Company Note

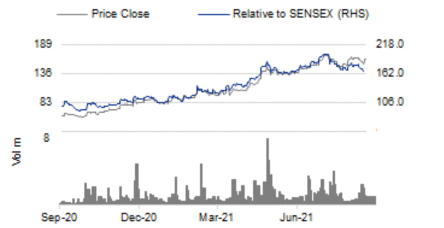
Cement | India | October 02, 2021

India

ADD *(Initiating coverage)*

Consensus ratings*:	Buy 13 Hold 1 Sell 0
Current price:	Rs157
Target price:	Rs199
Previous target:	NA
Up/downside:	26.8%
InCred Research / Consensus:	-2.9%
Reuters:	ORCE.NS
Bloomberg:	ORCMNT IN
Market cap:	US$434m
	Rs32,195m
Average daily turnover:	US$2.4m
	Rs180.4m
Current shares o/s:	204.9m
Free float:	57.2%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.6	13.8	158.3
Relative (%)	(0.5)	1.7	70.1

Major shareholders	% held
Promoter & Promoter Group	37.4
HDFC Balanced Advantage Fund	7.4
Franklin India	4.9

Orient Cement

On a robust growth path

- Orient Cement (ORCMNT), a CK Birla Group company, is a South India-based mid-sized manufacturer having a cement capacity of 8mtpa.
- With a strong balance sheet, ORCMNT is working on growth projects and plans to add 3.5mtpa grinding capacity over FY22F-24F (as per latest earnings call).
- We forecast volume/realisation/EBITDA/t CAGR of 12.6%/2%/0.3%, respectively, over FY21-24F. Initiate coverage with an ADD, and TP of Rs199.

Demand revival and capacity addition to aid robust volume growth

ORCMNT posted a 7% volume CAGR over FY16-FY20 as it commissioned a 3mtpa greenfield Chittapur plant in FY16. However, it saw ~13% volume de-growth in FY21 due to a Covid-led lockdown. Going ahead, ORCMNT plans to take its 8mtpa capacity to 11.5mtpa by FY24F. The recent mining law amendment allows ORCMNT to transfer limestone mining lease in Rajasthan to its name without further royalty payment. This would open the doors for a greenfield integrated plant in North India and help diversify its geographic exposure. We expect ORCMNT's existing capacity and debottlenecking of Devapur plant by 0.5mtpa to drive ~13% volume CAGR over FY21-24F.

Steady realisation and limited cost rationalisation to hold EBITDA/t

Realisation posted ~8% CAGR over FY17-21 on a higher sales volume proportion in its key markets and higher prices in South India. In our view, realisation is likely to be range-bound with an upward bias backed by steady price recovery in key markets, our expectation of an increase in market share of its premium brand and a change in market mix. We expect realisation to post a CAGR of 1.9% over FY21-24F. ORCMNT plans to add 10MW WHRS capacity at its Chittapur unit. The sharp jump in input costs, in our view, will moderate medium-term profitability. We expect EBITDA/t to be subdued over FY22F-24F.

Accelerated deleveraging creates room for growth capex

ORCMNT has been focusing on deleveraging its B/S over the last two years. Accordingly, net debt fell to Rs6.4bn in FY21 (net debt further declined to Rs5.8bn in 1QFY22 with no major capex, well-managed working capital and improved cash flows). ORCMNT has prepaid all its debt that is due till FY22. It aims to further trim net debt by Rs5bn in FY22F on strong operational cash flows (as per ORCMNT). We expect net debt/EBITDA to decline from 1.2x in FY21 to 0.5x in FY22F, while again rise to 1.2x by FY24F due to higher capex.

Initiate coverage on ORCMNT with an ADD rating and a TP of Rs199

ORCMNT trades at FY22F/FY23F EV/EBITDA of 5.8x/5.6x, respectively. We initiate coverage on it with an ADD rating and a TP of Rs199/share, at 6.5x year-ending Sep 2023F EV/EBITDA. The 6.5x multiple is at a steep discount to its 3-year and 5-year average and it is among the cheapest stocks, trading at US$50 EV/t on FY24F. We believe steady return ratios, along with robust growth plans maintaining the B/S will result in a re-rating. **Risks**: Capacity expansion delay, cement price rollback, and a further rise in input costs.

Analyst(s)

Nishant BAGRECHA
T (91) 22 4161 1564
E nishant.bagrecha@incredcapital.com

Satish KUMAR
T (91) 22 4161 1562
E satish.kumar@incredcapital.com

Financial Summary	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	24,218	23,241	28,082	31,038	35,142
Operating EBITDA (Rsm)	3,829	5,507	6,297	7,027	7,941
Net Profit (Rsm)	866	2,142	2,864	3,241	3,694
Core EPS (Rs)	4.2	10.5	14.0	15.8	18.0
Core EPS Growth	82.1%	147.4%	33.7%	13.2%	14.0%
FD Core P/E (x)	37.18	15.03	11.24	9.93	8.71
DPS (Rs)	0.8	1.5	1.0	1.1	1.1
Dividend Yield	0.57%	0.95%	1.33%	1.41%	1.38%
EV/EBITDA (x)	11.52	7.02	5.63	5.61	5.27
P/FCFE (x)	21.21	27.02	8.30	9.71	7.73
Net Gearing	106.4%	49.4%	20.9%	39.4%	44.7%
P/BV (x)	2.88	2.47	2.08	1.76	1.50
ROE	8.0%	17.7%	20.1%	19.2%	18.6%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)			1.05	1.06	1.07

SOURCES: INCRED RESEARCH, COMPANY REPORTS, PRICED AS AT 01 OCT 2021

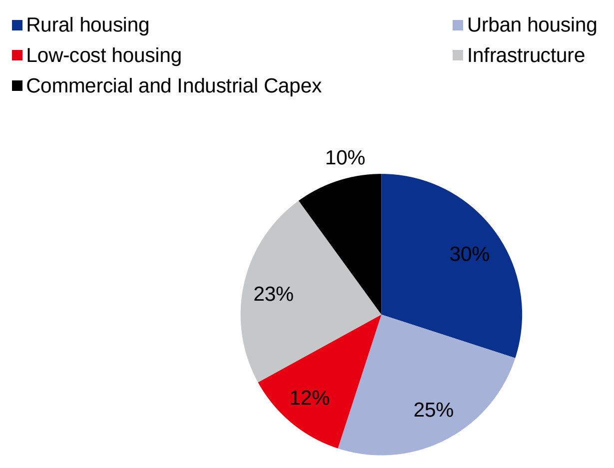
On a robust growth path

Volumes expected to grow ahead of the Industry

Demand revival in key states (Telangana and Andhra Pradesh) provides a strong boost to volumes

- Demand slowdown last year was a known concern as the adverse impact of the COVID-19 pandemic led to a nationwide lockdown in India. Early last year, it was expected by industry players that cement demand would tumble by ~15-20% in FY21 while on the back of faster demand recovery led by government's continued thrust on rural and affordable housing, pent-up demand from urban India, good monsoons, and revival of infrastructure projects with improving labour availability resulted in cement demand remaining flat in FY21 vs. FY20.
- Going ahead, cement industry should end FY22F with a high single-digit to a low double-digit volume growth if strong volume recovery continues in 2HFY22, while FY23 should see continued recovery in government spending on infrastructure development even as individual house builders (IHB) from metros/semi-urban/rural further aid demand. The first leg of volume recovery is expected, in our view, to be driven by infrastructure (~23% of overall demand) followed by rural and low-cost housing (~42% of overall demand). We expect cement demand from urban housing (~25% of overall demand), commercial real estate and industrial capex (~10% of overall demand) to take longer to recover and remain impacted in FY22F, as the second wave of Covid impacted demand for commercial real estate and industrial capex adversely.

Figure 1: Cement consumption breakdown of the industry (%) – IHB and infrastructure to remain key growth drivers for the industry as at FY21-end



IHB = INDIVIDUAL HOME BUILDERS
SOURCES: INCRED RESEARCH, DBL FY21 ANNUAL REPORT

Figure 2: East and Central regions have highest potential to outperform all other regions

Macro-economic potential	North	Central	East*	West	South	India
Rural population (FY20)	67%	75%	77%	53%	54%	67%
Per capita consumption (kg) – FY20	231	173	203	273	263	227
Housing shortage (FY20) (m)	10	8	9	7	12	50
Road density (kms/ per lakh people)	294	244	307	469	401	358
Power density (kwh/Capita)	1233	700	820	1758	1461	1181

* EXCLUDING NORTH-EAST
SOURCES: INCRED RESEARCH, UTCEM BUSINESS UPDATE PRESENTATION

- ORCMNT's performance in the medium term, in our view, may show a strong boost led by 1) demand revival in Maharashtra, Karnataka, Telangana, Andhra Pradesh and Madhya Pradesh on the back of increase in government spending on irrigation, housing and capital city development, and 2) its existing plants being in close proximity to recovering markets.

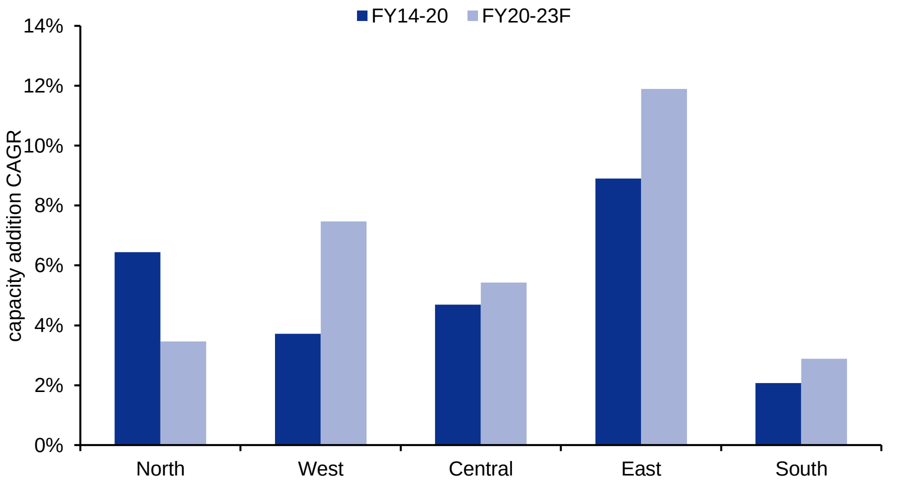
- The key factors driving cement demand growth over FY21-24F are a) Irrigation projects, b) government spending on housing, c) urban infrastructure projects, and d) various projects with higher cement intensity like Polavaram & Kaleshwaram dam phase-2, new capital construction in Andhra Pradesh (Amravathi) and the Sagarmala project.
- ORCMNT has cement capacity of 8mtpa, clinker capacity of 5.5mtpa and captive power plant (CPP) of 95MW spread across Devapur, Telangana (3mtpa integrated cement plant with captive limestone mine and CPP), Chittapur, Karnataka (3mtpa integrated cement plant with captive limestone mine and CPP) and a 2mtpa grinding unit in Jalgaon, Maharashtra (as at FY21-end).

Figure 3: ORCMNT (as at FY21-end) - key demand drivers across locations

State	Cement capacity (mtpa)	Clinker capacity (mtpa)	Upcoming cement capacity (mtpa)	Orient cement capacity (mtpa)	Orient clinker capacity (mtpa)	Demand drivers
Andhra Pradesh & Telangana	85	56	2	3	4	Traction in low-cost housing, irrigation projects etc.
Karnataka	39	31	0	3	2	Strong housing and commercial markets in key cities, road and infrastructure.
Maharashtra	35	13	14	2	0	Revival in metro, irrigation, road construction, rural water supply and PMAY projects

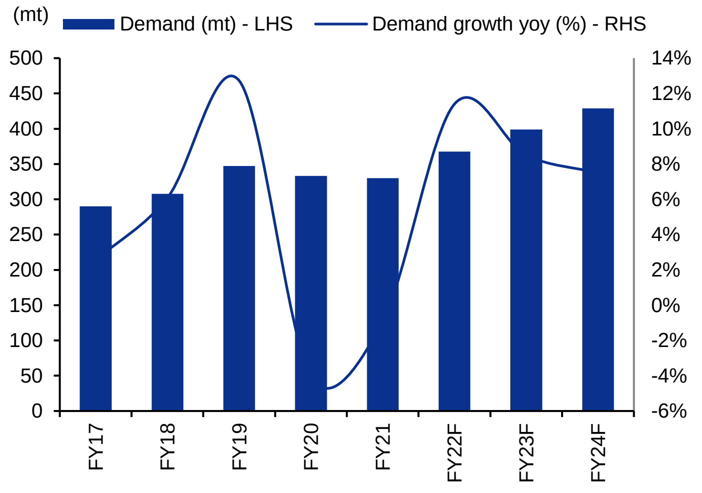
SOURCES: INCRED RESEARCH, COMPANY REPORTS
PMAY= PRADHAN MANTRI AWAAS YOJANA

Figure 4: All-India cement capacity addition – southern region to see least addition over FY20-23F



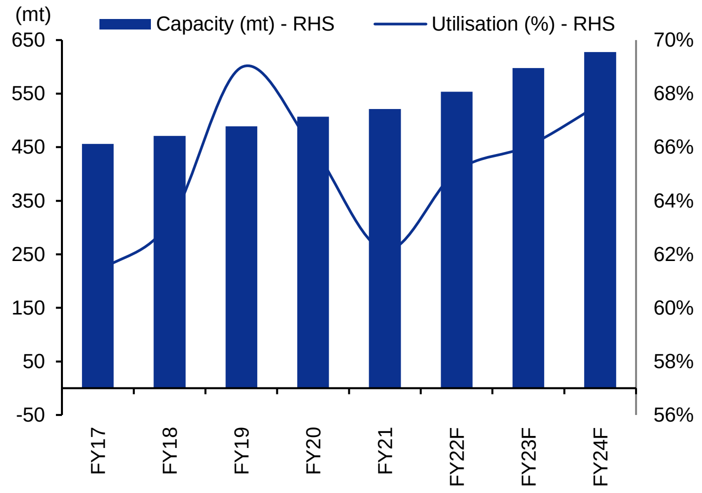
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORT

Figure 5: Indian cement demand to gain strength in 2HFY22F and FY23F as several drivers to start contributing from here on



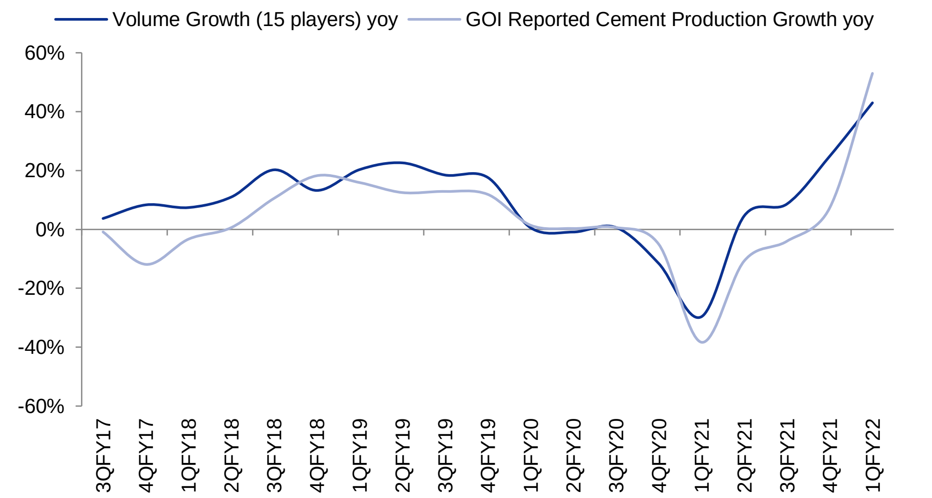
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 6: After declining in FY20 and FY21, we expect cement industry utilisation level to increase to ~68-69% by FY24F



SOURCES: INCRED RESEARCH ESTIMATEES, COMPANY REPORTS

Figure 7: Demand recovery has been much better vs. street expectation in recent quarters and GOI also reported cement production growth



SOURCES: INCRED RESEARCH, GOI – GOVERNMENT OF INDIA, AS PER THE DEPARTMENT OF INDUSTRIAL POLICY AND PROMOTION (DIPP) DATA

Capacity expansion to aid above-industry volume growth in the longer term ➤

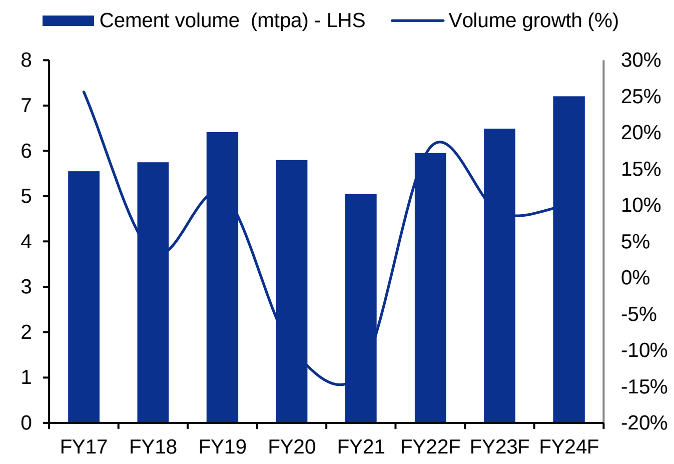
- During FY16-20, ORCMNT's volumes grew at a CAGR of ~7% as it commissioned its 3mtpa greenfield Chittapur plant in FY16. However, the company reported a ~13% volume de-growth of 5mtpa in FY21 vs. 5.8mtpa in FY20 due to a Covid-led nationwide lockdown. Post resumption of operations (last year), the company witnessed substantial demand from rural and semi-urban markets through trade channels, resulting in a higher PPC mix.
- As per our channel checks, 4QFY21 demand momentum was not visible coming into 1QFY22 given the severity of the second wave of Covid and heavy monsoons. We expect volumes to remain flat qoq in 2QFY22F and see a modest recovery in 2HFY22F as the pandemic subsides and restrictions ease, but believe that demand will remain uncertain in the short term.
- ORCMNT's volume performance largely hinges on demand and pricing in Maharashtra, Telangana and Karnataka markets. Revival in these markets, particularly Maharashtra and Telangana, will help the company to improve its performance. In the interim, the focus on tapping new markets will help the company to boost its overall performance. Additionally, steady demand in Maharashtra will further add comfort.

- ORCMNT also tapped Tamil Nadu markets from its Karnataka unit helped by the commissioning of the railway siding. It also pushed higher sales in Madhya Pradesh and Maharashtra.
- Currently, ~70% of its sales accrue from Maharashtra and Telangana. Vidarbha, Telangana and Andhra Pradesh markets are catered to by its Devapur plant (integrated unit) and Karnataka (largely North), while South Maharashtra is catered to by its Chittapur plant. The grinding unit at Nashirabad (Jalgaon, Maharashtra) caters to North and Central Maharashtra market, parts of Madhya Pradesh and South Gujarat.

ORCMNT targets cement capacity to touch 11.5mtpa by FY24F and 14.5mtpa by FY26F

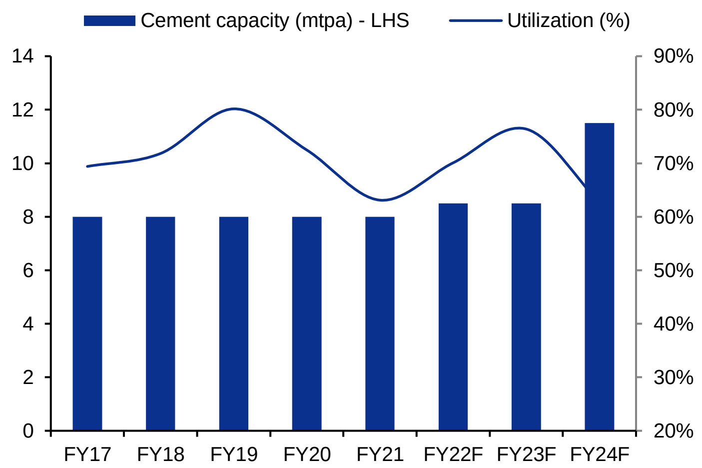
- ORCMNT is now looking to bring various growth projects on the front burner, such as: a) Debottlenecking of 3mtpa grinding unit (GU) at Devapur, Telangana by 0.5mtpa and it is likely to get commissioned by 3QFY22. b) Setting up a 3mtpa GU within 300-600 km from Devapur, Telangana to service a few high-margin markets in central India. ORCMNT has received environment clearance from the MoEF (Ministry of Environment, Forest and Climate Change) for the said expansion. Now, with all clearances in place, this expansion can come on line in 18 months as the company has already secured land parcels for setting up the plants and also secured fly ash supply. The company expects to complete this expansion by 1HFY24.
- As per the latest amendments to the MMDR Act 2021, ORCMNT is expected (as per the company) to get access to limestone mines of Orient Paper without paying any additional royalty. Management highlighted that there has been substantial progress made by government departments on the matter and the company expects a favourable outcome soon. After the mining lease transfer, it would take a few years for land acquisition and various approvals for mining to resume. Management guided that ORCMNT is mandated to start operations within three years from the transfer of such mines. In case of timely progress, the company would prioritize a greenfield expansion in North India, ahead of Chittapur expansion, as it offers regional diversification. The mines have estimated reserves of 100m tonne for 40 years, justifying the 2mtpa capacity expansion in Rajasthan.
- By FY24F, ORCMNT plans to take its existing 8mtpa cement capacity to 11.5mtpa, which is subsequently (as per the company) expected to increase by 3mtpa in two years to touch 14.5mtpa by FY26F.
- We believe debottlenecking will address volume growth concerns till FY23F. With around 18% yoy volume growth in FY22F on a low base of last year with a gradual recovery over the next two years on strong revival in Andhra Pradesh and Telangana and steady demand growth in Maharashtra and Karnataka (key markets of ORCMNT), we expect the volumes to grow at a healthy pace. Therefore, we factor in ~12.6% volume CAGR over FY21-FY24F.

Figure 8: ORCMT sales volume to post a CAGR of ~12.6% over FY21-24F on a low base and steady demand trend in its key market, as per our estimate



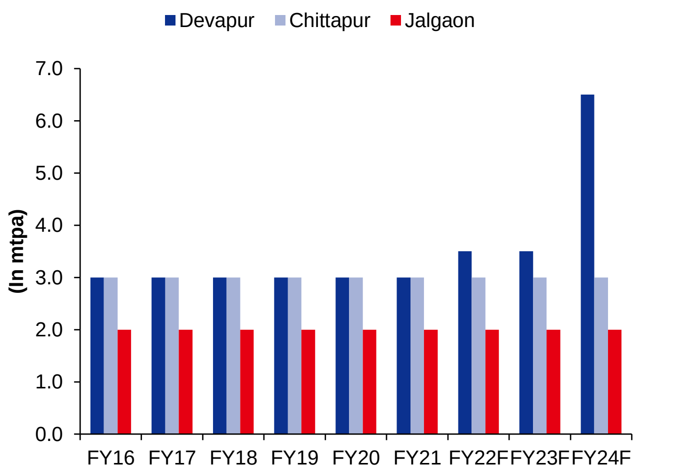
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 9: ORCMT's cement utilisation is still around 68%, leaving ample headroom for further growth, in our view



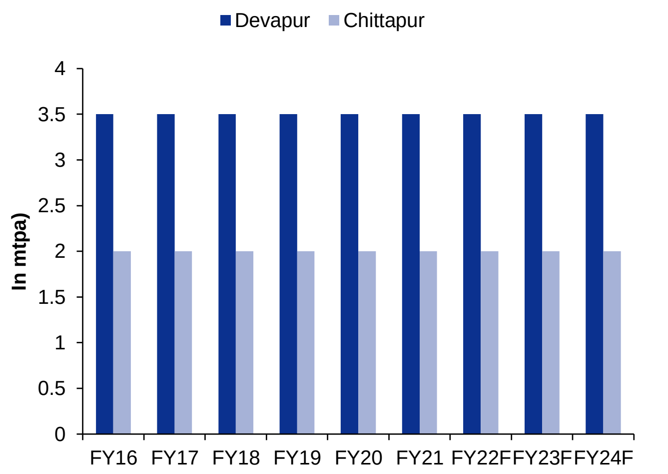
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: ORCMNT has cement capacity of 8mtpa spread across Telangana, Karnataka, and Maharashtra



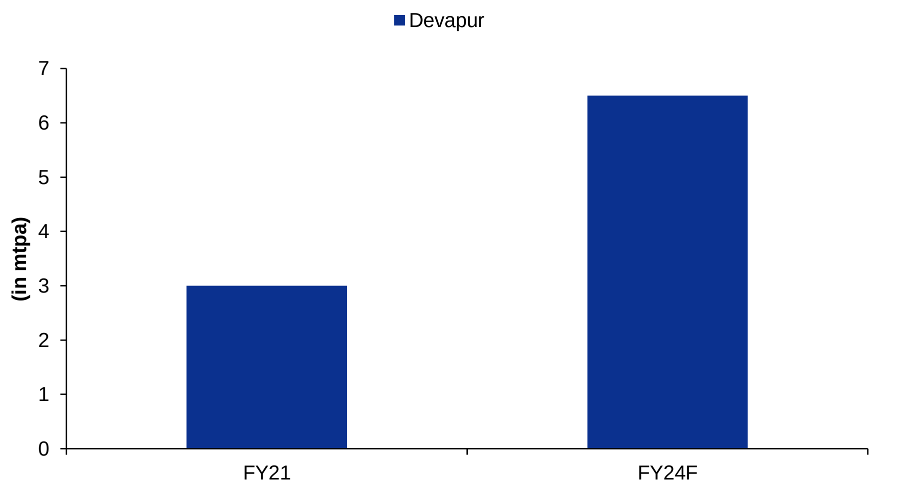
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 11: ORCMNT has clinker capacity of 5.5mtpa spread across Telangana and Karnataka



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 12: Debottlenecking of 0.5mtpa and 3mtpa GU at Devapur in Telangana



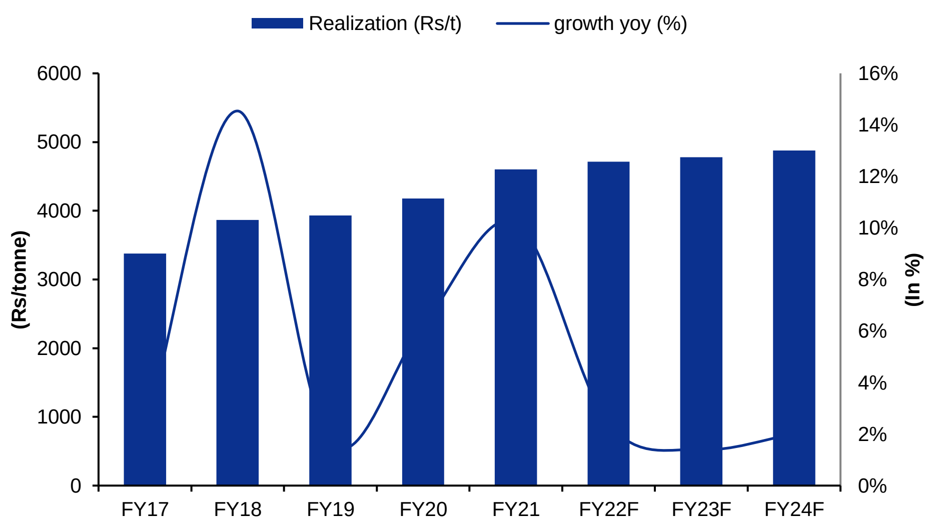
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Already very cost-efficient; slight improvement likely

Realisation remained healthy while further improvement looks tricky ›

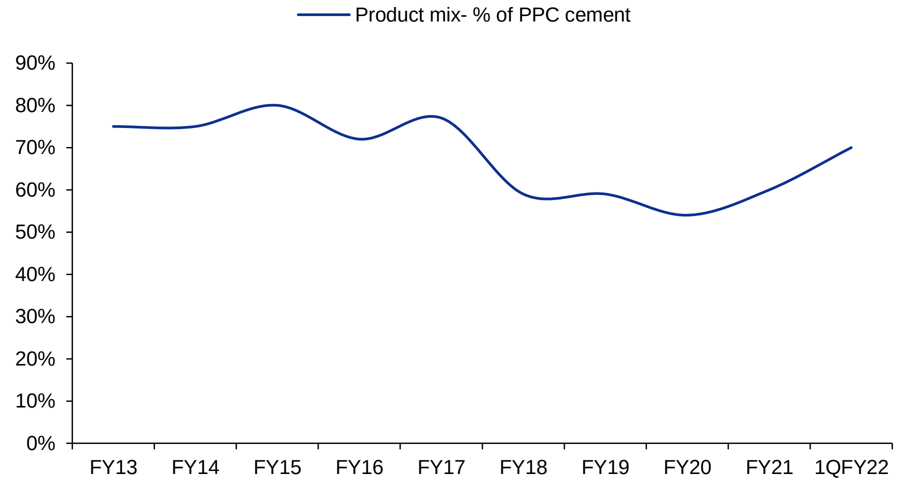
- Realisation posted ~8% CAGR over FY17-21 on a higher proportion of sales volume in high-realisation home markets-Telangana & Karnataka, focus on realisation rather than volume, change in payment and pricing policy of non-trade sales and price variation in South India.
- The company introduced (in May 2018) a new product, Birla.A1 StrongCrete premium cement. It is made with 'Pressure Sustaining Technology' (PST), a proprietary technology of the company which ensures that the concrete made withstands very high pressure. During 1QFY22, StrongCrete witnessed good demand in North Telangana, Jalgaon, North Karnataka, etc. In several markets, StrongCrete sales were more than 15-18% of B2C sales during 1QFY22.
- The product contains an optimised dosage of mineral admixtures (around 18%), ensuring the availability of higher quantity of C3S (tri-calcium silicate) molecules which are responsible for the concrete gaining high early strength. Simultaneously, high quality mineral admixtures accelerate the formation of the double Calcium-Silicate-Hydrate (C-S-H) gel, as a result of which the concrete continues to gain strength over a long period of time.
- Currently, the OPC-PPC ratio has shifted in favour of OPC (30%), and the launch of a premium product in the PPC segment will help margins to sustain in the next two years. Realisation is expected to be range-bound with an upward bias backed by (1) steady price recovery in its key markets, (2) expected increase in market share of its premium brand, and (3) a change in market mix, in our view.
- The proportion of premium cement in trade sales declined qoq to 8% in 1QFY22 from 9% of trade sales in 4QFY21 due to Covid-led restrictions on the movement of people. Higher sales of premium cement helped the company increase its blended realisation. We expect ORCMNT's realisation to grow at a CAGR of 1.9% during FY21-24F.

Figure 13: ORCMNT realisation growth has improved in FY17-21 led by a higher proportion of sales in high-margin markets, and it improved to ~10% in FY21; we estimate a modest growth over FY22F-24F



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 14: ORCMNT's share of blended cement sales (PPC + Strongcrete) stood at 70% of sales volume during 1QFY22



SOURCES: INCRED RESEARCH, COMPANY REPORTS

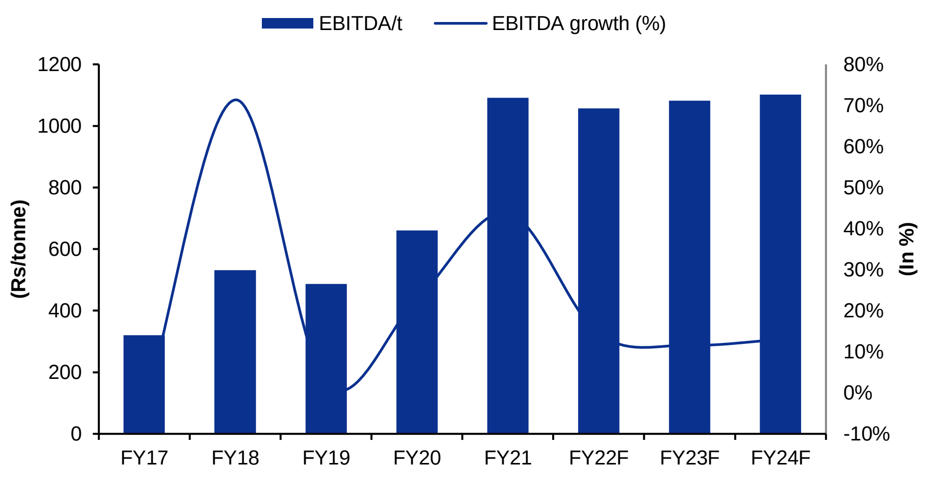
ORCMNT is among the lowest-cost cement producers with emphasis on cost rationalisation

- ORCMNT has been one of the most cost-efficient companies in the cement industry aided by its self-sufficiency in power, a lower lead distance and lower production costs owing to strategic plant location – proximity both to input resources and end-market, and the ability to switch between fuels (pet coke and coal) based on market price.
- ORCMNT's Devapur cement manufacturing plant is in a high-quality limestone reserve belt which is just 2km from the plant, linkage coal is available from Singareni Collieries, located ~60km away and fly ash is sourced from NTPC's Ramagundam thermal power plant, located at ~40km. Jalgaon plant sources fly ash from NTPC's Bhusawal thermal power plant, located ~20km from the plant. This helps in keeping the fly ash cost lower on account of lower lead distance. For Chittapur unit, it is the Pedapaali mine (estimated lead distance 396 km). Chittapur unit railway siding was commissioned in FY19.
- During 1QFY22, overall operating costs increased by ~9% qoq to Rs3,708/t, mainly due to the high cost of fly ash (following non-availability in nearby power plants), negative operating leverage and partly due to annual maintenance shutdowns during the quarter. We expect costs to peak in 1HFY22F and show some moderation in 2HFY22F. The impact of higher pet-coke prices shall be offset by the higher use of thermal coal and other alternative fuels. Freight and packing costs are expected to remain elevated with higher diesel prices, but this is expected to be offset by higher direct despatches and lower lead distance, in our view.
- ORCMNT has substantially reduced its use of pet coke to 12% of the fuel mix (77% coal and 10% alternate fuels) during 1QFY22. As per management, the company has booked coal inventory for the coming quarters in 1QFY22 to manage fuel cost inflation in 2HFY22.
- At the beginning of Aug 2021, domestic pet-coke prices increased by Rs1,300-1,400/t. Due to this increase, most players are likely to shift to coal. Pet coke's contribution in the fuel mix is likely to decrease even from the current levels. Current spot rate of international coal stands at US$140/t and that of pet coke at US$170/t.
- ORCMNT's average lead distance has been ~300km, indicating the products are being sold in nearby areas. The lead distance increased marginally over 300km in 1QFY22 (Rail:Road mix for 1QFY22 stood at 22:78) owing to distribution to far-off south markets, which also yielded higher realisation.
- Going ahead, ORCMNT continues to focus on cost rationalisation by concentrating on improving its efficiency and building new infrastructure.

ORCMNT also plans to add 10MW WHRS capacity at Chittapur unit. The company has yet not placed an order for equipment pertaining to setting up of WHRS. Total capex for the WHRS plant stands at ~Rs1bn, of which Rs200mn is expected by company to be invested in FY22 and the balance in FY23. The project is likely to get completed within 10 months of placing the order, as per the company.

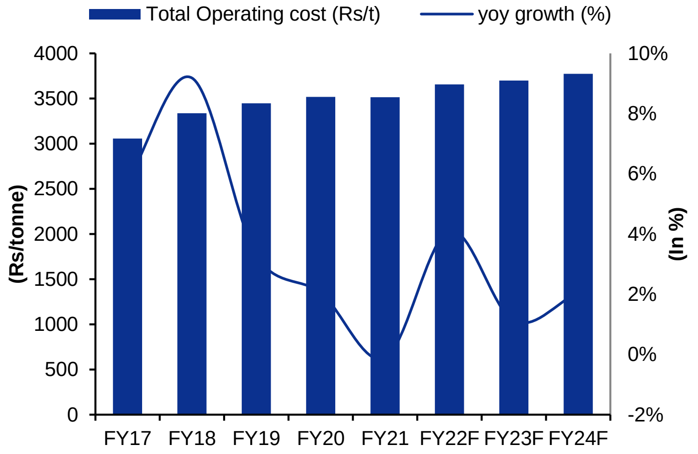
- For solar power, ORCMNT recently made a payment for subscription and acquisition of ~26% stake in the share capital of AMP Solar Systems Private Limited through a combination of equity shares and compulsory convertible debentures (CCD), with the total cost of acquisition being Rs40mn. The purpose of such an acquisition is to set up a solar power plant in Maharashtra under the Captive Scheme for the company's grinding unit at Jalgaon.
- We believe ORCMNT's strong focus on operating efficiencies has led to production cost which is almost comparable to Tier-I players (Tier-1 players are large players like Shree, Ramco etc). The company has reported strong growth in EBITDA/t CAGR of 36% over FY17-FY21. We expect its EBITDA/t to remain at the current level due to subdued realisation and recent sharp increase in input costs.

Figure 15: Subdued realisation and input cost escalation to lead to EBITDA/t CAGR of ~0.3% over FY21-24F



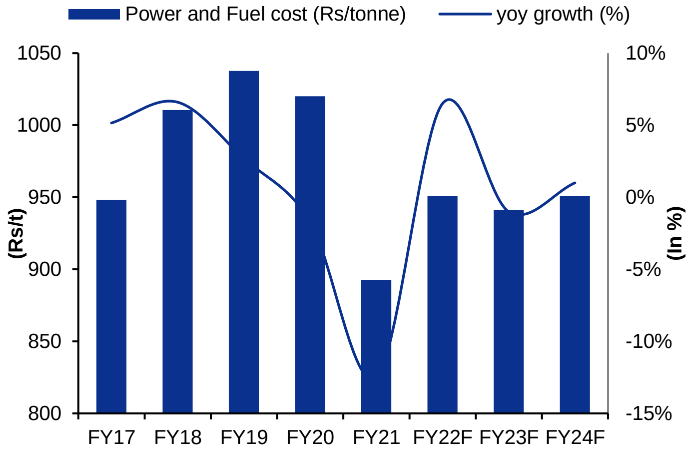
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 16: Opex/t to increase in FY22F mainly due to higher variable costs



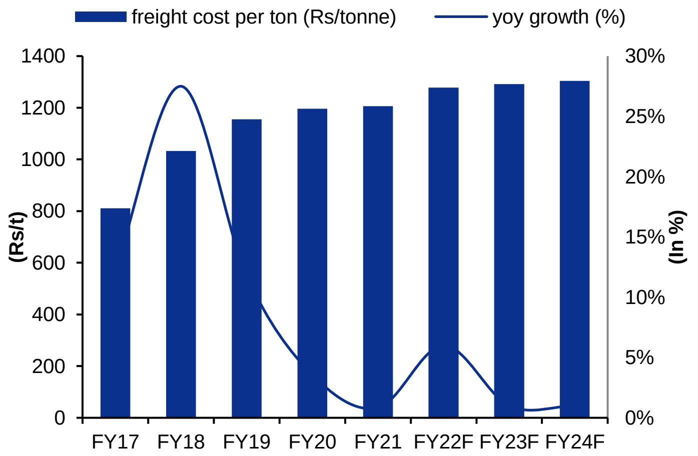
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 17: Increase in P&F costs amid higher input costs while new WHRS addition would help in reducing power costs further



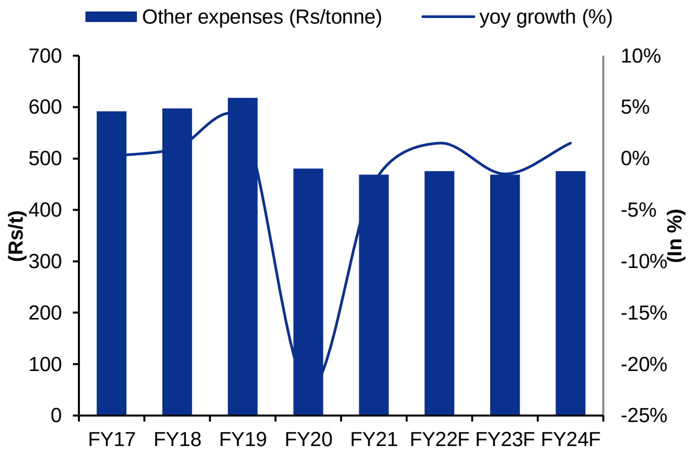
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 18: Higher diesel prices to push up freight costs in FY22F



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 19: Other expenses to increase in FY22F as volume increases



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 20: ORCMNT's power capacity (current)

Power type (Current)	WHRS (MW)	CPP (MW)	Railway Siding
Devapur, Telangana	0	50	Available
Jalgaon, Maharashtra	0	0	Available
Chittapur, Karnataka	0	45	Available

SOURCES: INCRED RESEARCH, COMPANY REPORT

Figure 21: Post expansion of 10MW WHRS at Chittapur – Increase in WHRS mix in overall power consumption

Power type (post expansion)	WHRS (MW)	CPP (MW)	Railway Siding
Devapur, Telangana	0	50	Available
Jalgaon, Maharashtra	0	0	Available
Chittapur, Karnataka	10	45	Available

SOURCES: INCRED RESEARCH, COMPANY REPORT

Figure 22: Key assumptions

Key operational estimates	FY19	FY20	FY21	FY22F	FY23F	FY24F
Volume	6	6	5	6	6	7
yoy	12%	-10%	-13%	18%	9%	11%
Realisation (Rs/t)	3933	4178	4604	4714	4780	4876
yoy	2%	6%	10%	2%	1%	2%
Cost (Rs/t)	3446	3517	3513	3657	3698	3774
yoy	3%	2%	0%	4%	1%	2%
EBITDA (Rs/t)	487	660	1091	1057	1082	1102
yoy	-8%	36%	65%	-3%	2%	2%
EBITDA (Rs mn)	3120	3829	5507	6297	7027	7941
yoy	2%	23%	44%	14%	12%	13%

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

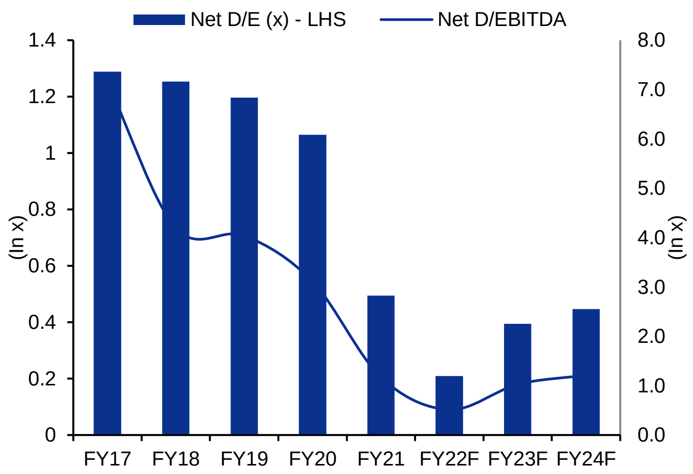
Accelerated deleveraging creates room for capex growth

New capex to be funded through a mix of internal accruals and debt

- Earlier, ORCMNT aspired to become a dominant cement player with a better geographical presence by increasing its capacity to 15mtpa from 8mtpa by 2020, mostly through the inorganic route. Pursuing its goal, in Oct 2016, ORCMNT announced the acquisition of two assets from the JP group, 1) the company bid to acquire a 74% stake in Bhilaj JP cement (2.2mtpa), and 2) Nigrie's cement grinding unit (2mtpa) at a cumulative enterprise value of Rs 19.5bn, paving its entry in central and eastern regions. This would have helped the company with regional de-risking. However, the acquisition was called off for technical issues, resulting in the company postponing its deadline from 2020 to a future date.
- Then, in FY19, ORCMNT intends to pursue its aspiration organically by increasing its capacity from 8mtpa to ~14.5/15mtpa in phases by FY23F at a cumulative capex of ~Rs 36bn, funded through debt and equity. This includes setting up of 3.5mtpa and 3mtpa cement units at Devapur and Chittapur respectively. The company also intends to set up a split grinding unit. Post COVID-19 pandemic, the company has put on hold all its expansion plans for an infinite period. However, it intends to continue pursuing all statutory approvals.
- Now, by FY24F, ORCMNT plans to take its existing 8mtpa capacity to 11.5mtpa, which is subsequently expected (as per the company) to increase by 3mtpa in two years to touch 14.5mtpa in two phases by FY26F. Phase 1: Debottlenecking of 3mtpa grinding unit (GU) at Devapur, Telangana by 0.5mtpa and it is likely to get commissioned by 3QFY22, and also setting up a 3mtpa GU within 300-600 km from Devapur, Telangana to service a few high-margin markets in central India. ORCMNT has received environmental clearance for the said expansion. Now, with all clearances in place, this expansion can come in line in 18 months as the company has already secured the land parcels for setting up the plants and also secured fly ash supply. Management expects to complete this expansion by 1HFY24.
- **Capex for aforesaid expansion:** Capex required to increase the capacity by 3.5mtpa to touch 11.5mtpa by FY24F is Rs16bn. The capex of Rajasthan project has not been factored in. If necessary approvals for the Rajasthan project come in, then it will have priority over Chittapur expansion. The capex curve going from 8mtpa to 14.5mtpa will entail a capex of Rs36bn, which will be partly (50%) funded through internal accruals and the remaining by debt. The company would maintain its broad guidance of its debt-equity ratio not exceeding 1.5x and debt/EBITDA not exceeding 3x for any period in future.
- ORCMNT also plans to add 10MW WHRS capacity at Chittapur unit. The total capex for WHRS plant stands at Rs1bn, of which Rs200mn is expected by company to be invested in FY22 and the balance in FY23. Other capex in FY22 is likely to be ~Rs400-500mn (not including capex pertaining to WHRS).
- ORCMNT has been focusing on deleveraging its balance sheet over two years. Accordingly, net debt has peaked out to Rs12.8bn in FY18 to Rs6.4bn in FY21 (net debt further decreased to Rs5.8bn in 1QFY22 with no major capex, well-managed working capital and improved cash flows -moreover, it has repaid an additional debt of Rs0.6bn in Jul 2021). The company has prepaid all its debt due till FY22. ORCMNT aims to further reduce its net debt by Rs5bn in FY22 on generation of strong operational cash flows.
- Cash flow from operations (CFO) is the highest-ever at Rs7.1bn in FY21 and also debt retirement. In FY22, no debt repayment is statutorily due (Source: Annual Report FY21- current maturity of debt is nil in FY21 and hence, no repayment of principal is statutorily due in FY22).

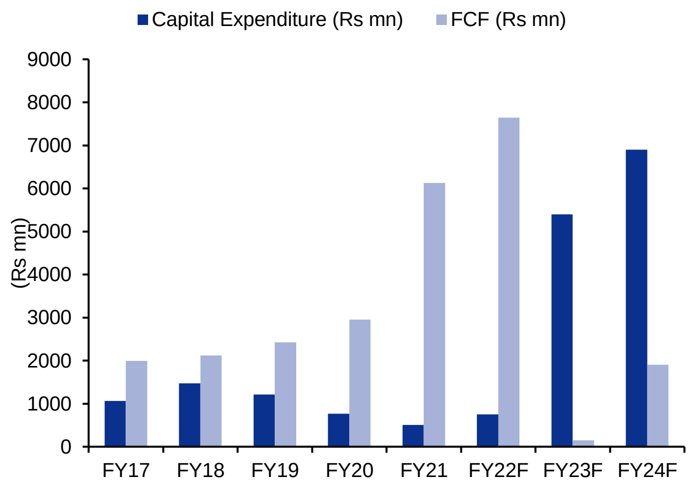
- We expect the company's net D/E ratio to decline from 0.5x in FY21 to 0.2x in FY22F owing to strong operating cash flows while with increased growth capex for FY23F and FY24F, it may remain at current level over next three years, and net debt/EBITDA to decline from 1.2x in FY21 to 0.5x in FY22F while again increase to 1.2x by FY24F due to higher capex intensity.

Figure 23: Leverage in last cycle peaked out to Rs12.8bn (in FY18) and declined to Rs5.8bn (Jun 2021)



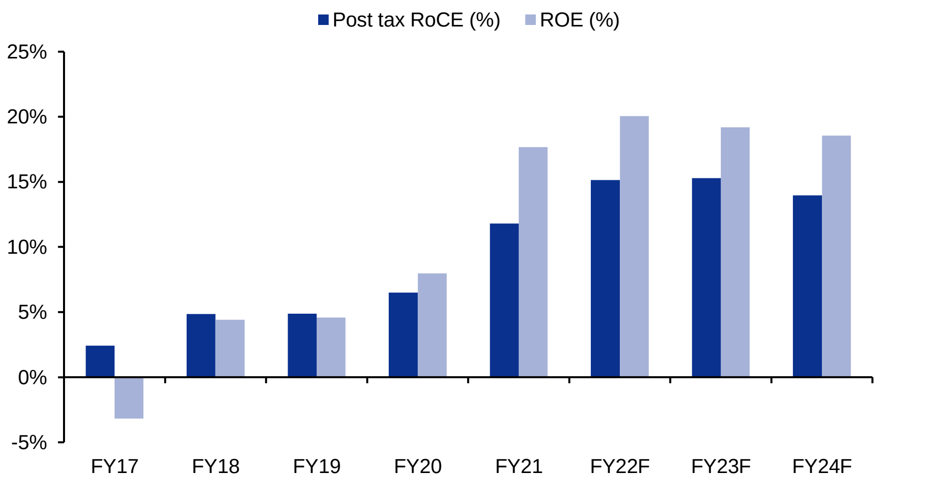
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 24: ORCMNT deleveraged its balance sheet in the last two years owing to no material capex



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 25: ORCMNT has healthy RoEs compared to peers in FY21 owing to robust profitability; we expect return ratios to remain steady over the next three years



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Initiate coverage with an ADD rating and year-ending Sep 2023F TP of Rs199/share

Valuation ›

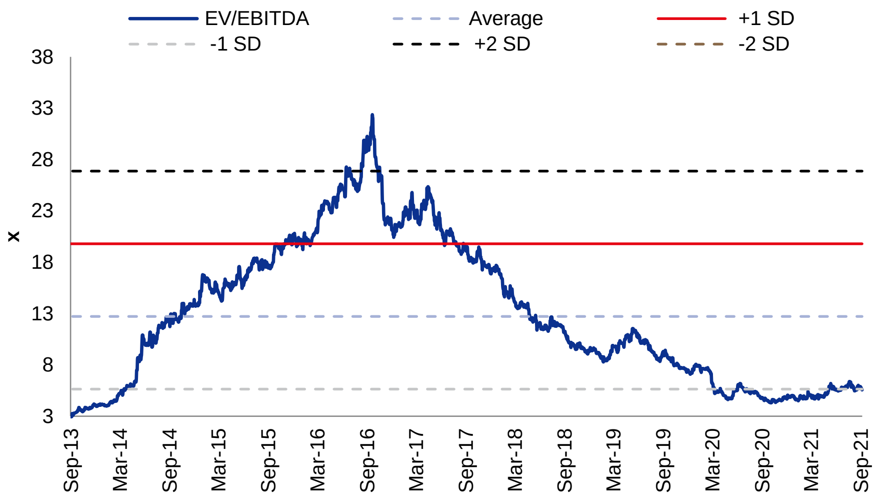
- India macros seem strong in the long term while near-term demand destruction, and monsoon impact suggests that normalcy in production and supply will take time. We expect full-fledged demand recovery by 2HFY22F. The company's volumes are expected to witness a sharp rebound on account of higher capacity utilisation and demand recovery in its key market. Further, lower capex spending and focus on debt reduction will improve return ratios.
- We believe debottlenecking will address volume growth concerns till FY23F. We expect ~18% yoy volume growth in FY22F on a low base of last year with a gradual recovery over the next two years on strong revival in Andhra Pradesh and Telangana and steady demand growth in Maharashtra and Karnataka (key markets of ORCMNT). Thus, we expect the volumes to grow at a healthy pace. Therefore, we factor in ~12.6% volume CAGR over FY21-FY24F. ORCMNT plans to take its existing 8mtpa capacity to 11.5mtpa by FY24, which is subsequently expected (by the company) to increase by 3mtpa in two years to reach 14.5mtpa by FY26. This will help the company to grow above industry average volume growth over the longer term, in our view.
- Realisation grew by ~8% CAGR over FY17-21 on a higher proportion of sales volumes in high-realisation home markets-Telangana & Karnataka, focus on realisation rather than volume, change in payment and pricing policy of non-trade sales and price variation in South India.
- Going forward, ORCMNT continues its focus on cost rationalisation by concentrating on improving its efficiency and building new infrastructure. ORCMNT also plans to add 10MW WHRS capacity at Chittapur unit. We expect costs to peak in 1HFY22 and show some moderation in 2HFY22. The impact of higher pet-coke prices shall be offset by the higher use of thermal coal and other alternative fuels. In our view, freight and packing costs are expected to remain elevated with higher diesel prices, but this is expected to be offset by higher direct despatches and lower lead distance.
- Further, we expect EBITDA/t to be in the Rs1,060-1,120/t range over FY22F-24F due to higher input cost pressure which might be offset by various cost-saving measures and a changing trade mix. On absolute basis, we expect EBITDA to scale up to Rs7.94bn by FY24F (ORCMNT to deliver strong EBITDA CAGR of ~13% over FY21-FY24F). RoE profile improved to over ~18% in FY21 and would remain in the same range owing to higher capacity utilisation.
- The stock is admittedly up 2.9x from its lows post COVID-19-led corrections (Apr 2020) driven by robust deleveraging, improvement in profitability mainly due to improved realisation and highest ever cash flow from operations in FY21. We expect strong cash flow growth from operations (CFO) and better balance sheet strength to support further expansion. Our positive stance on valuation is supported by an improvement in its ROE/ROCE profile.
- At a CMP of Rs157, ORCMNT is trading at FY22F/FY23F EV/EBITDA of 5.8x/5.6x, respectively. We initiate coverage on the stock with an ADD rating and a target price of Rs199, at 6.5x year-ending Sep 2023F EV/EBITDA. The 6.5x multiple is at a steep discount to its 3-year and 5-year average and ORCMNT is among the cheapest stocks in terms of asset multiple, trading at US$50 EV/t on FY24F because of capacity constraints in the past and deferring expansion plans continuously. We believe steady return metrics for the next three to four years, with healthy growth plans maintaining the balance sheet despite a higher capex, will result in a re-rating of multiples.

Figure 26: Our target price of Rs199/share is based on 6.5x year-ending Sep 2023F EV/EBITDA

Valuation	TP
Target EV/EBITDA (x)	6.5
Target EV (Rs m)	45,678
Net debt / (cash) (Rs m)	7,210
No. of shares (m)	205
Fair value per share (Rs)	199

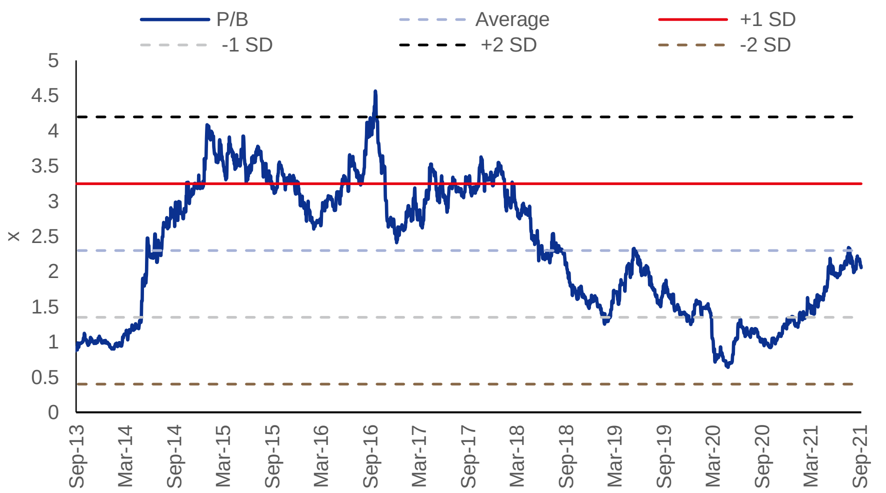
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 27: We value the stock at 6.5x year-ending Sep 2023F EV/EBITDA to arrive at a TP of Rs199



SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 28: ORCMNT stock trading at a P/BV of c.1.5x for FY24F



SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Peer comparison

Figure 29: Sector peer comparison

Company	Bloomberg Ticker	Closing Price (LC)	Target Price* (LC)	% Upside	Rating	Market cap (US$ m)	EV/EBITDA (x)		P/BV (x)		RoE (%)		P/E (x)		EV/T (US$)	
							FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
UltraTech Cement	UTCEM IN	7,484	7,592	1%	ADD	29,144	17.4	14.9	4.4	4.0	14.0	15.2	33.1	27.5	259.8	215.5
ACC	ACC IN	2,238	2,424	8%	HOLD	5,669	10.3	8.7	2.7	2.4	14.3	14.5	19.7	17.4	137.4	114.5
Ambuja Cements	ACEM IN	402	353	-12%	ADD	10,776	20.0	18.2	3.4	3.2	11.3	11.3	31.4	29.0	158.8	156.7
Shree Cement	SRCM IN	29,100	25,799	-11%	REDUCE	14,165	22.7	19.7	6.0	5.2	15.2	15.6	41.8	35.5	292.2	271.5
Ramco	TRCL IN	991	1186	20%	ADD	3,154	13.5	11.4	3.6	3.1	16.0	16.1	24.1	20.8	158.0	151.7
JK Cement	JKCE IN	3,209	2918	-9%	HOLD	3,345	15.4	13.6	5.5	4.6	22.3	22.2	27.0	22.6	221.1	222.5
Birla Corp	BCORP IN	1,388	1357	-2%	ADD	1,442	10.0	8.1	1.8	1.6	10.3	11.7	18.0	14.5	100.7	90.8
Heidelberg	HEIM IN	257	268	4%	ADD	784	9.6	8.1	3.5	3.0	20.2	21.0	18.1	15.4	117.7	113.0
Dalmia Bharat	DALBHARA IN	2,116	2366	12%	ADD	5,341	13.1	11.3	2.9	2.6	9.3	10.5	32.1	25.8	156.7	156.0
JK Lakshmi	JKLC IN	627	740	18%	ADD	995	8.0	7.1	2.9	2.5	21.4	20.7	14.9	12.9	76.8	74.7
Orient Cement	ORCMNT IN	157	199	27%	ADD	434	5.6	5.6	2.1	2.1	20.1	19.2	11.2	9.9	55.5	61.8
Mean							13.2	11.5	3.5	3.1	15.9	16.2	24.7	21.0	157.7	148.1
Median							13.1	11.3	3.4	3.0	15.2	15.6	24.1	20.8	156.7	151.7
Minimum							5.6	5.6	1.8	1.6	9.3	10.5	11.2	9.9	55.5	61.8
Maximum							22.7	19.7	6.0	5.2	22.3	22.2	41.8	35.5	292.2	271.5

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICED AS AT 01OCT 2021

Downside risks

- **Slowdown in demand:** Major demand growth drivers are rural housing (30%), urban housing (25%), low cost-housing (12%), infrastructure (23%) and commercial & industrial construction (10%). Any prolonged slowdown in general construction activities due to localised lockdowns in key markets of the company might impact volume growth.
- **Any further delay in expansion plan:** ORCMNT plans to take its existing 8mtpa capacity to 11.5mtpa by FY24F, which is subsequently expected by the company to increase by 3mtpa in two years to touch 14.5mtpa by FY26F. This will help the company to grow above industry average volume growth over the long term. Any delay in commissioning could impact volume growth.
- **Sharp rollback in cement prices:** Cement prices have remained volatile in the southern region due to lower capacity utilisation at existing units. Lower-than-estimated cement prices would adversely impact our realisation and EBITDA/t estimates.
- **Higher input cost pressure:** Further severe cost escalation will impact margins trajectory and earnings. With limited input resources, largely fuel, cost escalation formulates into a key risk to earnings. Any additional rise in coal, pet coke or diesel prices over the medium term could hit EBITDA/t.

Company introduction and management profile

Company background ➤

- **Background:** Orient Cement (ORCMNT) was stablished in 1979, and it was formerly a part of Orient Paper and Industries. ORCMNT, a CK Birla Group company, was formed in 2012 following the demerger from Orient Paper and Industries. The company is one of the most cost-effective cement producers in India. It began cement production in 1982 at Devapur in Adilabad district, Telangana. In 1997, a split grinding unit was added at Nashirabad plant in Jalgaon, Maharashtra. In 2015, the company started commercial production at its integrated cement plant located at Chittapur, Gulbarga, Karnataka and touched current cement capacity of 8mtpa, clinker capacity of 5.5mtpa and captive power plant (CPP) of 95MW. In Oct 2016, ORCMNT agreed to acquire two cement units from JP Associates for Rs19.5bn. However, in May 2018, the company announced it had terminated the agreement as the deal could not be concluded within the stipulated time period.
- **Markets served:** The company sells its cement largely in Maharashtra, Telangana, Andhra Pradesh, Karnataka and parts of Madhya Pradesh, Tamil Nadu, Kerala, Gujarat, and Chhattisgarh.
- **Manufacturing facilities:** ORCMNT has three cement manufacturing plants - Devapur (Telangana), Chittapur (Karnataka) and Jalgaon (Maharashtra). **A) Devapur** - This plant is ORCMNT's first integrated cement unit project, and it is situated at Devapur in Adilabad district, Telangana. The Line-I construction was completed in 1982 and the first truck despatched in the same year. In 1990, Line-II was commissioned. Line-I was upgraded to 1.18mtpa in 1997 and a Pre-calcinator string was added in 1999. Cement mills I and II were upgraded in 2010 and 2008, respectively. Line III was commissioned in Jul 2009. The cement production capacity of the plant is 3mtpa. **B) Chittapur -** Located at Gulbarga in Karnataka, the unit was commissioned in 2015 with a capacity of 3mtpa. **C) Nashirabad, Jalgaon -** ORCMNT commissioned a clinker grinding plant in Jalgaon, Maharashtra with 2mtpa cement production capacity in the year 2000 to cater to Maharashtra market.
- **Expansion plans:** ORCMNT plans to take its existing 8mtpa capacity to 11.5mtpa by FY24F in two phases and to 14.5mtpa by FY26F. Phase 1: Debottlenecking of 3mtpa grinding unit (GU) at Devapur, Telangana by 0.5mtpa and it is likely to get commissioned by 3QFY22, and also setting up a 3mtpa GU within 300-600km from Devapur, Telangana to service a few high-margin markets in central India. ORCMNT also plans to add 10MW WHRS capacity at Chittapur unit.
- **Dealers and distribution network:** Currently, the company serves its customers, present across markets, through nearly 300-strong sales, marketing and technical support professionals and a robust distribution network comprising 2,200+ dealers and 1,400+ retailers.
- **Brands:** The product mix includes Pozzolana Portland Cement (PPC) and Ordinary Portland Cement (OPC) marketed under the brand name of Birla.A1 – Birla.A1 Premium Cement and Birla.A1 StrongCrete.

Manufacturing facilities

Figure 30: ORCMNT's integrated plant at Devapur in Adilabad (Telangana) as at FY21-end

SOURCES: INCRED RESEARCH, COMPANY'S OFFICIAL WEBSITE

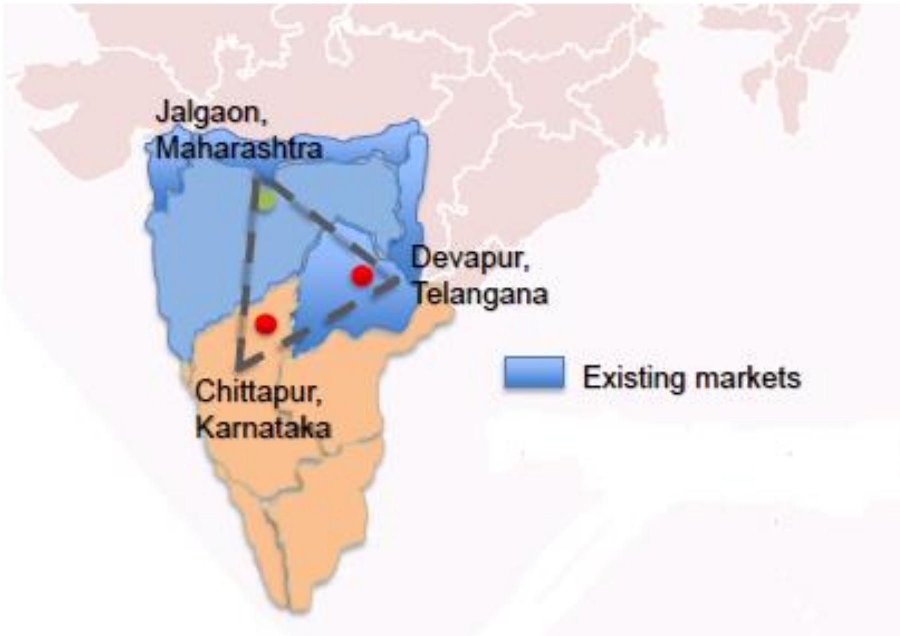
Figure 31: ORCMNT's grinding plant at Jalgaon in Maharashtra as at FY21-end

SOURCES: INCRED RESEARCH, COMPANY'S OFFICIAL WEBSITE

Figure 32: ORCMNT's plant at Chittapur in Gulbarga (Karnataka) as at FY21-end

SOURCES: INCRED RESEARCH, COMPANY'S OFFICIAL WEBSITE

Figure 33: ORCMNT primarily caters to markets of Southern and Western India as at FY21-end



SOURCES: INCRED RESEARCH, ORCMNT OCT 2016 CORPORATE PRESENTATION

ORCMNT's milestones

Figure 34: Journey of ORCMNT since its incorporation

1982	**Commenced cement operations with Line-I at Devapur, Telangana.**
1990	• Commissioned Line-II at Devapur, Telangana.
1997	• Line-I was upgraded to 1.18mtpa at Devapur.
1997	• Commissioned a 2mtpa clinker grinding plant at Jalgaon, Maharashtra.
2009	• Line-III was commissioned in Jul 2009.
2012	• Demerged into a separate entity from Orient Paper and Industries.
2015	• Commissioned a 3mtpa integrated plant in Chittapur, Gulbarga in Karnataka. • Total installed capacity touched 8mtpa.
2016	• Acquired a 74% stake in Bhilai Jaypee Cement Ltd (grinding capacity of 2.2 mtpa) and purchased Nigrie grinding unit (grinding capacity of 2 mtpa).
2018	• ORCMNT announced it had terminated the agreement as the deal could not be concluded within the stipulated time period.
2021	• ORCMNT plans to take its existing 8mtpa capacity to 11.5mtpa by FY24 in two phases and to 14.5mtpa by FY26.

SOURCES: INCRED RESEARCH, COMPANY REPORTS

ORCMNT's product portfolio

- The product mix includes OPC & PPC sold under the brand name of Birla A1. Good quality and suitability for critical structures gives Birla A1 an edge over other brands in the market.
- Birla A1 Premium Cement is manufactured using technology which ensures uniform particle size distribution. Concrete made from it attains higher compressive strength and can sustain higher pressure. Birla A1 Premium Cement is made using Pressure Sustaining Technology (PST).
- The company introduced a new product, Birla.A1 StrongCrete premium cement in May 2018. It is made using PST, a proprietary technology of the company which ensures that the concrete made withstands very high pressure.
- The new product contains an optimised dosage of mineral admixtures, ensuring the availability of higher quantity of C3S (tri-calcium silicate) molecules which are responsible for the concrete gaining high early strength. Simultaneously, high quality mineral admixtures accelerate the formation of the double Calcium-Silicate-Hydrate (C-S-H) Gel, as a result of which the concrete continues to gain strength over a long period of time.
- The company has launched this product in the PPC segment and is currently charging approx. Rs30-35/bag premium to the base product, Birla A1. This brand has been positioned in a focused manner in the retail segment where the company provides technical support to every customer. Despite the premium pricing, it commands ~10% of total trade sales (50% of cement sales is from the trade segment).
- The share of premium cement in trade sales was 10% in FY21 and 8% in 1QFY22. However, it touched ~15% in the company's core markets (North Telangana/ Karnataka, etc.). ORCMNT's share of blended cement stood at 70% in 1QFY22.

Figure 35: ORCMNT's Birla.A1 StrongCrete and Birla.A1 Premium Cement (PPC)

SOURCES: INCRED RESEARCH, COMPANY'S OFFICIAL WEBSITE

Figure 36: ORCMNT's Birla.A1 Premium Cement 53 Grade (OPC) and Birla.A1 Premium Cement 43 Grade (OPC)

SOURCES: INCRED RESEARCH, COMPANY'S OFFICIAL WEBSITE

SWOT analysis

Figure 37: Orient Cement Limited

Strength	Weakness
One of the best cost structures, in our view. Brand recall is excellent.	Prolonged slowdown in general construction activity across key markets. Further increase in input costs. Any fall in cement prices.
Opportunity	**Threat**
Company to expand its capacity in the next three-four years to 14mtpa. Further initiatives on product and cost side to improve profitability.	Delay in aforesaid capacity expansion.

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Key management profile

ORCMNT's board comprises nine directors, which includes two executive directors and seven non-executive directors out of which six are independent directors.

Mr. Chandrakant Birla, Chairman: He is the chairman of the CK Birla Group, a conglomerate operating across home and building products, automotive and technology, and healthcare and education. He is also a member of the Commonwealth Business Council, chairman of board of governors of the Birla Institute of Technology Ranchi, Indian Institute of Management, Udaipur, and Calcutta Medical Research Institute.

Mr. Desh Deepak Khetrapal, Managing Director and CEO: Mr. Deepak Khetrapal was appointed as the MD & CEO of Orient Cement in Apr 2012. He has over 40 years of industrial experience. He holds a B. Com degree from Shri Ram College of Commerce and has completed MBA from Faculty of Management Studies, Delhi. He was previously group CEO of Jumbo Group in Dubai, COO and board member at Raymond, President-Asia Pacific at Gunnebo, director at Turner Morrison Group, and held various positions at State Bank of India. Remuneration stood at Rs70.83mn for FY21.

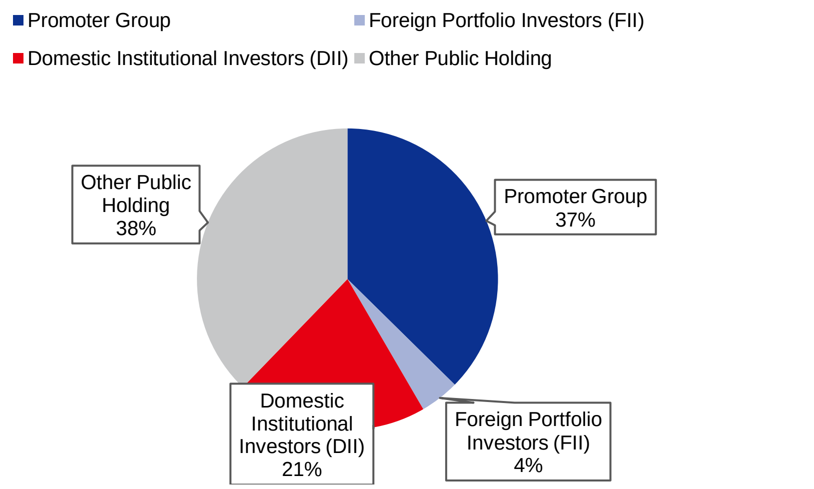
Mrs. Amita Birla, Non-executive Director: Ms. Amita Birla was appointed to the board of directors in Mar 2015. She is GCE-A level qualified and has studied at Queen's College, London. She also serves as the chairman of Birlasoft and co-chairman of National Engineering Industries. She is also a director of Indian Smelting and Refining Company, and Neosym Industries. She is the chairman of the board of governors of CK Birla Hospitals.

Figure 38: Composition of ORCMNT's board as at FY21-end

Name of Director	Designation
Mr. Chandrakant Birla	Chairman
Mr. Desh Deepak Khetrapal	Managing Director & CEO
Mrs. Amita Birla	Non-Executive Director
Mr. Janat Shah	Independent Director
Mr. Rabindranath Jhunjhunwala	Independent Director
Mr. Rajeev Jhawar	Independent Director
Mr. Swapan Dasgupta	Independent Director
Mr. I.Y.R Krishna Rao	Independent Director
Mrs. Varsha Vasant Purandare	Independent Director

SOURCES: INCRED RESEARCH, COMPANY REPORTS

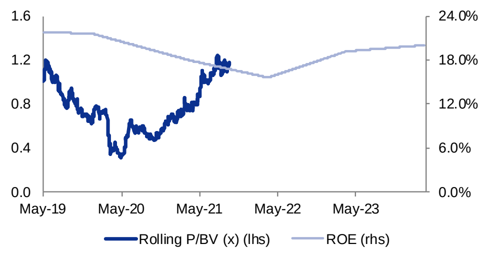
Figure 39: ORCMNT's shareholding pattern (as at Jun 2021-end)



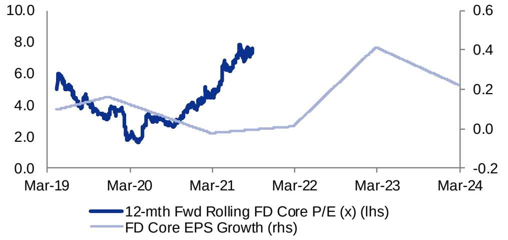
SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	**24,218**	**23,241**	**28,082**	**31,038**	**35,142**
Gross Profit	**24,218**	**23,241**	**28,082**	**31,038**	**35,142**
Operating EBITDA	**3,829**	**5,507**	**6,297**	**7,027**	**7,941**
Depreciation And Amortisation	(1,409)	(1,419)	(1,454)	(1,490)	(1,535)
Operating EBIT	**2,420**	**4,088**	**4,843**	**5,537**	**6,406**
Financial Income/(Expense)	(1,223)	(936)	(561)	(674)	(842)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	177	183	180	185	191
Profit Before Tax (pre-EI)	**1,374**	**3,336**	**4,461**	**5,049**	**5,754**
Exceptional Items					
Pre-tax Profit	**1,374**	**3,336**	**4,461**	**5,049**	**5,754**
Taxation	(508)	(1,194)	(1,597)	(1,807)	(2,060)
Exceptional Income - post-tax					
Profit After Tax	**866**	**2,142**	**2,864**	**3,241**	**3,694**
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**866**	**2,142**	**2,864**	**3,241**	**3,694**
Recurring Net Profit	866	2,142	2,864	3,241	3,694
Fully Diluted Recurring Net Profit	**866**	**2,142**	**2,864**	**3,241**	**3,694**

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	3,829	5,507	6,297	7,027	7,941
Cash Flow from Invt. & Assoc.					
Change In Working Capital	186	(1,939)	315	1,300	799
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	177	183	180	185	191
Other Operating Cashflow	(358)	3,734	3,734	3,734	3,734
Net Interest (Paid)/Received	(1,223)	(936)	(561)	(674)	(842)
Tax Paid	307	590	(1,597)	(1,807)	(2,060)
Cashflow From Operations	**2,918**	**7,141**	**8,367**	**9,766**	**9,763**
Capex	(766)	(507)	(750)	(5,400)	(6,900)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	34	(1,109)	(337)	(4,650)	(1,500)
Cash Flow From Investing	**(732)**	**(1,615)**	**(1,087)**	**(10,050)**	**(8,400)**
Debt Raised/(repaid)	(667)	(4,333)	(3,400)	3,600	2,800
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(185)	(307)	(215)	(227)	(222)
Preferred Dividends					
Other Financing Cashflow	(1,206)	(881)	(3,849)	(3,461)	(3,556)
Cash Flow From Financing	**(2,059)**	**(5,521)**	**(7,464)**	**(88)**	**(978)**
Total Cash Generated	127	4	(184)	(372)	385
Free Cashflow To Equity	**1,518**	**1,192**	**3,880**	**3,316**	**4,163**
Free Cashflow To Firm	**3,408**	**6,461**	**7,842**	**390**	**2,205**

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	360	1,512	1,328	957	1,342
Total Debtors	1,618	1,102	1,385	1,446	1,540
Inventories	2,366	1,705	2,308	2,296	2,407
Total Other Current Assets	503	535	534	528	597
Total Current Assets	**4,847**	**4,854**	**5,555**	**5,226**	**5,887**
Fixed Assets	22,715	22,073	21,369	25,279	30,644
Total Investments					
Intangible Assets	668	413	750	5,400	6,900
Total Other Non-Current Assets	768	781	781	781	781
Total Non-current Assets	**24,151**	**23,266**	**22,900**	**31,459**	**38,324**
Short-term Debt	3				
Current Portion of Long-Term Debt					
Total Creditors	1,764	1,844	2,402	2,754	3,234
Other Current Liabilities	2,155	2,868	3,510	4,501	5,096
Total Current Liabilities	**3,921**	**4,712**	**5,912**	**7,255**	**8,330**
Total Long-term Debt	12,261	7,966	4,566	8,166	10,966
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,632	2,383	2,483	2,983	3,383
Total Non-current Liabilities	**13,893**	**10,349**	**7,049**	**11,149**	**14,349**
Total Provisions					
Total Liabilities	**17,814**	**15,062**	**12,961**	**18,404**	**22,679**
Shareholders Equity	11,184	13,059	15,494	18,281	21,532
Minority Interests					
Total Equity	**11,184**	**13,059**	**15,494**	**18,281**	**21,532**

Key Ratios

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(4.0%)	(4.0%)	20.8%	10.5%	13.2%
Operating EBITDA Growth	22.7%	43.8%	14.3%	11.6%	13.0%
Operating EBITDA Margin	15.8%	23.7%	22.4%	22.6%	22.6%
Net Cash Per Share (Rs)	(58.10)	(31.50)	(15.81)	(35.19)	(46.98)
BVPS (Rs)	54.59	63.74	75.63	89.23	105.10
Gross Interest Cover	1.98	4.37	8.63	8.22	7.61
Effective Tax Rate	37.0%	35.8%	35.8%	35.8%	35.8%
Net Dividend Payout Ratio	21.4%	14.3%	15.0%	14.0%	12.0%
Accounts Receivables Days	25.72	21.36	16.16	16.64	15.51
Inventory Days	31.84	31.97	26.08	27.07	24.42
Accounts Payables Days	32.48	37.13	35.57	39.19	40.18
ROIC (%)	9.8%	18.7%	22.8%	19.4%	18.5%
ROCE (%)	10.3%	18.4%	23.6%	23.8%	21.7%
Return On Average Assets	7.2%	10.8%	12.1%	12.0%	11.2%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** - Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** - Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, n/a **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2020 from Thai Institute of Directors Association (IOD)
- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of January 30, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.