 | 74 | 82 | 88 | | | | | | | |
| Volumes (mn tons) | 6.4 | 5.8 | 5.1 | 5.5 | 5.8 | 6.2 | 6.9 | 7.5 | (10) | (13) | 8 | 5 | 9 | 11 | 8 |
| Realization (Rs/ton) | 3,925 | 4,171 | 4,599 | 4,959 | 5,084 | 5,110 | 5,199 | 5,290 | 6 | 10 | 8 | 3 | - | 2 | 2 |
| EBITDA (Rs/ton) | 487 | 660 | 1,090 | 1,079 | 633 | 681 | 755 | 776 | 36 | 65 | (1) | (41) | 8 | 11 | 3 |
| Costs (Rs/ton) | 3,446 | 3,515 | 3,512 | 3,896 | 4,467 | 4,444 | 4,460 | 4,530 | 2 | (0) | 11 | 15 | (1) | - | 2 |
| Revenues (Rs mn) | 25,222 | 24,218 | 23,241 | 27,254 | 29,375 | 32,032 | 36,177 | 39,755 | (4) | (4) | 17 | 8 | 9 | 13 | 10 |
| EBITDA (Rs mn) | 3,120 | 3,829 | 5,507 | 5,911 | 3,645 | 4,257 | 5,241 | 5,817 | 23 | 44 | 7 | (38) | 17 | 23 | 11 |
| PAT (Rs mn) | 476 | 866 | 2,142 | 2,633 | 1,228 | 1,664 | 2,408 | 2,778 | 82 | 147 | 23 | (53) | 35 | 45 | 15 |
| Net debt (Rs mn) | 12,564 | 11,811 | 6,326 | 2,517 | 3,172 | 1,803 | (370) | (4,106) | (6) | (46) | (60) | 26 | (43) | (121) | 1,010 |

Source: Company, Kotak Institutional Equities estimates

ORCMNT: We revise Fair Value to Rs210/share

Exhibit 30: ORCMNT, valuation details, March 2026E basis

| | Rs mn | Multiple | EV | |
|------------------------------|-------|----------|---------------|------------|
| | | (X) | Rs mn | Rs/share |
| Valuation | | | | |
| EBITDA (Rs mn) | 5,817 | 6.0 | 34,902 | 170 |
| Net debt (Rs mn) | | | 4,106 | 20 |
| CWIP | | | 4,000 | 20 |
| Equity value (Rs mn) | | | 43,009 | 210 |
| Fair Value (Rs/share) | | | | 210 |

Source: Company, Kotak Institutional Equities estimates

Exhibit 31: ORCMNT, financial summary, March fiscal year-ends, 2019-26E (Rs mn)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Profit model (Rs mn) | | | | | | | | |
| Net sales | 25,222 | 24,218 | 23,241 | 27,254 | 29,375 | 32,032 | 36,177 | 39,755 |
| EBITDA | 3,120 | 3,829 | 5,507 | 5,911 | 3,645 | 4,257 | 5,241 | 5,817 |
| Other income | 140 | 177 | 183 | 96 | 120 | 127 | 121 | 164 |
| Interest | (1,185) | (1,223) | (936) | (514) | (378) | (318) | (108) | (108) |
| Depreciation | (1,327) | (1,409) | (1,419) | (1,452) | (1,468) | (1,506) | (1,549) | (1,598) |
| Pretax profits | 748 | 1,374 | 3,336 | 4,040 | 1,920 | 2,560 | 3,705 | 4,274 |
| Tax | (272) | (508) | (1,194) | (1,407) | (691) | (896) | (1,297) | (1,496) |
| Net profits | 476 | 866 | 2,142 | 2,633 | 1,228 | 1,664 | 2,408 | 2,778 |
| Adjusted net profit | 476 | 866 | 2,142 | 2,633 | 1,228 | 1,664 | 2,408 | 2,778 |
| Earnings per share (Rs) | 2.3 | 4.2 | 10.5 | 12.9 | 6.0 | 8.1 | 11.8 | 13.6 |
| Balance sheet (Rs mn) | | | | | | | | |
| Equity | 205 | 205 | 205 | 205 | 205 | 205 | 205 | 205 |
| Reserves and surplus | 10,330 | 10,979 | 12,854 | 15,049 | 15,832 | 17,086 | 19,085 | 21,454 |
| Borrowings | 12,852 | 12,172 | 7,838 | 3,097 | 3,915 | 2,448 | 982 | 982 |
| Deferred tax liability | 961 | 1,219 | 1,811 | 2,517 | 2,869 | 3,253 | 3,808 | 4,449 |
| Current liabilities | 4,488 | 4,011 | 4,840 | 5,111 | 5,104 | 5,298 | 5,601 | 5,862 |
| Other Long Term Liabilities | 434 | 413 | 572 | 517 | 844 | 844 | 844 | 844 |
| Total liabilities and equity | 29,269 | 28,998 | 28,121 | 26,496 | 28,768 | 29,133 | 30,524 | 33,796 |
| Net fixed assets | 22,932 | 22,098 | 21,460 | 20,502 | 19,434 | 19,428 | 19,379 | 18,280 |
| Capital work in progress | 478 | 668 | 413 | 398 | 1,397 | 1,397 | 1,397 | 1,397 |
| Cash | 288 | 360 | 362 | 438 | 701 | 603 | 1,310 | 5,046 |
| Current assets | 4,268 | 4,487 | 3,342 | 3,791 | 5,991 | 6,460 | 7,194 | 7,827 |
| Goodwill | 613 | 584 | 613 | 591 | 603 | 603 | 603 | 603 |
| Investments | — | — | 1,151 | 142 | 42 | 42 | 42 | 42 |
| Other non current assets | 690 | 801 | 781 | 635 | 600 | 600 | 600 | 600 |
| Total assets | 29,269 | 28,998 | 28,121 | 26,496 | 28,767 | 29,133 | 30,524 | 33,795 |
| Net debt | 12,564 | 11,811 | 6,326 | 2,517 | 3,172 | 1,803 | (370) | (4,106) |
| Free cash flow (Rs mn) | | | | | | | | |
| Operating cash flow, excl. working capital | 2,848 | 3,321 | 5,496 | 5,059 | 2,851 | 3,745 | 4,500 | 4,962 |
| Working capital | (209) | (634) | 2,163 | (55) | (2,268) | (276) | (431) | (372) |
| Other income-finance costs | (1,045) | (1,046) | (752) | (419) | (258) | (191) | 13 | 56 |
| Cash flow from operations | 1,593 | 1,641 | 6,906 | 4,586 | 325 | 3,278 | 4,083 | 4,646 |
| Capital expenditure | (1,212) | (766) | (507) | (534) | (1,300) | (1,500) | (1,500) | (500) |
| Free cash flow | 381 | 874 | 6,400 | 4,052 | (975) | 1,778 | 2,583 | 4,146 |
| Ratios | | | | | | | | |
| P/E | 88.8 | 48.8 | 19.7 | 16.0 | 34.4 | 25.4 | 17.5 | 15.2 |
| EV/EBITDA | 17.6 | 14.1 | 8.8 | 7.6 | 12.5 | 10.3 | 8.0 | 6.6 |
| EV/EBITDA (ex CWIP) | 17.4 | 13.9 | 8.7 | 7.5 | 12.1 | 10.0 | 7.7 | 6.3 |
| EV/ton (US\$/ton) | 98 | 95 | 80 | 70 | 71 | 69 | 65 | 59 |
| EV/t (US\$/ton) (ex CWIP) | 97 | 94 | 80 | 69 | 69 | 66 | 63 | 57 |
| P/B | 4.0 | 3.8 | 3.2 | 2.8 | 2.6 | 2.4 | 2.2 | 1.9 |
| Net debt/equity (X) | 1.2 | 1.1 | 0.5 | 0.2 | 0.2 | 0.1 | (0.0) | (0.2) |
| Book value per share | 51 | 55 | 64 | 74 | 78 | 84 | 94 | 106 |
| Net debt/EBITDA (X) | 4.0 | 3.1 | 1.1 | 0.4 | 0.9 | 0.4 | (0.1) | (0.7) |
| RoAE (%) | 4.6 | 8.0 | 17.7 | 18.6 | 7.8 | 10.0 | 13.2 | 13.6 |
| RoACE (%) | 4.9 | 6.5 | 11.9 | 14.8 | 7.3 | 9.0 | 12.0 | 12.8 |
| CRoCI (%) | 9.5 | 10.6 | 19.9 | 18.2 | 9.5 | 11.9 | 13.6 | 14.5 |

Source: Company, Kotak Institutional Equities estimates

The Ramco Cements – key assumptions, SoTP and financials

Exhibit 32: TRCL, assumptions, March fiscal year-ends, 2019-26E (Rs mn)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E | % change yoy | | | |
|---------------------------|--------|--------|--------|--------|--------|--------|---------|---------|--------------|-------|-------|-------|
| | | | | | | | | | 2023 | 2024E | 2025E | 2026E |
| Cement capacity (mn tons) | 16.5 | 18.6 | 19.5 | 19.5 | 21.0 | 22.9 | 22.9 | 22.9 | 8 | 9 | – | – |
| Utilization (%) | 67.5 | 60.3 | 51.2 | 57.2 | 71.6 | 78.9 | 83.6 | 88.7 | 25 | 10 | 6 | 6 |
| Volumes (mn tons) | 11.1 | 11.2 | 10.0 | 11.1 | 15.0 | 18.1 | 19.1 | 20.3 | 35 | 20 | 6 | 6 |
| Realization (Rs/ton) | 4,641 | 4,811 | 5,303 | 5,389 | 5,429 | 5,123 | 5,303 | 5,462 | 1 | (6) | 3 | 3 |
| EBITDA (Rs/ton) | 939 | 1,024 | 1,561 | 1,158 | 789 | 870 | 983 | 1,071 | (32) | 10 | 13 | 9 |
| Cost/ton | 3,702 | 3,786 | 3,742 | 4,231 | 4,640 | 4,253 | 4,320 | 4,391 | 10 | (8) | 2 | 2 |
| Revenues (Rs mn) | 51,623 | 53,893 | 52,910 | 60,037 | 81,573 | 92,541 | 101,527 | 110,847 | 36 | 13 | 10 | 9 |
| EBITDA (Rs mn) | 10,445 | 11,475 | 15,573 | 12,901 | 11,856 | 15,718 | 18,815 | 21,728 | (8) | 33 | 20 | 15 |
| PAT (Rs mn) | 5,107 | 6,042 | 7,836 | 8,815 | 3,145 | 3,865 | 5,800 | 7,991 | (64) | 23 | 50 | 38 |
| Net debt (Rs mn) | 15,421 | 29,299 | 29,979 | 37,860 | 43,510 | 54,228 | 59,731 | 55,776 | 15 | 25 | 10 | (7) |
| Costs (Rs/ton) | | | | | | | | | | | | |
| Raw materials | 752 | 780 | 858 | 799 | 894 | 910 | 927 | 944 | 12 | 2 | 2 | 2 |
| Power costs | 950 | 938 | 797 | 1,247 | 1,771 | 1,382 | 1,382 | 1,382 | 42 | (22) | – | – |
| Freight costs | 1,068 | 1,016 | 1,028 | 1,090 | 1,067 | 1,078 | 1,111 | 1,144 | (2) | 1 | 3 | 3 |
| Employee costs | 304 | 340 | 420 | 429 | 321 | 294 | 306 | 318 | (25) | (8) | 4 | 4 |
| Other expenses | 628 | 713 | 639 | 667 | 587 | 589 | 595 | 603 | (12) | – | 1 | 1 |
| Total | 3,702 | 3,786 | 3,742 | 4,231 | 4,640 | 4,253 | 4,320 | 4,391 | 10 | (8) | 2 | 2 |

Source: Company, Kotak Institutional Equities estimates

TRCL: We revise Fair Value to Rs630/share

Exhibit 33: TRCL, valuation details, March 2026E basis

| | Rs mn | Multiple (X) | EV (Rs mn) | Rs/share |
|------------------------------|--------|-----------------|----------------|------------|
| Valuation | | | | |
| EBITDA (Rs mn) | 21,728 | 8.0 | 173,827 | 736 |
| Net debt (Rs mn) | | | 59,731 | 253 |
| CWIP | | | 34,595 | 145 |
| Equity value (Rs mn) | | | 148,691 | 630 |
| Fair Value (Rs/share) | | | | 630 |

Source: Company, Kotak Institutional Equities estimates

Exhibit 34: TRCL, financial summary (consolidated), March fiscal year-ends, 2019-26E (Rs mn)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|--|----------------|-----------------|----------------|----------------|----------------|-----------------|----------------|----------------|
| Profit model (Rs mn) | | | | | | | | |
| Net sales | 51,623 | 53,893 | 52,910 | 60,037 | 81,573 | 92,541 | 101,527 | 110,847 |
| EBITDA | 10,445 | 11,475 | 15,573 | 12,901 | 11,856 | 15,718 | 18,815 | 21,728 |
| Other income | 250 | 335 | 304 | 280 | 329 | 353 | 258 | 393 |
| Interest | (514) | (721) | (876) | (1,124) | (2,405) | (4,148) | (4,261) | (3,866) |
| Depreciation | (3,000) | (3,165) | (3,566) | (4,022) | (5,060) | (6,755) | (7,056) | (7,569) |
| Pretax profits | 7,181 | 7,923 | 11,435 | 8,034 | 4,720 | 5,168 | 7,756 | 10,687 |
| Tax | (2,106) | (1,879) | (3,799) | 894 | (1,300) | (1,301) | (1,952) | (2,690) |
| Net profits | 5,075 | 6,044 | 7,636 | 8,929 | 3,420 | 3,867 | 5,804 | 7,997 |
| Adjusted Net Profit | 5,075 | 6,044 | 7,636 | 8,929 | 3,420 | 3,867 | 5,804 | 7,997 |
| Earnings per share (Rs) | 21.7 | 25.6 | 33.2 | 37.3 | 13.3 | 16.4 | 24.5 | 33.8 |
| Balance sheet (Rs mn) | | | | | | | | |
| Equity | 236 | 236 | 236 | 236 | 236 | 236 | 236 | 236 |
| Reserves and surplus | 45,134 | 49,778 | 57,081 | 65,950 | 68,374 | 71,853 | 77,072 | 84,265 |
| Borrowings | 16,369 | 30,241 | 31,417 | 39,645 | 45,213 | 54,874 | 61,874 | 51,874 |
| Deferred tax liability | 8,646 | 9,122 | 10,835 | 8,223 | 9,274 | 9,274 | 9,274 | 9,274 |
| Current liabilities | 11,318 | 11,446 | 14,403 | 16,755 | 21,889 | 22,748 | 23,451 | 24,181 |
| Total liabilities and equity | 82,038 | 101,328 | 114,549 | 131,585 | 145,947 | 159,948 | 172,875 | 170,802 |
| Net fixed assets | 51,834 | 58,464 | 67,761 | 75,755 | 99,760 | 113,005 | 115,949 | 123,380 |
| Capital work in progress | 8,307 | 18,143 | 23,255 | 29,922 | 19,269 | 19,269 | 26,269 | 21,269 |
| Cash | 948 | 942 | 1,438 | 1,785 | 1,703 | 646 | 2,143 | (3,902) |
| Current assets | 12,857 | 14,816 | 13,151 | 15,289 | 17,165 | 18,979 | 20,465 | 22,006 |
| Investments | 2,320 | 2,755 | 3,070 | 2,971 | 2,727 | 2,727 | 2,727 | 2,727 |
| Other Non Current assets | 5,008 | 5,388 | 5,005 | 4,776 | 3,822 | 3,822 | 3,822 | 3,822 |
| Total assets | 82,038 | 101,328 | 114,549 | 131,584 | 145,947 | 159,948 | 172,875 | 170,802 |
| Net debt | 15,421 | 29,299 | 29,979 | 37,860 | 43,510 | 54,228 | 59,731 | 55,776 |
| Free cash flow (Rs mn) | | | | | | | | |
| Operating cash flow, excl. working capital | 8,339 | 9,596 | 11,774 | 13,795 | 10,556 | 14,417 | 16,863 | 19,039 |
| Working capital | (975) | (2,934) | 5,068 | (163) | 2,510 | (955) | (782) | (811) |
| Net finance cost/ income | (265) | (386) | (573) | (844) | (2,076) | (3,794) | (4,003) | (3,473) |
| Cash flow from operations | 7,100 | 6,276 | 16,269 | 12,788 | 10,990 | 9,668 | 12,077 | 14,754 |
| Capital expenditure | (12,017) | (19,195) | (17,659) | (18,166) | (17,658) | (20,000) | (17,000) | (10,000) |
| Free cash flow | (4,917) | (12,919) | (1,390) | (5,378) | (6,668) | (10,332) | (4,923) | 4,754 |
| Ratios | | | | | | | | |
| P/E | 37.6 | 31.6 | 25.0 | 21.4 | 56.0 | 49.5 | 33.0 | 23.9 |
| EV/EBITDA | 19.8 | 19.2 | 14.2 | 17.8 | 19.8 | 15.6 | 13.4 | 11.4 |
| EV (US\$/ton) | 179 | 167 | 153 | 158 | 139 | 133 | 134 | 132 |
| P/B | 4.2 | 3.8 | 3.3 | 2.9 | 2.8 | 2.7 | 2.5 | 2.3 |
| Net debt/equity (X) | 0.3 | 0.6 | 0.5 | 0.6 | 0.6 | 0.8 | 0.8 | 0.7 |
| FCF Yield % | (2.6) | (6.8) | (0.7) | (2.8) | (3.5) | (5.4) | (2.6) | 2.5 |
| Book value per share | 193 | 212 | 243 | 280 | 290 | 305 | 327 | 358 |
| Net debt/EBITDA (X) | 1.5 | 2.6 | 1.9 | 2.9 | 3.7 | 3.5 | 3.2 | 2.6 |
| RoAE (%) | 11.7 | 12.7 | 14.2 | 14.5 | 5.1 | 5.5 | 7.8 | 9.9 |
| RoACE (%) | 9.2 | 8.9 | 9.5 | 10.1 | 4.5 | 5.6 | 6.6 | 7.7 |
| CRoCI (%) | 10.2 | 11.3 | 12.7 | 9.5 | 8.9 | 8.8 | 9.4 | 10.0 |

Source: Company, Kotak Institutional Equities estimates

Nuvoco Vistas Corp – key assumptions, SoTP and financials

Exhibit 35: Nuvoco: Key assumptions, March fiscal year-ends, 2019-26E (Rs mn)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E | % yoy | | | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|-------------|--------------|-------------|------------|-------------|-----------|
| | | | | | | | | | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
| Consolidated financials | | | | | | | | | | | | | | | |
| Revenue (Rs mn) | 70,521 | 88,098 | 74,888 | 93,180 | 105,862 | 110,407 | 121,089 | 133,392 | 25 | (15) | 24 | 14 | 4 | 10 | 10 |
| EBITDA (Rs mn) | 9,177 | 16,804 | 14,605 | 15,016 | 12,104 | 16,129 | 18,141 | 20,048 | 83 | (13) | 3 | (19) | 33 | 12 | 11 |
| PAT (Rs mn) | (265) | (115) | (259) | 321 | 159 | 1,078 | 3,414 | 4,955 | (56) | 125 | (224) | (51) | 580 | 217 | 45 |
| EPS (Rs) | (1) | (0) | (1) | 1 | – | 3 | 10 | 14 | (64) | 73 | (209) | (51) | 580 | 217 | 45 |
| Net debt (Rs mn) | 45,012 | 39,524 | 67,301 | 50,642 | 44,146 | 40,402 | 35,315 | 38,519 | (12) | 70 | (25) | (13) | (8) | (13) | 9 |
| Operational details | | | | | | | | | | | | | | | |
| Capacity (mtpa) | 13.7 | 22.3 | 22.3 | 23.8 | 23.8 | 25.0 | 25.0 | 25.0 | 63 | – | 7 | – | 5 | – | – |
| Volumes (mn tons) | 12.7 | 17.3 | 15.9 | 17.8 | 18.8 | 19.1 | 20.5 | 22.1 | 37 | (8) | 12 | 5 | 2 | 7 | 8 |
| Utilization (%) | 93 | 78 | 71 | 75 | 79 | 76 | 82 | 88 | | | | | | | |
| Realization (Rs/ton) | 5,566 | 5,092 | 4,710 | 5,226 | 5,631 | 5,772 | 5,916 | 6,034 | (9) | (8) | 11 | 8 | 3 | 2 | 2 |
| Costs (Rs/ton) | 4,842 | 4,121 | 3,791 | 4,384 | 4,987 | 4,929 | 5,030 | 5,127 | (15) | (8) | 16 | 14 | (1) | 2 | 2 |
| Raw materials | 1,140 | 808 | 759 | 772 | 950 | 997 | 1,027 | 1,058 | (29) | (6) | 2 | 23 | 5 | 3 | 3 |
| Power costs | 1,085 | 969 | 853 | 1,178 | 1,485 | 1,218 | 1,242 | 1,267 | (11) | (12) | 38 | 26 | (18) | 2 | 2 |
| Freight costs | 1,565 | 1,383 | 1,276 | 1,403 | 1,499 | 1,567 | 1,598 | 1,630 | (12) | (8) | 10 | 7 | 4 | 2 | 2 |
| Employee costs | 301 | 291 | 303 | 325 | 322 | 361 | 371 | 378 | (3) | 4 | 7 | (1) | 12 | 3 | 2 |
| Other Expenses | 751 | 671 | 600 | 705 | 731 | 786 | 791 | 795 | (11) | (11) | 18 | 4 | 8 | 1 | – |
| EBITDA (Rs/ton) | 724 | 971 | 919 | 842 | 644 | 843 | 886 | 907 | 34 | (5) | (8) | (24) | 31 | 5 | 2 |

Source: Company, Kotak Institutional Equities estimates

NUVOCO: We revise Fair Value to Rs340/share

Exhibit 36: Nuvoco, valuation details, March 2026E financials

| Valuation | Rs mn | Multiple | EV | Rs/share |
|------------------------------|--------|----------|----------------|------------|
| | | (X) | Rs mn | |
| EBITDA (Rs mn) | 20,048 | 8.0 | 160,386 | 449 |
| Net debt (Rs mn) | | | (38,519) | (109) |
| Equity value (Rs mn) | | | 121,867 | 340 |
| Fair value (Rs/share) | | | | 340 |

Source: Company, Kotak Institutional Equities estimates

Exhibit 37: Nuvoco, financial summary (consolidated), March fiscal year-ends, 2019-26E (Rs mn)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Profit model (Rs mn) | | | | | | | | |
| Net sales | 70,521 | 88,098 | 74,888 | 93,180 | 105,862 | 110,407 | 121,089 | 133,392 |
| EBITDA | 9,177 | 16,804 | 14,605 | 15,016 | 12,104 | 16,129 | 18,141 | 20,048 |
| Other Income | 538 | 485 | 338 | 372 | 132 | 305 | 116 | 168 |
| Interest | (4,569) | (7,805) | (6,640) | (5,699) | (5,119) | (5,460) | (3,987) | (3,711) |
| Depreciation | (4,979) | (7,608) | (7,938) | (9,180) | (9,511) | (9,533) | (9,707) | (9,881) |
| Profit before tax | 166 | 1,876 | 365 | 509 | (2,394) | 1,442 | 4,564 | 6,624 |
| Current tax | (642) | (622) | (465) | (521) | (29) | (363) | (1,150) | (1,669) |
| Deferred tax | 211 | (1,370) | (160) | 333 | 6,640 | (6) | (18) | (26) |
| Net profit | (265) | (115) | (259) | 321 | 4,217 | 1,072 | 3,395 | 4,928 |
| Adjusted PAT | (265) | (115) | (259) | 321 | 159 | 1,078 | 3,414 | 4,955 |
| Earnings per share (Rs) | (1) | (0) | (1) | 1 | 0 | 3 | 10 | 14 |
| Balance sheet (Rs mn) | | | | | | | | |
| Equity | 49,883 | 52,793 | 73,237 | 88,212 | 88,390 | 89,468 | 92,882 | 97,837 |
| Borrowings | 46,259 | 44,633 | 76,420 | 53,988 | 46,177 | 41,177 | 38,677 | 41,177 |
| Current liabilities | 17,678 | 17,671 | 23,946 | 27,830 | 34,286 | 34,127 | 35,759 | 37,639 |
| Other current liabilities | 4,867 | 4,929 | 6,663 | 7,577 | 9,125 | 9,125 | 9,125 | 9,125 |
| Deferred tax liabilities | 13,930 | 14,418 | 18,810 | 18,540 | 11,899 | 11,899 | 11,899 | 11,899 |
| Total liabilities | 132,617 | 134,443 | 199,075 | 196,148 | 189,877 | 185,797 | 188,343 | 197,677 |
| Fixed assets | 74,511 | 75,263 | 93,242 | 97,851 | 93,872 | 91,839 | 85,132 | 78,251 |
| Capital work-in-progress | 6,049 | 6,470 | 12,358 | 3,988 | 5,941 | 4,441 | 9,441 | 24,441 |
| Goodwill | 24,439 | 24,439 | 57,212 | 56,235 | 55,755 | 55,755 | 55,755 | 55,755 |
| Investments | 4,557 | 1 | 3,848 | 1,856 | 1 | 1 | 1 | 1 |
| Cash | 1,247 | 5,109 | 5,278 | 1,491 | 2,032 | 775 | 3,362 | 2,658 |
| Other current assets | 20,051 | 20,753 | 16,003 | 22,579 | 23,207 | 23,916 | 25,582 | 27,501 |
| Other non current assets | 1,765 | 2,409 | 11,135 | 12,148 | 9,071 | 9,071 | 9,071 | 9,071 |
| Total assets | 132,617 | 134,443 | 199,075 | 196,148 | 189,877 | 185,797 | 188,343 | 197,677 |
| Net debt | 45,012 | 39,524 | 67,301 | 50,642 | 44,146 | 40,402 | 35,315 | 38,519 |
| Free cash flow (Rs mn) | | | | | | | | |
| Operating profit before working capital changes | 5,133 | 8,815 | 7,754 | 9,655 | 7,665 | 10,611 | 13,121 | 14,836 |
| Working capital | (242) | (2,009) | 3,044 | (2,534) | 4,777 | (867) | (34) | (39) |
| Cash from operations | 4,892 | 6,807 | 10,798 | 7,121 | 12,442 | 9,744 | 13,086 | 14,796 |
| Capital expenditure | (5,808) | (5,695) | (5,473) | (4,106) | (4,863) | (6,000) | (8,000) | (18,000) |
| Free cash flow | (917) | 1,112 | 5,325 | 3,016 | 7,579 | 3,744 | 5,086 | (3,204) |
| Ratios | | | | | | | | |
| EV/EBITDA | 11.4 | 6.7 | 11.1 | 10.5 | 12.5 | 9.1 | 7.8 | 7.3 |
| P/E | (226) | (629) | (364) | 334 | 675 | 99 | 31 | 22 |
| P/B | 1.2 | 1.4 | 1.3 | 1.2 | 1.2 | 1.2 | 1.2 | 1.1 |
| EV/ton (US\$) | 108 | 69 | 97 | 88 | 79 | 74 | 71 | 73 |
| FCF Yield (%) | (1.5) | 1.5 | 5.6 | 2.8 | 7.1 | 3.5 | 4.8 | (3.0) |
| Book value (Rs/share) | 249 | 218 | 232 | 247 | 247 | 250 | 260 | 274 |
| RoAE (%) | (0.5) | (0.2) | (0.4) | 0.4 | 0.2 | 1.2 | 3.7 | 5.1 |
| RoACE (%) | 3.6 | 7.2 | 3.5 | 3.2 | 1.4 | 3.7 | 4.5 | 5.2 |
| CRoCI (%) | 7.1 | 11.5 | 9.9 | 9.5 | 12.0 | 9.6 | 10.2 | 10.8 |
| Net debt/EBITDA (x) | 4.9 | 2.4 | 4.6 | 3.4 | 3.6 | 2.5 | 1.9 | 1.9 |

Source: Company, Kotak Institutional Equities estimates

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ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

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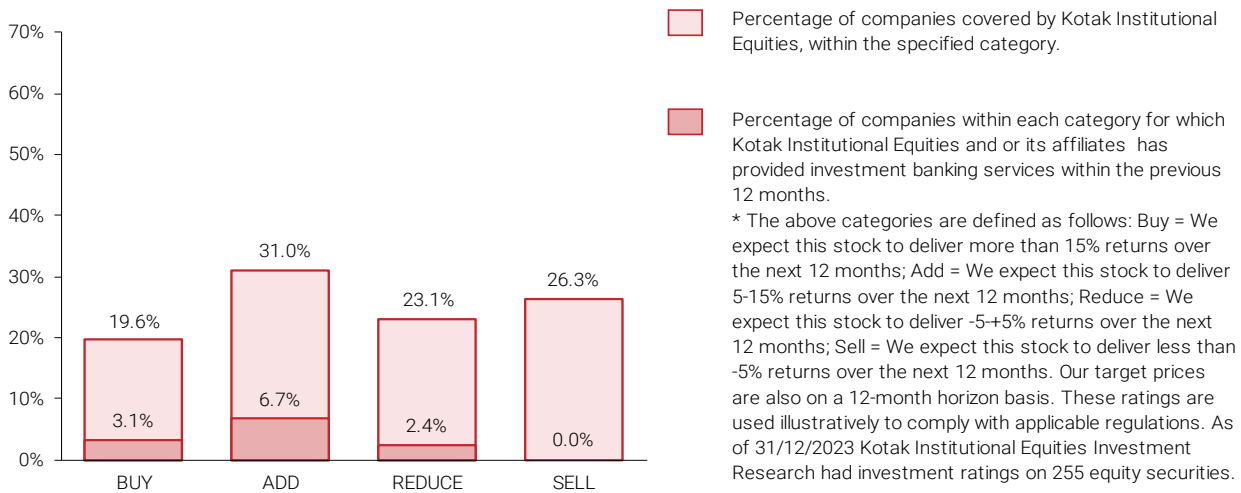
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