Orient Cement Ltd

Be a part of premiumization play; Re-initiate with Buy rating

Re-initiating Coverage
8th May 2023

Orient Cement Ltd

Be a part of premiumization play

CMP: INR 127

Rating: BUY

Target Price: INR 190

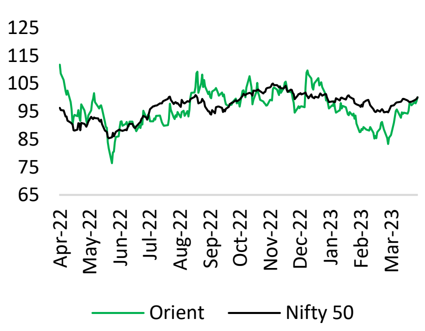
Stock Info	
BSE	535754
NSE	ORIENTCEM
Bloomberg	ORCMNT IN
Routers	ORCE.BO
Sector	Cement
Face Value (INR)	1
Equity Capital (INR mn)	204.9
Mkt Cap (INR mn)	26100
52W H/L (INR)	148/95

Shareholding Pattern %
(As on March 2023)

Promoters	37.90
Public & Others	62.1

Stock Performance (%)	1m	3m	12m
Orient Cement Ltd.	5.93	3.54	-1.04
Nifty 50	3.44	1.86	10.93

Orient Cement VS Nifty



Abishek Jain
abhishek.jain@arihantcapital.com
022 67114872

Anupama Bhootra
anupama_bhootra@arihantcapital.com

Orient Cement Limited (OCL) is a mid-sized (8.5 MT) cost-efficient player in the cement space. It's cement plants are in Devapur, Telangana (3 MT integrated), Chittapur, Karnataka (3MT integrated), Jalgaon and Maharashtra (2 MT grinding unit). The company derives revenues largely from Maharashtra (50%), Telangana, Karnataka and MP markets. It also has 95 MW power plant (95 MW CPP) that makes it self-sufficient in terms of power requirements.

We re-initiate our coverage on Orient Cement Limited (OCL) with BUY rating and a Target Price of INR 190/share, implying an upside of 49.6% from current levels. We believe OCL is well-placed to take advantage of robust cement demand in its operating regions by leveraging its planned capacity expansion, better monitoring of cost drivers and improving financials.

Capacity Expansion OCL is expanding its cement grinding capacity from present 8.5 mntpa to 11.5 mntpa in order to cater to the rising demand in its operating regions. The company is planning to construct an additional kiln at Chittapur to add 3 mnt capacity. Devapur brownfield expansion will happen once the grinding unit is in place.

Cost efficiency: Although OCL is a mid-sized cement company, it stands as one of the lowest cost producers of cement in India owing to its proximity to raw material resources, captive power plants (95 MW) and other operational advantages. It sources limestone for cement from nearby mines with sufficient reserves to support operation for the next 35-40 years.

Premiumization strategy played well: The company's focus on the premiumization strategies has resulted in the higher sale of premium cement Birla A1 Strongcrete. The premium brand pricing is generally INR 45 plus OPC prices for Orient Cement. It is famously known as monsoon cement also and can enable constriction in pouring rain too which is a huge USP for the company. In Q3FY23 premium products contributed 15% and in Q4FY23 it was up to 22% of trade sales.

Budget (FY23-24) positive impact on Cement Industry: The infrastructure focused Union Budget 2023 is expected to boost cement demand, which is expected to grow by 9% to over 425 MT in FY24. In 2023-2024 the Government has increased capital investment outlay by 33% to INR 10,000 Bn. The budget is favourable for the cement industry because the indirect benefits of the government's push for affordable housing and the rise in infrastructure development will lead to robust demand for cement. FY23 may experience robust 10% YoY demand growth and 9% YoY in FY24, led by pre-election spending and strong traction in infrastructure activities.

Outlook & Valuations: We believe OCL is well-placed to take advantage of a revival in the cement demand in its operating regions by leveraging its planned capacity expansion, close proximity to raw materials, higher share of trade as compared to non-trade and lower lead distance to keep production costs lower than industry average. The company is doing well in premium products with 22% contribution to trade sales in Q4FY23.

At a CMP of INR 127 stock is trading at a EV/EBIDTA multiple of 5.1(x) and 4.3(x) to its FY24E and FY25E. We value the stock at a EV/EBIDTA of 5.9(x) to its FY25E EBITDA of INR 7,885 mn and re-initiate coverage on Orient Cement Limited (OCL) with a BUY recommendation and a Target Price of INR 190/share, implying an upside of 49.6%.

Financial Performance

In INR Mn	Net Sales	EBITDA	PAT	EBITAM	ROE	EPS	EV/EBITDA (x)
FY22	27252	5909	2631	21.68%	17%	12.83	4.87
FY23	29375	3646	1229	12.41%	8%	6.00	8.04
FY24E	33579	6212	2913	18.50%	15%	14.21	5.14
FY25E	38466	7885	3705	20.50%	16%	18.07	4.26

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Investment Rationale

Capacity expansion to drive growth

With a CPP of 50 MW, the Devapur facility has an integrated cement capacity of 3 MT. The high-quality limestone reserve belt is 2 kilometers away and Singareni offers linkage coal. Thermal power plant of NTPC is where fly ash is sourced from, both are roughly 50 kilometres apart. There is 2 MT grinding unit at Jalgaon factory, it obtains fly ash from the NTPC Bhusawal thermal power plant, which is around 20 kilometres away from the plant. With 45 MW CPP and 6 MW WHRS, the Chittapur plant has a 3 MT integrated cement capacity.

Expanding plant capacities: OCL is a mid-sized cement company with a strong market position in its operating regions. The company has 3 cement manufacturing plants with 2 Integrated units and 1 split grinding unit located in South and West India. Currently, it is in the process of expanding its grinding capacity from the present 8 mntpa to 11.5 mntpa. They are proposing to expand their Devapur plant capacity further by setting up 3 mntpa clinker lines, 1 mntpa additional grinding unit and 2 mntpa split grinding unit at Tiroda near Devapur, taking the total capacity to 11.5 mntpa. But in Feb 2023, the company announced that they are not pursuing Tiroda project further as they are not able to obtain the required MIDC clearances for sub-leasing the land parcel required for the Cement Grinding Unit (CGU) due to some legal issues.

The brownfield expansion project in the Karnataka region will not only increase the company's production capacity but also help in improving its operational efficiency. This will also enable Orient Cement to cater to the growing demand for cement in the southern region of the country.

Setting up a WHRS plant: In addition to the capacity additions, OCL is also setting up a WHRS plant of 9 MW at the proposed location and the management expects the work on the projects to start within few months. These capacities are expected to get operational in FY24. Total Capex for the project is approximately INR 20 Bn and will be funded through internal accruals and debt.

Greenfield expansion in Rajasthan: The company is exploring opportunities to further enhance its capacity by setting up a greenfield project in Rajasthan. This stands dependent on the transfer of mines from Orient Paper & Industries to Orient Cement Limited. The management indicated that post-receiving necessary regulatory approvals, they will take up the project on a priority basis. It is going to be minimum 3 year project but currently the company is looking for land acquisition and post that only any announcement will happen.

The above expansions will help the company to maintain the price premium and strengthen its product portfolio. In light of the positive outlook on the cement demand, the company expects to witness robust growth led by various Government initiatives and projects. We expect the company to do well in Non-Trade segment with muted growth in trade segment for which there is a need to build up on additional clinker capacities in Chittapur plant.

MMDR Impact: The company is exploring opportunities to further enhance its capacities through greenfield project in Rajasthan. This is dependent on transfer of mines from Orient Paper to Orient Cement. The recent changes in the MMDR Act in 2021 do not require transfer charges to be paid which will help in cost effectiveness and speeding up the process when mines are transferred.

Investment Rationale Continued

Structural Cost advantage:

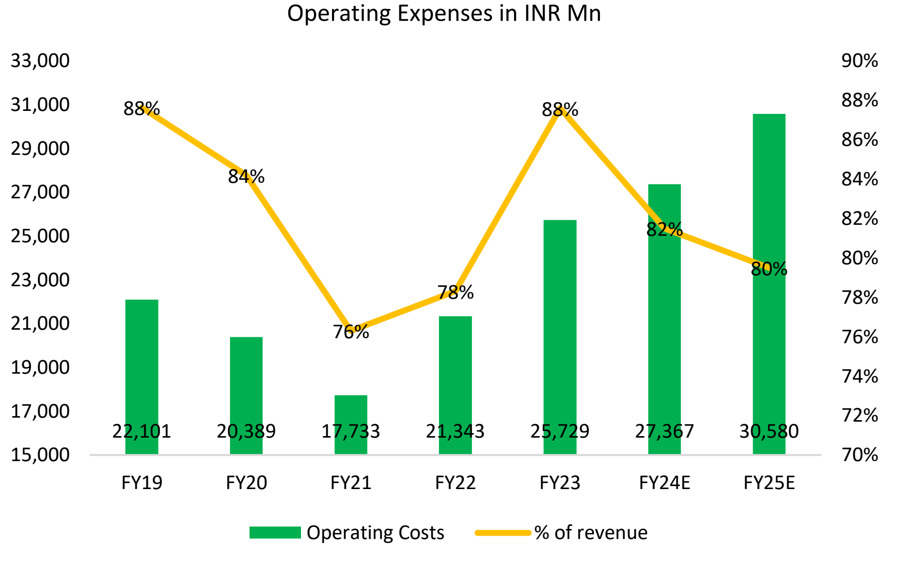
% of operating costs to revenue to decline in medium term over FY24E:

We anticipate a drop in operating expenses by 1-2% in next few quarters after reaching a peak in 2QFY23. From FY21, the price of raw materials has increased by about INR 200/mt. Because of decreased inbound freight costs, lower slag and fly ash prices, we anticipate some stabilization in RM costs. Since July 2022, fuel prices in India have stayed stable, and some moderation in diesel costs is anticipated as crude oil prices continue to decline globally. Also, the majority of cement businesses are aiming to shorten lead times and increase rail shipments, which will lower freight costs by at least INR 50–60/mt. Power & Fuel costs, which rose sharply during Q1FY23 and Q2FY23, have declined by 10% MoM in Feb 2023.

Petcoke prices experienced a dramatic increase in Q2/Q3FY23, forcing cement producers to switch back to imported coal because it was less expensive on a INR/kcal basis. However, due to climate-related production disruptions in several coal-producing countries and geopolitical tensions between Russia and Ukraine, in FY23, coal prices increased to levels previously unheard-of, compelling Europe to buy coal instead of gas. The industry is switching back to petcoke as a result of the price increase that rendered imported coal more expensive on a INR/kcal basis once more. Although domestic coal is still the cheapest in terms of rupees per kilocalorie, it is not always readily available. In fact, dispatches of coal to the non-power sector virtually ceased around the close of FY22 and the beginning of FY23 since the stockpile at power plants was critically low.

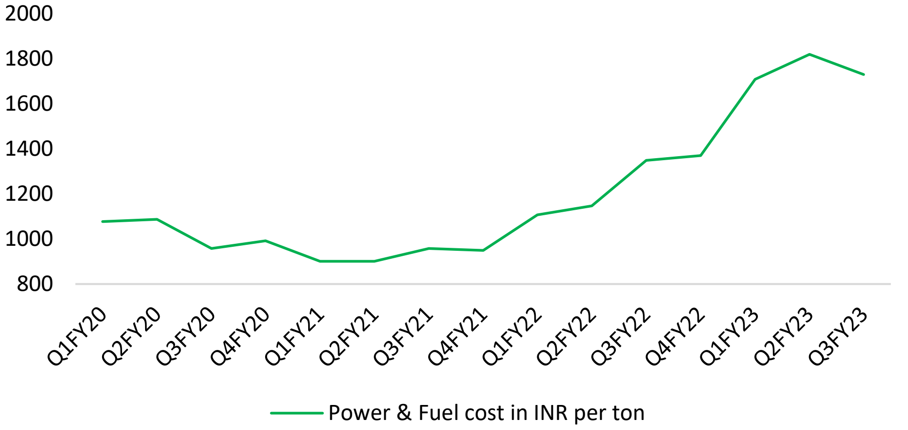
Since Coal India Ltd. has raised production and dispatches to meet the demand for power, we anticipate a return to normalcy in coal deliveries to the non-power sector this year.

Total operating cost of orient cement had come down over period of FY19-FY21 but in FY22 the operating costs have increased by ~2% YoY. For FY23 costs increased by 10% due to higher RM, power and fuel costs. Power and Fuel cost is one of the major cost component in total operating cost which has spiked substantially, currently the power and fuel costs showing declining trend but the company should witness lower operating costs in FY24E as compared to FY23 as they have stock of higher costs which they will be able to consume by Q4FY23. Also, the WHRS capacity at the Chittapur plant will get operational in Q4FY23 and will saving costs to the tune of INR 300 Mn.



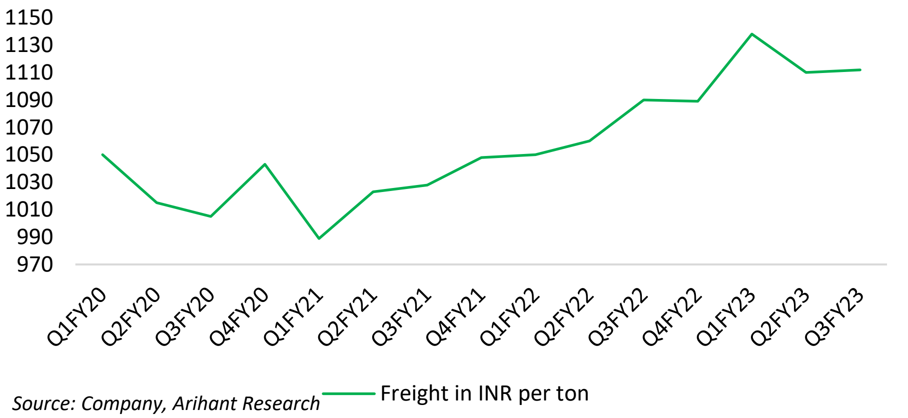
Source: Company, Arihant Research

Power & Fuel costs cooling off, imported coal prices down by 17.9% MoM at INR 136/t in Feb 2023



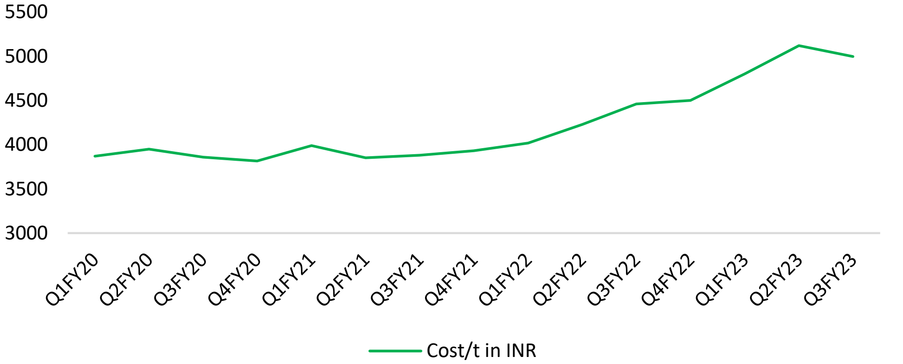
Source: Company, Arihant Research

Overall Freight index increased by 1% MoM (USD/t) in Feb 2023



Source: Company, Arihant Research

Overall Coal prices on downward trend, diesel prices are stable and freight index increased by 1%, so the cost showing some relief which will lead to better profitability.

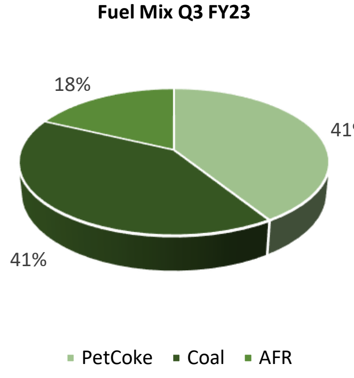


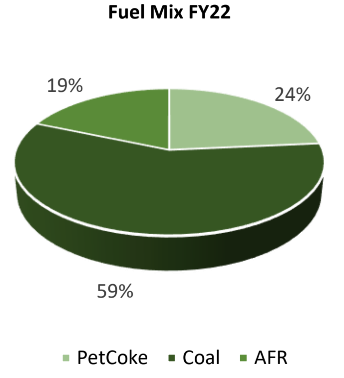
Source: Company, Arihant Research

Investment Rationale Continued

Lowest cost producers of cement: Despite being a mid-sized Cement company, OCL has managed its cost structure well owing to which it is one of the lowest-cost producers of cement in India. In a competitive and capital-intensive business, success is derived from the ability to maximize asset utilization on one hand and superior operational efficiencies on the other. OCL has been successfully strengthening this culture of resource-optimization through innovation and continuous improvement.

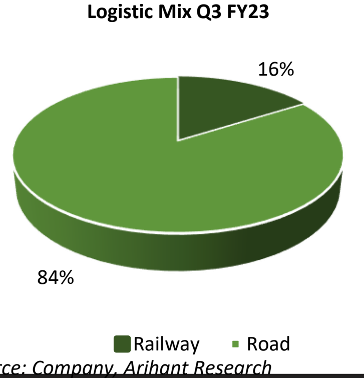
Focus on manufacturing excellence and optimizing fuel mix: Over the years, OCL has consistently implemented improvement strategies as part of manufacturing excellence focusing on areas such as clinker factor reduction, energy efficiency improvements, fuel mix optimization, and higher usage of alternative fuels & raw materials. The company's fuel mix in Q4FY22 stood at 59% (domestic linkage: 51%, international coal: 8%) coal and 24% petcoke. Sitapur plant largely runs on petcoke and Telengana plant largely runs on domestic coal. Overall, the company is divided equally into domestic coal and petcoke and 17% AFR. AFR usage led to savings of INR 100 Mn in Q3FY23 quarter.

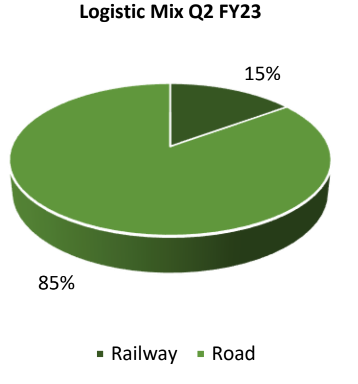




Source: Company, Arihant Research

Optimizing logistic costs: Logistic costs are critical to maintain an optimum cost structure and to address the same in the current scenario of rising diesel prices, it reduced delivery turnaround time and focused on limiting the average delivery distance to around 300 km from its plants in Q3FY23. Besides, the company optimized road-based deliveries through competitive freight negotiation, reverse logistics, and increased direct dispatch. The company has also increased cement despatches through the railway. The current road and railway mix stood at 84:16 in Q3FY23 as against 85:15 in Q2FY23.

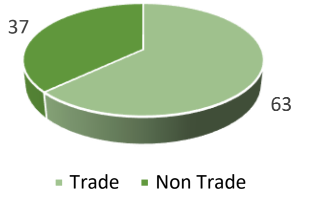




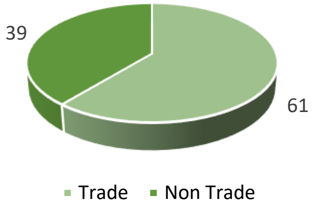
Source: Company, Arihant Research

Trade and Non Trade Mix

in % (FY22)



in % (FY21)



Source: Company, Arihant Research

Investment Rationale Continued

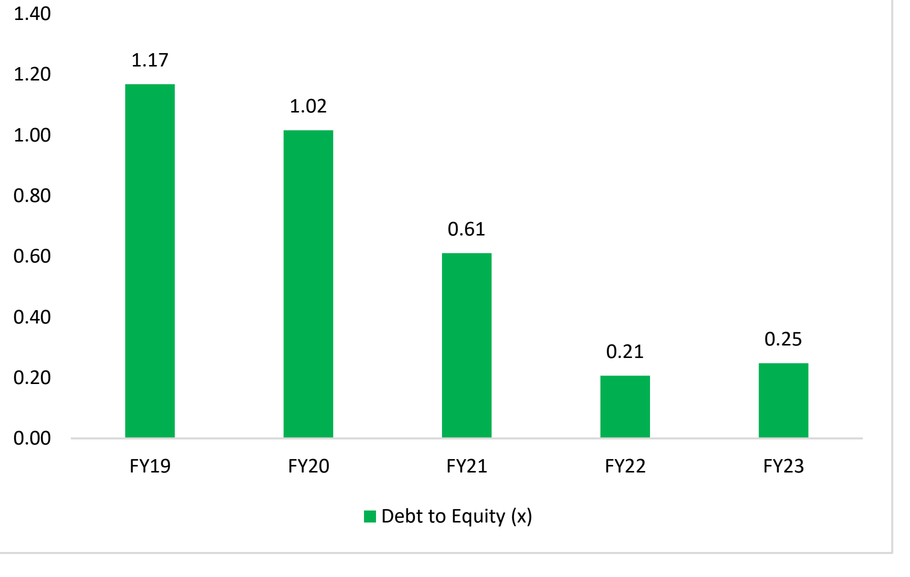
Focus on premium cement and improving financials to support future growth

Launch of Premium cement: OCL introduced premium Cement brand Birla A1 strong Crete in 2019. Consistent investment in brand building strengthened customer loyalty and helped establish the premium offering of Birla A1 strongcrete as a premium product best suited for load-bearing concrete structures.

Increasing focus on premium products: During FY20, OCL launched premium cement brand Birla A1 strongcrete in more markets, supported by reader-friendly content to educate consumers about the brand's differentiation and Its value-proposition as a premium product was addressed through various platforms. These efforts resulted in a higher sale of premium cement within two years of launch. Currently, premium cement forms 9% of overall trade sales and the company aims to take the same to 15% in few years. The price difference between premium and normal cement is INR 35- INR 40 per bag.
Total trade segment sale was 63% in FY22 for the year vs 61% in FY21. In Q3FY23 the blended sales were at 53% and OPC (or unblended sale) was at 47% levels.

Strengthening balance sheet: Loan repayments have led to an improvement in debt/equity and interest coverage ratio. The continuous deleveraging of the balance sheet augurs well for the company as the current debt/ equity ratio stands at 0.2x in FY22 from 0.6x in FY21 and with further capacity expansion on the cards, strengthening the balance sheet in a cyclical cement industry provides operational comfort while supporting future growth. We expect the capital structure of the company to remain healthy over the medium to long term. During FY 2021-22, net debt was reduced by 61%, strengthening Balance Sheet and creating comfortable headroom for planned future growth. The debt/equity ratio for FY22 reduced further to 0.2x along with reduction in cost of debt from 8.3% in FY21 to 6.1% in FY22. In FY21 the Net debt stood at INR 6,200 Mn which was reduced to INR 2,429 Mn in FY22.

Capex reduced in order to repay loan: In FY23 the company is expected to spend INR 1,500 Mn vs the guidance of INR 8,000 Mn and FY24 capex will be decided by the end of FY23 depending on utilization levels and demand scenario. The demand scenario is expected to be robust so the company may think of installing additional line in Devapur plant on which the company is yet to make any formal announcement.



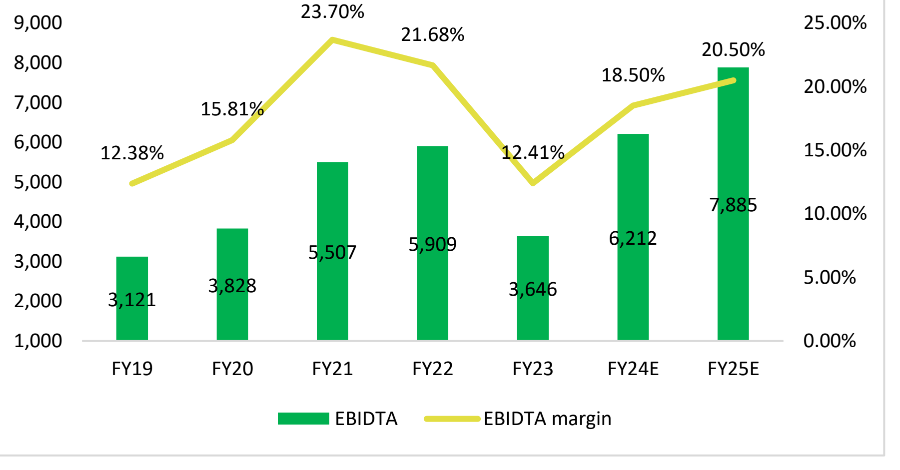
Source: Company, Arihant Research

Investment Rationale Continued

Orient focusses more on better yielding markets:

The strategy of Orient has been to deliver to better yielding markets than more sales, the main markets of Orient are Maharashtra, South and Central India. The market mix in Q4FY22 stood at Maharashtra 53%, South 37% and Central region 10% of total sales. In Q3FY23 the company did more volumes in Maharashtra which contributed 56% due to better traction and the realizations were also better.

EBIDTA margins to witness substantial expansion: In the backdrop of these initiatives coupled with rising demand in cement consumption, Pet coke, coal and fuel cost are expected to come down. We expect EBIDTA margins to grow from 12.4% in FY23 to 15.5% by FY24E. EBIDTA/tonne stood at INR 631, down by -34.8% YoY/+141% QoQ in Q3FY23 due to adverse product mix, escalated prices slight increase in lead distance and higher rail dispatches. Going forward, we expect the coal prices to decline and stabilise and stability in other input costs but the benefit will be visible in Q1 or Q2 of FY24.



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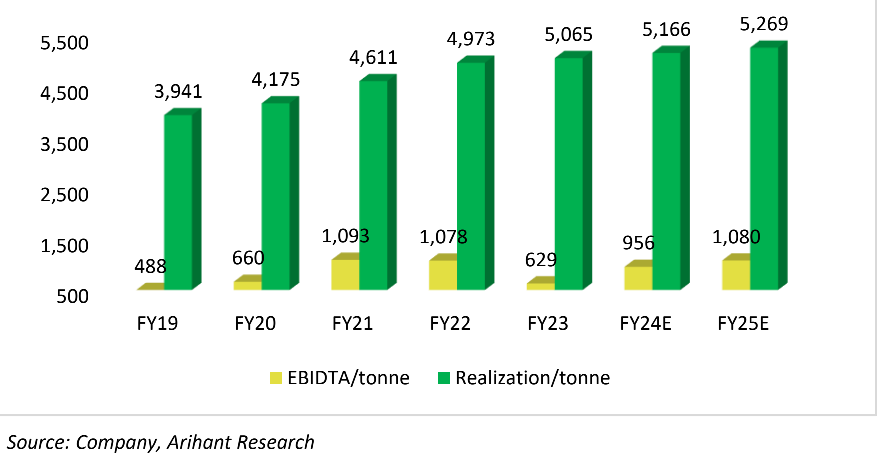


Source: Company, Arihant Research

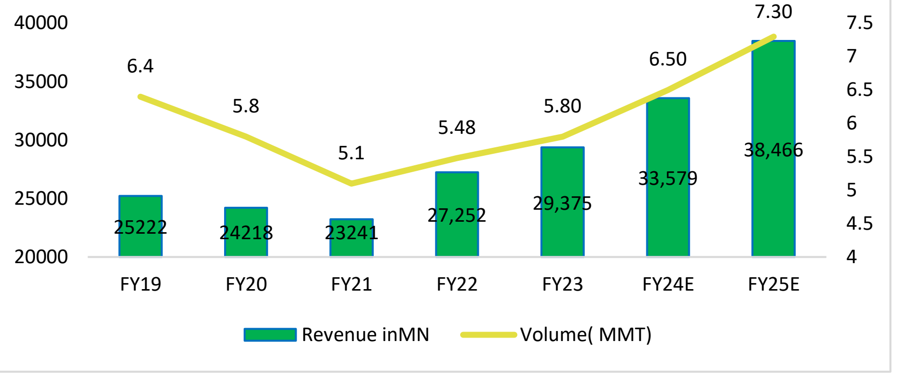
Dedicated Freight Corridor:

Motto is reducing the travel time between importing and consumption points, the dedicated freight corridor (DFC) aims to help the Indian Railways recoup lost freight share and force the cement industry to adjust its logistics plans. As a result, once the DFC is put into operation, rail will gain some market share from roads, which have outperformed rail over the past ten years.

Investment Rationale Continued

Revenue expected to grow at a CAGR of 9.40% over FY22-FY25E: We expect cement industry to witness 8-9% demand CAGR over FY22-FY24E driven by increased government spending in pre-election year, revival of urban real estate sector and Government's increased focus on rural infrastructure development.

We expect Orient Cement revenue from operation to grow at CAGR of 9.40% over period FY22-FY25E to INR 38,466 Mn backed by increasing demand scenario led by increasing government capex in Telangana region and pre-election spending likely to keep cement demand higher. Company has strong distribution network with more than 3,000+ dealers. Company has strong presence in Telegana, Karnataka and Maharashtra region. It has also ventured into newer markets and widened its footprint across South Karnataka, South Gujarat, and West Madhya Pradesh. **The cement industry has grown by 10% YoY/8% QoQ and Orient Cement has shown a growth of 17% YoY/15% QoQ in Q3FY23.**



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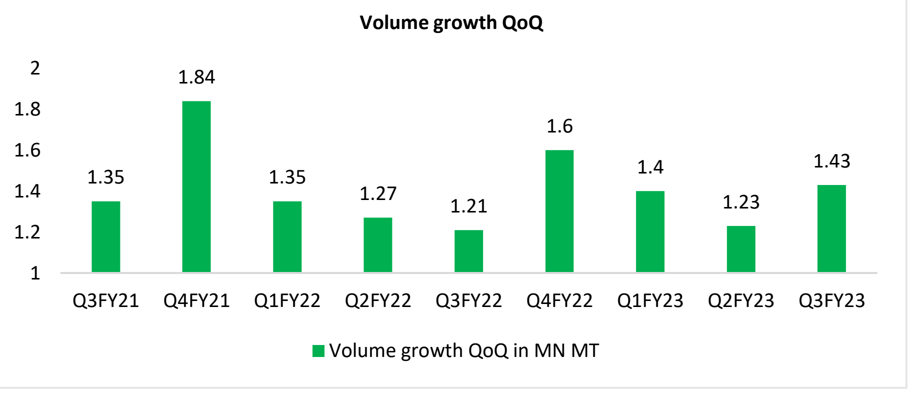

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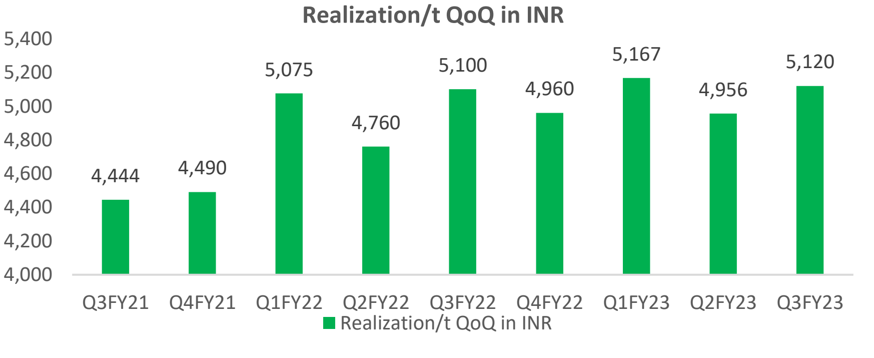


Source: Company, Arihant Research

Investment rationale continued:

Industry wide opportunity:

Budget (FY23-24) impact on Cement Industry:

The infrastructure focused Union Budget 2023 is expected to boost cement demand, which is expected to grow by 9% over to over 425 MT in FY2024. In 2023-2024 the Government has increased capital investment outlay by 33% to INR 10,000 Bn. The budget is favourable for the cement industry because the indirect benefits of the government's push for affordable housing and the rise in infrastructure development spending will be more than offset by the increase in fuel prices brought on by higher clean energy cess and customs duties on imported coal. The "PM Gati Shakti - National Master Plan (NMP)" for multimodal connectivity was presented by the Indian government in October 2021. UDAN, Bharatmala, Sagarmala, inland waterways, dry/land ports, and Sagarmala are just a few examples of the infrastructure projects from many Ministries and State Governments that will be included. Economic zones such fisheries clusters, textile clusters, pharmaceutical clusters, defence corridors, electronic parks, industrial corridors, and agricultural zones will be covered in order to promote connectivity. Road infrastructure was given USD 26.74 billion in the Union Budget 2022–23, and rail infrastructure was given USD 18.84 dollars and in 2023-2024 budget this was increased to highest-ever outlay for Railways at INR 2,400 Bn. As part of the PM Awaj Yojna, outlay enhanced by 66% to over INR 790 Bn. As a result, the demand for cement will rise led by all of these measures. The government has also identified 100 transport infrastructure projects for end-to-end connectivity with investment of INR 750 Bn. India's cement demand is expected to increase to 419.92 mt by FY 2027.

Government Capex: Higher allocation for infrastructure– USD 26.74 billion in roads and USD 18.84 billion in railways is likely to boost demand for cement. Under the housing for all segment, 8 million households will be identified according INR 4,800,000 mn (USD 6.44 billion) set aside for PM Awas Yojana. The government approved an outlay of INR 1,991,070 Mn (USD 26.74 billion) for the Ministry of Road Transport and Highway.

Industry Tailwinds

- Private spending and capital formation have mostly driven Indian economic growth in FY23.
- GDP growth in FY24 is projected to be between 6.0 and 6.8%;
- Increasing average monthly gross GST collection will support healthy spending in the run-up to the general elections in 2024;
- While the expectation of an end to the rate-hike cycle and decreasing inflation are supportive to GDP, geopolitical risks and the global recession remain important concerns.

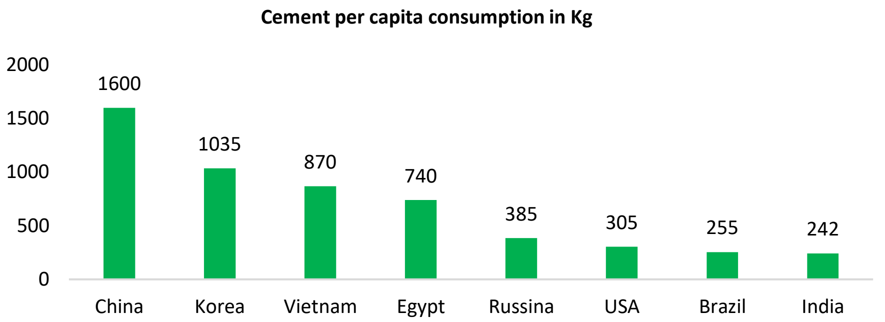
Volume and demand growth drivers

- The housing demand to remain strong on account of rapid urbanization, rising per capita income and family nuclearization.
- A record number of new investments have been announced by the private sector, helped by improved balance sheets and growing capacity utilization.
- Better winter crops, higher reservoir levels, and labour-intensive infrastructure projects will increase rural demand.
- Disposable income to increase with change in income tax slab.
- In October 2021, Prime Minister, Mr. Narendra Modi, launched the 'PM Gati Shakti - National Master Plan (NMP)' for multimodal connectivity. Gati Shakti will bring synergy to create a world-class, seamless multimodal transport network in India. This will boost the demand for cement in the future.

Investment rationale continued

Low penetration of cement consumption in India

India continues to have one of the lowest per capita cement consumption rates in the world, with an increase in consumption by barely 5% during the past 20 years. Housing demand may continue to be robust over the coming years given the rising trend of fast urbanization and the nuclearization of families.



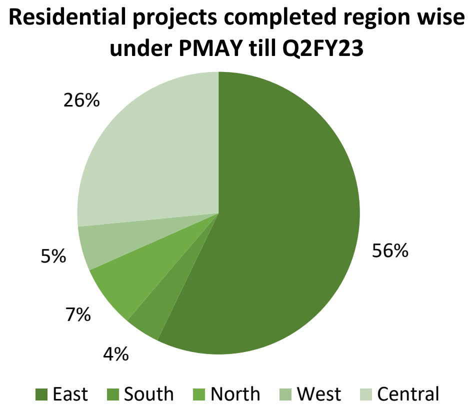
Source: Company, Arihant Research

Demand could surprise with ~9% CAGR over next 2 years

Over the coming years, cement demand may continue to be strong, supported by government spending on affordable housing and infrastructure development, a better outlook for the urban real estate market, stable demand for rural housing, and a revival of corporate capex spending on industrial and commercial sectors. Over the next two to three years, India's cement industry may have average demand increase of 8% to 9% CAGR, leading to higher usage rates. The majority of demand drivers are expected to be favorable, and FY23 may experience robust 10% YoY demand growth and 9 percent YoY in FY24, led by pre-election spending and strong traction in infrastructure A robust demand trend in FY24E may possibly be boosted by increased government infrastructure spending as a result of the May 2024 general elections.

Housing activities on rise

The growth of rural dwelling construction during the last five years should continue. Almost 20 million homes have been completed under the Pradhan Mantri Awas Yojana (PMAY)- Grameen plan, albeit this figure is still below the target. The goal of the Ministry of Rural Development is to reach 30 million homes. The number of dwellings finished under the PMAY-Urban project has also steadily increased to over 6.3 million, but it is still less than the 12 million houses allowed under the scheme. The government allotted INR 480 billion in the Union Budget 2022–23 for the construction of 80 lakh homes for PMAY–Urban and PMAY–Grameen.



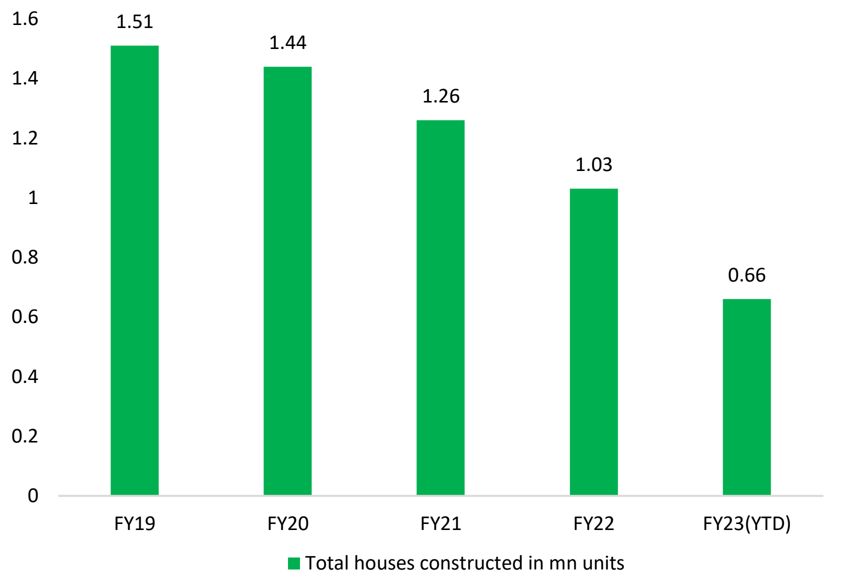
Source: Company, Arihant Research

Investment rationale continued

PMAY-Urban construction till date in Mn Units

Total Houses sanctioned	Total houses grounded	Total houses constructed	Total houses under construction
• 12.05 mn units	• 10.66 mn units	• 6.55 mn units	• 4.11 mn units

Source: Industry Data, Arihant Research



Source: Industry Data, Arihant Research

New Airports

Ude Desh ka Aam Naagrik (UDAN) aims to complete 220 destinations (airports, heliports, and water aerodromes) with 1,000 routes by 2026 in order to connect the country's unconnected destinations by air. 68 additional airports will be built as a result of this. As a result, airports are anticipated to contribute to the demand outlook.

Metro activities to continue throughout the country

By 2027, India hopes to have metro rail in 27 cities, up from the current 20. The Metro Rail Policy, 2017 was established to institutionalise a comprehensive policy for establishing an enabling environment for the extension of the metro rail system across the country, as more cities strive to make the metro rail system their major means of urban transit. There were 248 kilometres in the nation's metro network as of 2014. The country now has a 773 km long metro network. In order to create the pillars, station buildings, underground tunnels, and flyovers necessary for the metro, a sizable amount of cement and concrete will be needed.

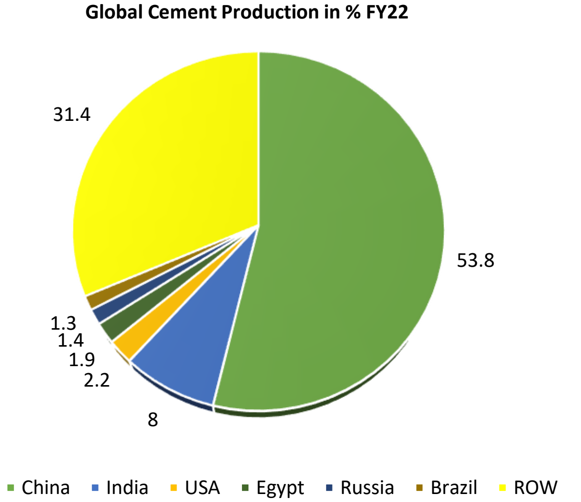
Cement industry outlook

India is the second largest cement producer in the world. The Indian cement industry is a vital part of the economy and provides employment, directly or indirectly, to more than a million people. According to the Budget of FY22, the Indian Cement Industry has an installed capacity of approximately 545 million tonnes comprising over 250 large cement plants. The share of the top 5 players in the industry has grown to ~50.5% led by consolidation and higher organic growth by large players. Driven by its foray into value-added products such as RMC and white cement, the industry has diversified a little. The Indian cement industry is likely to add ~80 million tonnes (MT) capacity by FY24, the highest since the last 10 years, driven by increasing spending on housing and infrastructure activities.

Since cement is a bulk good and requires a lot of freight, it is economically unviable to transport it over long distances, hence the industry is dominated by regional companies. Thus, industry has historically been primarily a regional game. The majority of major and minor players are expanding into more recent areas. As its Gulbarga unit in Karnataka was commissioned in 2018–19, Shree Cement expanded into southern markets. Shree Cement has plants in every area of India now that it has completed the completion of its Pune (Patas) plant in Maharashtra in fiscal year 22. Dalmia Bharat, a company mostly centered in the south and east, has plants operational in the west. They have been awarded limestone mines in Rajasthan and intend to establish an integrated operation there as well. A south-based company called Penna cement currently supplies its grinding facility in Maharashtra and packing plants in eastern states with material from its port-based factory in Krishnapatnam, Andhra Pradesh. Together with Shree Cement, Ultratech and ACC continue to be the only two companies fully present across all five regions of India. Nonetheless, there are a few of companies like Ambuja Cements, India Cements, and Jaypee that have sales presence in every place. In the long run, we anticipate more players to become pan-India players in order to lessen concentration risk and increase sales volume. Pan-India players have a reduced concentration risk.

Profitability took a hit on players in fiscal 2022 on back of soaring power and fuel cost and higher raw material costs

India is the second largest producer in the world but is highly underpenetrated as compare to other nations.

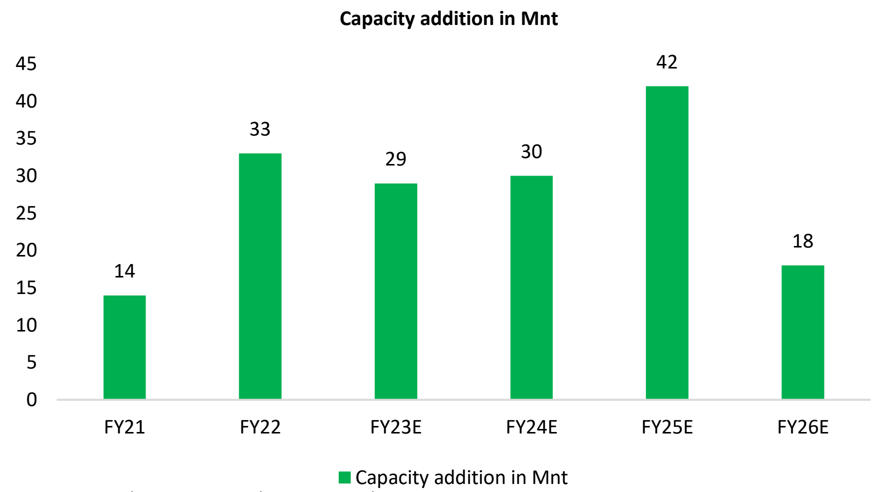


Source: Industry Data, Arihant Research

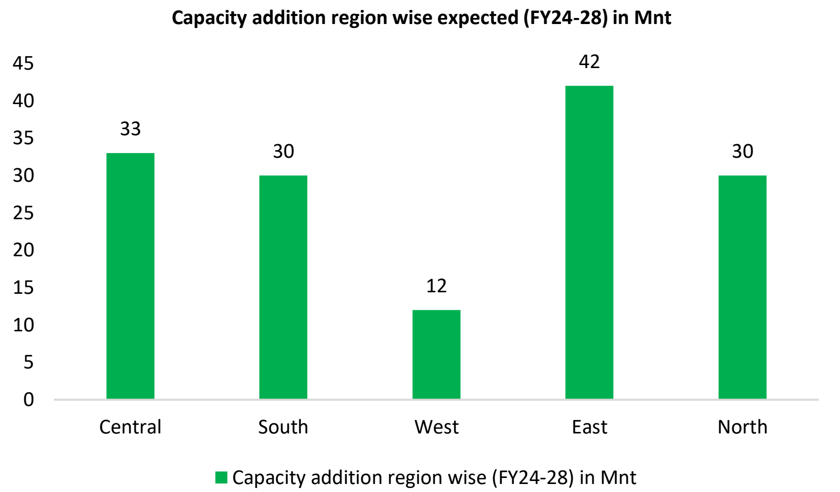
Cement industry outlook

Capacity addition:

A wave of capacity addition announcements by cement manufacturers, particularly large firms, has been sparked by an improving demand outlook over the medium term and a push to increase market share. The sector is anticipated to add 145–155 million tonne per annum (MTPA) of grinding capacities over the fiscal years 2024–28, bringing the nation's total installed capacity to 74–755 MTPA by the fiscal year 2028, with a capacity utilization rate of 71–73%.



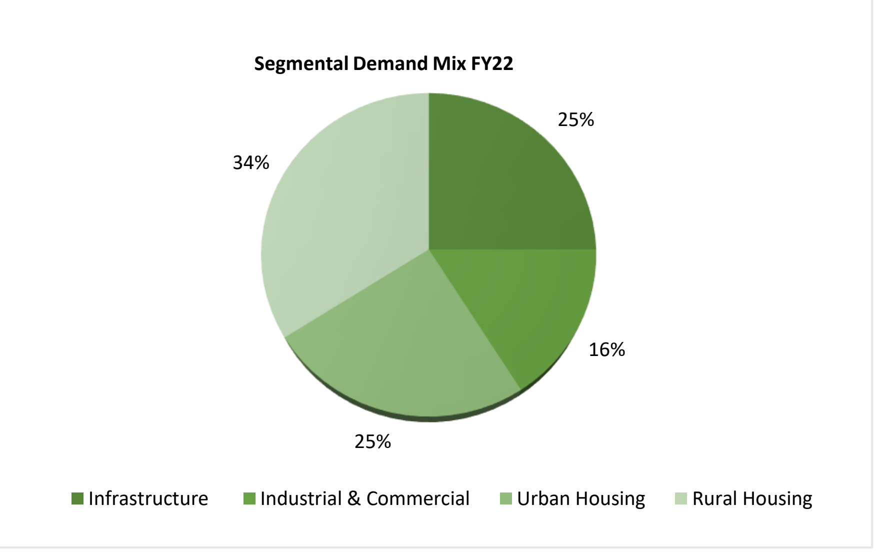
Source: Industry Data, Arihant Research



Source: Industry Data, Arihant Research

Cement industry outlook

In order to develop the country's infrastructure, the Indian government has undertaken several projects related to the construction of roads and highways, both in the rural and urban areas, along with the development of industrial hubs in different parts of the country. These schemes and initiatives are together expected to drive the growth of the Indian cement industry, since it is one of the primary materials for the successful execution of such projects. The Pradhan Mantri Awas Yojana aims to provide affordable housing for all in over 4000 towns across India. This is likely to provide the necessary push to the affordable housing segment and boost the growth of the construction sector, which would lead to an increase in demand for cement, hence helping it grow further.



Source: Industry Data, Arihant Research

State Wise Cement Demand in MT			
State	Zone	FY21	FY26E
Jharkand	East	9.1	14.5
odisha	East	14.5	23
Bihar	East	17.5	26.5
West Bengal	East	21.5	31
Chattisgarh	East	9.8	13.5
Gujarat	West	23	30.5
Rajasthan	North	22.8	30
Punjab	North	9.1	10.5

Source: Industry Data, Arihant Research

Cement sector outlook

Investment in sector by Government

The budget represents the fourth year in a row that the government has significantly boosted capital expenditure. The revised capital spending for FY23 is INR 7.3 trillion, which is a 23% increase over FY22. The government has set aside Rs 10 trillion, or 33%, for capital expenditures in FY24. We anticipate that cement demand will expand going forward as a result of this considerable and sustained increase in capital spending.

FY23-24 Budgeted Government capex

Major schemes (INR Bn)	FY22	FY23BE	FY24BE
Jal Jeevan Mission	631	600	700
Pradhan Mantri Gram Sadak Yojna	140	190	190
AMRUT and Smart Cities Mission	139	141	160
Metro Projects	233	191	195
National Highways Authority of India	571	1340	1622
Road Works	662	646	1077
Pradhan Mantri Awas Yojna	900	480	796
MNREGA	985	730	600
Total	**4261**	**4318**	**5340**

Source: Industry data, Arihant research

Major development in cement Industry

The Adani Group through its special purpose vehicle Endeavour Trade and Investment has completed the acquisition of Ambuja Cements and ACC. With this, it has become the second largest cement player in India. The transaction involved the acquisition of Holcim's stake in Ambuja and ACC along with an open offer in both entities. The value of the Holcim stake and open offer consideration for Ambuja Cements and ACC is USD 6.50 billion. The board of Ambuja Cements approved an infusion of INR 200 Bn into Ambuja by way of preferential allotment of warrants.

In June 2022, UltraTech Cement approved INR 128.8 Bn (USD 1.65 bn) capital expenditure to increase capacity by 22.6MTPA through brownfield and greenfield projects.

Road Ahead

The eastern states of India are likely to be the newer and untapped markets for cement companies and could contribute to their bottom line in future. In the next 10 years, India could become the main exporter of clinker and gray cement to the Middle East, Africa, and other developing nations of the world.

Cement plants near the ports, for instance the plants in Gujarat and Visakhapatnam, will have an added advantage for export and will logistically be well armed to face stiff competition from cement plants in the interior of the country. India’s cement production capacity is expected to reach 550 MT by 2025.

A number of foreign players are also expected to enter the cement sector owing to the profit margins and steady demand.

Factors Affecting Pricing Scenario

Cement is manufactured in huge quantities and cement transportation is very difficult and greatly raises the overall cost. So, any increase in fuel prices will have a significant effect on cement pricing. The cement factory is powered by thermal energy from coal. In light of this, the cost of cement is significantly influenced by both transportation and power. The continued rise in the price of coal and fuel was influenced by the conflict between Russia and Ukraine. Companies have raised the price of cement to counteract the inflationary pressures brought on by coal and gasoline. Because the price rise was insufficient to balance the inflation, the margins for the bulk of the companies were still hurt. In the ensuing quarters, we should continue to see cement price rise.

Products

Brands

Company Background

Orient Cement, set up in 1979, was formerly a part of Orient Paper and Industries. It commenced cement production in the year 1982 at Devapur in Adilabad district, Telangana. The company was demerged in 2012 and has made considerable progress since to emerge as India's one of the most efficient cement producers.

The company has two integrated cement plants at Devapur (3.4 mntpa Clinker and 3.0 mntpa grinding capacity), Chittapur (2.1 mntpa Clinker and 3.0 mntpa grinding capacity), and one split grinding unit at Jalgaon (2 mntpa capacity). It has a captive power plant at two of its locations Devapur (50 MW) and Chittapur (45 MW). The company's limestone mines are located in near-proximity areas.

Key Managerial Person

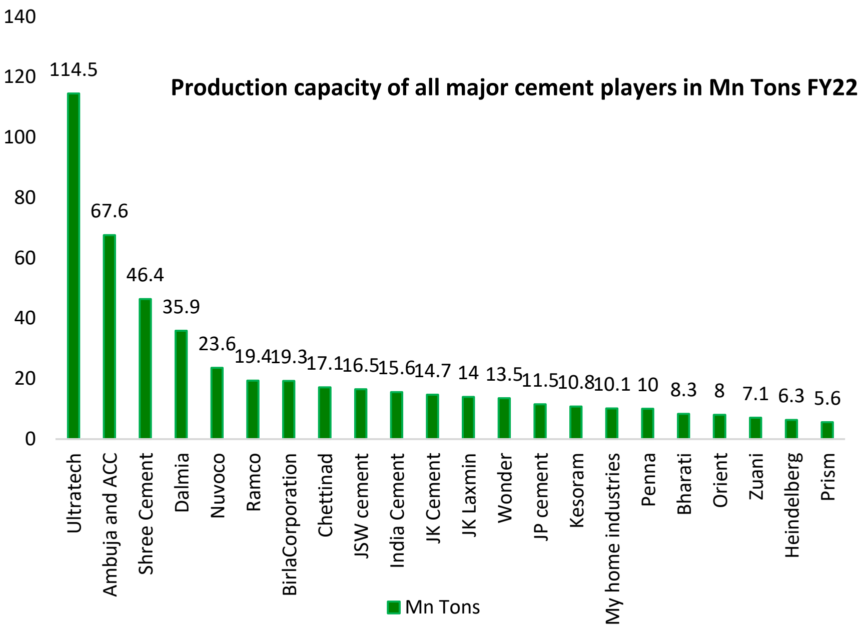
Person Name	Designation
Mr CK Birla	Chairman
Mr Desh Deepak Khetrapal	MD & CEO
Mr Sumitra Bhattacharyya	CFO

Key Risks

- **Slow expansion as compared to its peers:** The company is slow in executing its expansion plans, looking at the expected robust demand coming up, the company may loose on the opportunity to tap the same.
- **Excess cost conscious:** The company at times becomes excess cost conscious in terms of lead distance and good pricing and better realization markets, this may hit the volumes adversely.
- **Regional demand-supply dynamics**: Being a regional play, the regional cement demand-supply dynamics may adversely impact the company's realization levels and consequently its profitability. Adverse and unforeseen changes such as demand slowdown may lead to non-absorption of the extended capacity, owing to which our earnings estimate may render inaccurate. To mitigate regional dynamics risk, the company is expanding its capacity to further strengthen its presence in existing markets along with expanding into newer markets.
- **Industry Cyclicality**: The cement industry is highly cyclical and depends largely on the economic growth of the country with a significant correlation with GDP growth. Hence, any slowdown in the country's economic growth or economic contraction may hamper the prospects of the cement industry and thereby the company. However, OCL's robust presence and strong brand recall in its key markets of Maharashtra and Telangana, and improving control over operating costs provide OCL insulation from this risk to some extent.
- **Fluctuation in input prices**: Fluctuation in input costs such as coal, pet coke, limestone, fly ash & slags, and power & fuel may affect the cost.

Peers

The cement industry has grown by 10% YoY/8% QoQ and orient cement has shown a growth of 17% YoY/15% QoQ in Q3FY23.
The top five players in cement sector contribute 46% of total capacity which is driven by consolidation and growth by large players.
Orient is one of the best performing companies when it comes to return on equity and cost optimization as compared to its peers. Orient Cement strikes right balance between volumes and operating cost by keeping close watch on its lead distance and maintaining required trade and non trade ratios to keep up with healthy realizations.
In terms of capacity, the company has been slow majorly to pay off part debt but if they catch up with the industry capacity addition rate they will be able to gain from the upcoming expected robust demand.
Major cement players in India with capacities as on FY22 are shown in the below chart.



Source: Industry data, Company, Arihant Research

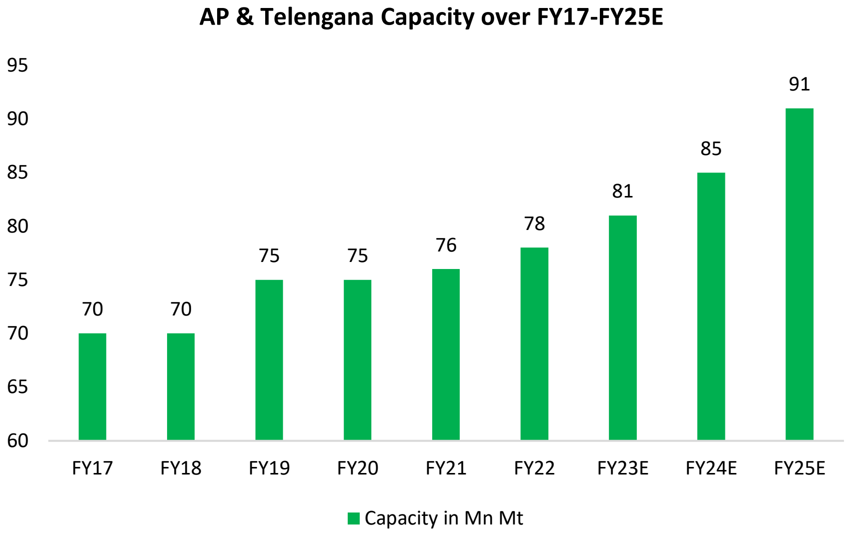
Peers comparison FY22

Company Name	CMP(INR)	MCap Mn	ROE in %	NP in INR Mn	Sales in INR Mn	Debt to Equity(x)
Orient Cement	**109.2**	**22,371.70**	**17.25**	**2630**	**27250**	**0.2**
UltraTechCement	7,102.00	20,50,223.70	14.56	72650	525980	0.2
Shree Cements	25,260.00	9,11,399.70	13.35	23360	150090	0.12
Ambuja Cements	356.15	7,07,187.50	7.44	22370	309820	0
ACC	1,756.95	3,29,932.80	13.01	18510	161510	0
Nuvoco Vistas	335.00	11950	0.4	550	73420	0.6

Source: Industry Data, Arihant Research

Capacity addition in Andhra Pradesh and Telengana

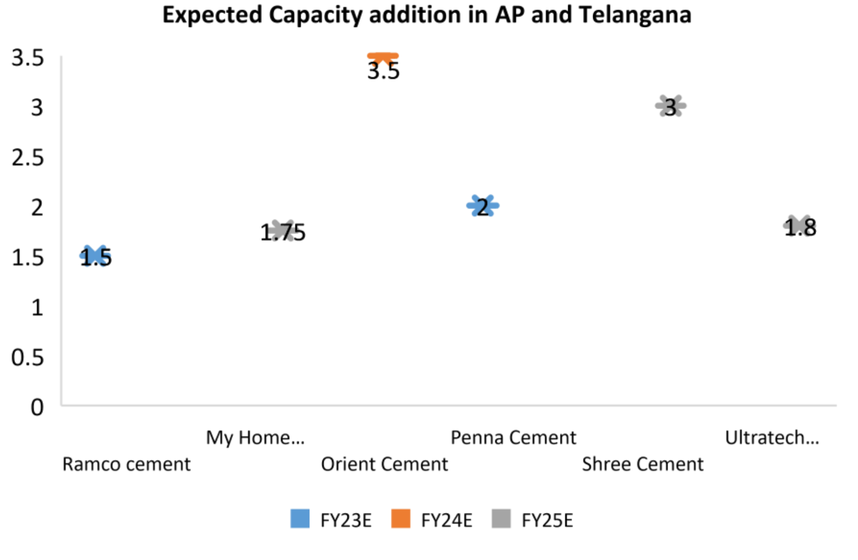
The AP and Telangana markets witnessed capacity addition of just 8 mn mt over the past 5 years from FY17-22. However, over the next three years, till FY25E, the region will see addition of more than 13mn mt of capacity, which is 17% of its total capacity as on FY22. Although the region's demand growth has lately accelerated, weak utilization is still a problem, and with excess supply expected over the next three years, competition is set to get more intense.



Source: Industry data, Company, Arihant Research

Expected Capacity addition by major cement companies in AP and Telangana

Orient Cement has kept its expansion plans on hold for now, we expect the company to add 3.5 mn mt by FY24E to meet the demand, looking at the expected robust demand scenario, we will get more clarity on expansion front post Q4 FY23 results.



Source: Industry data, Company, Arihant Research

Q4FY23 Results

Income statement summary

INR mn	Q4FY23	Q4FY22	Q3FY23	YOY	Q0Q
Net Revenue	**8,760**	**8,038**	**7,322**	***9.0%***	***19.6%***
Operating Costs	6,196	5,320	5,183	***16.5%***	***19.5%***
Employee cost	372	339	425	*9.7%*	*-12.5%*
Other Expenses	797	845	811	*-5.7%*	*-1.7%*
EBITDA	**1,395**	**1,534**	**903**	***-9.1%***	***54.5%***
EBITDA margin %	*15.9%*	*19.1%*	*12.3%*	*-316bps*	*359bps*
Depreciation	365	366	370	*-0.3%*	*-1.4%*
EBIT	**1,030**	**1,168**	**533**	***-11.8%***	***93.2%***
Other Income	48	20	11	***142.4%***	*336.4%*
Finance cost	95	49	97	*93.9%*	*-2.1%*
Exceptional Item	-	-	-	-	-
PBT	**983**	**1,139**	**447**	***-13.7%***	***119.9%***
Tax Expense	309	406	171	*-23.9%*	*80.7%*
Effective tax rate %	31.4%	35.7%	38.3%	*-422bps*	*-682bps*
PAT	**674**	**733**	**276**	***-8.0%***	***144.2%***
PAT margin %	*7.7%*	*9.1%*	*3.8%*	*-142bps*	*392bps*
EPS (Rs)	**1.83**	**4.37**	**3.57**	***-58.1%***	***-48.7%***

Source: Company Reports, Arihant Research

Q4FY23 Results

Revenue from operations at INR 8760mn up by 9% YoY/+19.6%QoQEBITDA at INR 1395 mn down by 9% YoY/+54% QoQ ad margins recorded at 15.9% contracted by 316 bps YoY/+359 bps QoQ. PAT stood at INR 674 mn down by 8% YoY/+144% QoQ.

Operating costs at INR 6196 mn which increase by 16.5% YoY/19.5% QoQ due to elevated fuel prices during the year.

Employee cost and other cost declined sequentially, finance cost too declined sequentially as the company is on the spree of paying off debt.

Orient Cement Ltd maintained its margins despite elevated fuel costs and other input cost, posted decent topline numbers backed by good demand in southern region. Going ahead, volumes are expected to be good as there will be increased infrastructure activities across markets in India and the southern region has taken a price hike of INR 30-35 per bag in April 2023 which will improve the profitability further.

Q4FY23 results

Con Call KTAs

Premiumisation has played well

Guidance for FY24 The company has guided for 6.3 to 6.5 mnt of volumes; EBITDA/t of about INR 1050/t for FY24.

Demand The company mentioned that there has been robust demand in B2B segment and dramatic growth of demand in Mumbai and Pune markets but degrowth in trade segment. Currently, in month of April there was degrowth of demand on MoM basis.

Trade and Non Trade OPC sales up to 43% due to which the capacity and operations changed, the clinker capacity utilisation increased to 98% in Q4FY23, also OPC consumes more of fuel and power so the cost also got inflated little bit. Trade down to 51% in Q4FY23 down by 10% YoY/-10% QoQ and nontrade sales grew significantly.

Premium products strong crete has been up by 17% YoY in volumes, the company also launched orient green in H2FY23 which is ~INR20 less than the strong crete in pricing but the positioning is more sustainable. The total growth in premium segment is 22% YoY which will help the company to have good pricing power. The company has increased price of premium product by INR 10 per bag.

Capacity utilisation, expansion and capex The company would need to add clinker capacity at Chittapur plant in order to accommodate increasing demand in B2B segment. In April, Chittapur plant was shutdown for maintenance purpose for 3 weeks, the affect of which will be subdued volumes from those markets and inflated cost due to maintenance in the next quarter.

The company did INR 130cr capex in FY23, plans to do capex of INR 1000-1050cr in FY24-FY25 which will include Chittapur capacity expansion, deposit to forest ministry in Devapur and land acquisition in Rajasthan if any. The Chittapur currently has a capacity of 3mtpa with additional kiln construction the capacity will go up to 6mtpa. The Devapur will not happen unless and until grinding unit under construction comes into picture.

Operating costs and Margins at INR 6196 mn which increased by 16.5% YoY/19.5% QoQ due to elevated fuel prices during the year. Employee cost and other cost declined sequentially, finance cost too declined sequentially as the company is on the spree of paying off debt. The company is moving towards lower cost alternative fuel which will lead to savings of INR 40 cr for the year. The margins were down YoY mainly due to higher fuel costs and realisations were flattish.

The company reported its results for the quarter 4 of FY23. Revenue from operations as well as volumes saw a healthy growth. EBITDA per tonne has improved sequentially.

The brand and positioning strategy for the company has worked well with further increase in prices of premium products. The company has got good traction from western markets, especially from Mumbai and Pune markets. Going forward, the company expects to do well on premium products with robust increase in B2B demand.

Scenario analysis

Demand

We are expecting industry demand to grow by 8-9% in Fy24 led by increased government spending, primarily across its flagship schemes such as PM Gati Shakti and National Infrastructure Pipeline and efforts to complete key infra projects ahead of elections in 2024, also being a pre-election times FY24 is expected to generate higher incremental growth driven by government spending and push on infra and housing.

As per the Union Budget 2022-23, the government approved an outlay of INR 199,107 cr (US$ 26.74 billion) for the Ministry of Road Transport and Highways.

Orient cement Ltd caters majorly to west and south markets. Currently, the demand in western markets specially Mumbai and Pune has been robust and the company witnessed good traction from these markets for non-trade segment. The demand in south is subdued, there has been upward trend in rural demand along with good traction in institutional space too but overall retail demand took a hit.

Realisation

The realisations for FY23 has been more or less been flattish YoY and MoM, the companies tries to take price hikes due to high competitive intensity. In **South**, the cement companies did announce price hike of INR 30-35 per bag but we believe only INR 10-15 per bag would hold.

In West, demand in Mumbai has been strong and price hike of INR 10-15 a bag was announced in April 2023 but even such price hike to sustain is difficult due to price war and competition amongst the cement players.

Overall, taking and sustaining price hikes remains an issue due to huge supplies and market share wars.

Higher consolidation ahead

We believe, the sector is likely to witness consolidation in the medium term, which will create wider gap between the big and small players. The share of top 9 players have increased by 2% in FY23 at 70% and with the consolidation we expect the share to increase further.

Utilisations

We expect utilisations to increase as demand is expected to be good, with north to witness highest capacity utilisations of about 81%, west higher utilisations than the previous year and central and east to follow. As there is huge capacities coming in east region the utilizations may remain flattish YOY/QoQ.

Orient cement is running at highest clinker utilisation of 98% in Q4FY23 in Chittapur plant due to change in trade mix, will need additional kiln to meet the incremental demand going forward which in already in place.

Margins and costs

EBITDA/t is expected to increase to INR 1050/t for FY24 to be driven by softening of power and fuel costs and good demand in the markets where Orient Cement is operating. Also, we expect some price hike of at least INR 10 a bag for the year FY24 with good volume growth to bring increased operating leverage and margin expansions.

Valuation and Outlook

The company's earlier announced capacity expansion plan has not made much headway, and the management has said it will make a final decision following the Q4FY23 result.
Present inventory has higher costs and will last through May 23, the company does not anticipate seeing any relief from power/fuel expenses until Q2FY24. Thereafter, fuel costs at declined rates will start showing in the profitability.
Loan repayments have led to an improvement in debt/equity and interest coverage ratio. The continuous deleveraging of the balance sheet augurs well for the company as the current debt/ equity ratio stands at 0.2x in FY23 from 0.2x in FY22 and with further capacity expansion on the cards, strengthening the balance sheet in a cyclical cement industry provides operational comfort while supporting future growth. We expect the capital structure of the company to remain healthy over the medium to long term. The company has set internal limits of debt/equity 1.5 and debt/EBITDA 3.0 beyond which they will not be taking debts.

As of now, there hasn't been a price increase in Feb 2023 for cement; prices are unchanged. The company witnessed an upward price trend for the remainder of Q4FY23. During the quarter Q3FY23, the sale of blended cement was 53%, and the mix of trade and non-trade products was 55:45. The company is trying to work on increasing trade share but looking at the current scenario where demand in institutions and Government led projects is robust, we expect share of trade segment is unlikely to go up in near future. So the major growth in bottom line numbers will come through degrowth in input cost, volumes and premiumization
The revised capital spending for FY23 is INR 7.3tn, up 23% over FY22. The government has set aside INR 10 tn for capital expenditures in FY24.

Increased capital expenditures for infrastructure and affordable housing are expected to keep the demand for cement companies strong. We expect revenues to grow over FY23-FY25 at CAGR of 6.94% and EBITDA to grow at 15.78% over FY23-FY25 led by increased outlays for various central sector schemes by the Government.

We believe OCL is well-placed to take advantage of a revival in the cement demand in its operating regions by leveraging its planned capacity expansion, better monitoring of cost drivers, and improving financials. Future outlook for the company looks promising backed by notable revival in infra and housing projects, company's focus on capacity expansion and increasing market share of premium products which will drive future growth and profitability.
At a CMP of INR 127 stock is trading at a EV/EBIDTA multiple of 5.1(x) and 4.3(x) to its FY24E and FY25E. We value the stock at a EV/EBIDTA of 5.9(x) to its FY25E EBITDA of INR 7885 mn and re-initiate coverage on Orient Cement Limited (OCL) with a BUY recommendation and a Target Price of INR 190/share, implying an upside of 49.6%.

Valuation (INR in Mn)

Particular	FY25E
EV/EBIDTA (x)	**5.9**
EBIDTA	7,885
EV	46524
Cash & bank	1,004
Debt	8,582
M Cap	38946
No Shares	205
TP	**190**
CMP	127
Upside in %	**49.6**

Source: Company, Arihant Research

Financial Statement

Income Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenues	**25,222**	**24,217**	**23,240**	**27,252**	**29,375**	**33,579**	**38,466**
Cost of Goods Sold	16,586	16,056	13,842	16,907	21,015	21,826	24,233
Employee costs	1,550	1,549	1,525	1,524	1,661	1,847	2,116
Other expenses	**3,965**	**2,784**	**2,366**	**2,912**	**3,053**	**3,694**	**4,231**
Total operating Expense	**22,101**	**20,389**	**17,733**	**21,343**	**25,729**	**27,367**	**30,580**
EBITDA	**3,121**	**3,828**	**5,507**	**5,909**	**3,646**	**6,212**	**7,885**
Other Income	140	177	183	96	120	168	154
Depreciation	1,327	1,409	1,419	1,452	1,468	1,481	1,777
Interest	1,185	1,223	936	514	378	427	574
PBT	**749**	**1,373**	**3,335**	**4,039**	**1,920**	**4,472**	**5,688**
PBT after ext-ord.	**749**	**1,373**	**3,335**	**4,039**	**1,920**	**4,472**	**5,688**
Tax	272	508	1,194	1,408	691	1,559	1,983
Rate (%)	*36.3%*	*37.0%*	*35.8%*	*34.9%*	*36.0%*	*34.9%*	*34.9%*
PAT	**477**	**865**	**2,141**	**2,631**	**1,229**	**2,913**	**3,705**
Change (%)	*-97.4%*	*81.2%*	*147.5%*	*22.9%*	*-53.3%*	*137.0%*	*27.2%*

Source: Company, Arihant Research

Balance Sheet

Y/E March (INR Mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sources of Funds							
Share Capital	205	205	205	205	205	205	205
Reserves & Surplus	10,330	10,979	12,854	15,049	15,832	18,745	22,450
Net Worth	**10,535**	**11,184**	**13,059**	**15,254**	**16,037**	**18,950**	**22,655**
Long term debt	12262	11354	7838	1519	1018	3518	5618
Short term debt	45	3	141	1,637	2,964	2,964	2,964
Total Debt	**12,307**	**11,357**	**7,979**	**3,156**	**3,982**	**6,482**	**8,582**
Deferred Tax Liability	961	1,219	1,811	2,517	2,869	2,869	2,869
Long term Provision	4	13	0	0	292	292	292
Other Long term Liability	430	399	572	479	514	514	514
Trade Payable	1,865	1,764	1,845	2,310	2,147	2,230	2,476
Other current Liability	2,853	2,643	2,523	2,466	1,175	1,175	1,175
Short Term Provision	313	419	331	314	1,751	1,751	1,751
Capital Employed	**29,268**	**28,998**	**28,120**	**26,496**	**28,767**	**34,263**	**40,314**
Application of Funds							
Net Block	22,932	22,098	21,460	20,502	19,435	24,682	29,619
Deferred Tax Asset					7		
Other Non-Current Assets	1,780	2,053	1,806	1,665	2,633	2,633	2,633
Non Current Assets	**24,712**	**24,151**	**23,266**	**22,167**	**22,075**	**27,316**	**32,252**
Debtors	1,795	1,618	1,102	1,273	1,689	1,931	2,212
Inventories	1,860	2,366	1,705	1,866	3,509	3,644	4,046
Cash & bank balance	287	360	362	438	701	572	1,004
Loans & advances & other CA	614	503	1,685	752	793	793	793
Total current assets	**4,556**	**4,847**	**4,854**	**4,329**	**6,692**	**6,940**	**8,055**
Total Assets	**29,268**	**28,998**	**28,120**	**26,496**	**28,767**	**34,256**	**40,307**

Source: Company, Arihant Research

Financial Statement

Cash Flow Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22	FY23	F24E	F25E
PBT	**749**	**1,373**	**3,335**	**4,039**	**1,920**	**4,472**	**5,688**
Depreciation	1,327	1,409	1,419	1,452	1,468	1,481	1,777
Interest & others	1,114	1,077	813	461	328	427	574
Cash flow before WC changes	3,191	3,859	5,567	5,952	3,714	6,380	8,039
(Inc)/dec in working capital	**-211**	**-634**	**2,163**	**-55**	**-2,267**	**-294**	**-437**
Operating CF after WC changes	2,980	3,225	7,730	5,897	1,447	6,086	7,602
Less: Taxes	-167	-307	-590	-658	-336	-1,559	-1,983
Operating cash flow	**2,813**	**2,918**	**7,140**	**5,239**	**1,111**	**4,527**	**5,619**
(Inc)/dec in F.A + CWIP	-1,212	-766	-507	-525	-1,293	-5,247	-4,936
(Pur)/sale of investment and other activities		13	34	-1,109	1,227	95	0
Cash flow from investing	**-1,199**	**-732**	**-1,616**	**702**	**-1,198**	**-6,728**	**-6,714**
Free cash flow (FCF)	**1,589**	**2,134**	**6,626**	**4,908**	**-87**	**-721**	**683**
Loan raised/(repaid)	962	-600	-4,306	-4,910	1,100	2,500	2,100
Equity raised	0	0	0	0	0	0	0
Interest & others	-1,279	-1,206	-932	-465	-288	0	0
Dividend	0	-185	-256	-461	-461	0	0
Others	-1,397	-68	-27	-25			
Cash flow from financing activities	**-1,714**	**-2,059**	**-5,521**	**-5,861**	**351**	**2,073**	**1,526**
Net inc /(dec) in cash	**-100**	**126**	**3**	**80**	**264**	**-129**	**432**
Opening balance of cash	320	220	347	350	430	694	565
Closing balance of cash	220	346	350	430	694	565	997

Source: Company, Arihant Research

Key Ratios

Y/E March (INR Mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Per share (INR)							
EPS	2.3	4.2	10.4	12.8	6.0	14.2	18.1
CEPS	8.8	11.1	17.4	19.9	13.2	21.4	26.7
BVPS	51.4	54.6	63.7	74.4	78.2	92.4	110.5
DPS							
Valuation (x)							
P/E	54.5	30.1	12.2	9.9	21.2	8.9	7.0
P/CEPS	13.9	11.0	7.0	6.1	9.3	5.7	4.6
P/BV	2.5	2.3	2.0	1.7	1.6	1.4	1.1
EV/EBITDA	12.2	9.7	6.1	4.9	8.0	5.1	4.3
Return Ratios (%)							
Gross Margin	34.2%	33.7%	40.4%	38.0%	28.5%	35.0%	37.0%
EBIDTA Margin	12.4%	15.8%	23.7%	21.7%	12.4%	18.5%	20.5%
PAT Margin	1.9%	3.6%	9.2%	9.7%	4.2%	8.7%	9.6%
ROE	4.5%	7.7%	16.4%	17.2%	7.7%	15.4%	16.4%
ROCE	6.9%	9.9%	22.5%	58.1%	25.1%	34.6%	34.2%
Leverage Ratio (%)							
Total D/E	1.2	1.0	0.6	0.2	0.2	0.3	0.4
Turnover Ratios							
Asset Turnover (x)	0.9	0.8	0.8	1.0	1.0	1.0	1.0
Inventory Days	41	54	45	40	61	61	61
Receivable Days	26	24	17	17	21	21	21
Payable days	41	40	49	50	37	37	37

Source: Company Reports, Arihant Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	**Registered Office**
#1011, Solitaire Corporate Park Building No. 10, 1st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	**Absolute Return**
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	**SMS: 'Arihant' to 56677**	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800Fax. 022-42254880