

Current	Previous
<b>CMP : Rs.98</b>	
<b>Rating : HOLD</b>	<b>Rating : HOLD</b>
<b>Target : Rs.103</b>	<b>Target : Rs.103</b>

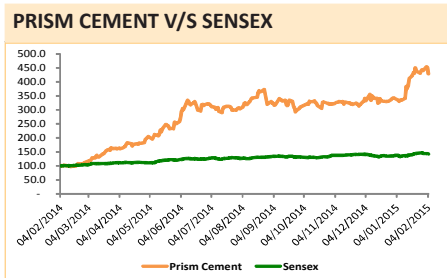
STOCK INFO	
BSE	500338
NSE	PRISMCEM
Bloomberg	PRSC
Reuters	PRIS.BO
Sector	Cement and Cement Products
Index	S&P BSE 500
Face Value(Rs)	10
Equity Capital(Rs mn)	5,033.60
Mkt Cap(Rs mn)	49,555.50
52w H/L	108/22
3m Avg Daily Volume(BSE+NSE)	8,93,162

SHAREHOLDING PATTERN	%
<i>(as on Dec. 2014)</i>	
Promoters	74.87
FII's	5.99
DII's	8.09
Public & Others	11.05

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
PRISM CEMENT	26.07	32.89	329.00
SENSEX	3.57	3.67	42.90

Source: Capitaline; IndiaNivesh Research



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Prism cement reported top-line in-line with our estimates however profitability were below our estimates due to losses in RMC and TBK segments. Company net sales increased y-o-y by 16.3% to Rs 13,284 mn, led by y-o-y increase of 18.2% and 23.9% in cement and TBK segments respectively. On account of losses in TBK and RMC segments company reported EBITDA of Rs 272 mn compared to EBITDA of Rs 404 mn in Q3FY14. Lower EBITDA and high finance cost of Rs 668 mn resulted in net loss of Rs 407 mn in Q3FY15.

Rs mn	Q3FY15E	Q3FY14	Q2FY15	Y-o-Y	Q-o-Q	INSPL Estimate	Variance %
Gross Sales	14,283	12,360	14,394	15.6%	-0.8%	14,119	1.2%
Net Sales	13,284	11,426	13,320	16.3%	-0.3%	13,060	1.7%
EBITDA	272	-27	404	nmf	-32.8%	884	-69.3%
Net Profit	(407)	(624)	(198)	nmf	nmf	(114)	nmf
EPS(Rs.)	-0.81	-1.24	-0.39	nmf	nmf	-0.23	nmf
EBITDA Margin %	2.0%	-0.2%	3.0%	228	-99	6.8%	(472)
Adj Net Margin %	-2.8%	-5.0%	-1.3%	217	-147	-0.8%	(204)

Standalone Source: Company, IndiaNivesh Research

### Strong top-line growth in Cement and TBK Segments:

Cement segment reported 18.2% y-o-y increase in top-line to Rs 5,128 mn on back of 1) 6.3% growth in cement dispatches to 1.2 mnt and 2) 7.9% growth in blended realisation to Rs 4,129. TBK segment also reported healthy y-o-y growth of 23.9% to Rs 5,325 mn, on back of increased capacity utilization and focus on marketing front. Continued lull in Infra and construction sectors led to muted growth of 3.2% in RMC segment to Rs 2,971 mn.

For 9MFY15, Prism cement has shown a healthy top-line growth of 18.1% to Rs 40,644 mn, led by 1) 20.9% growth in cement segment 2) 21.9% and 7.6% growth in TBK and RMC segments respectively.

### Revenue Break-up-Segmentwise:

Rs mn	Q3FY15E	Q3FY14	Q2FY15	Y-o-Y	Q-o-Q	9MFY15	9MFY14	Y-o-Y
Cement	5,128	4,338	5,249	18.2%	-2.3%	16,378	13,544	20.9%
TBK	5,325	4,297	5,224	23.9%	1.9%	15,448	12,674	21.9%
RMC	2,971	2,878	2,946	3.2%	0.9%	8,948	8,319	7.6%
Less:Intersegment	46	37	42	23.2%	9.9%	131	128	2.1%
<b>Net Revenue</b>	<b>13,378</b>	<b>11,475</b>	<b>13,378</b>	<b>16.6%</b>	<b>0.0%</b>	<b>40,644</b>	<b>34,409</b>	<b>18.1%</b>

Standalone Source: Company, IndiaNivesh Research

### Losses in TBK and RMC segments negatively affect profitability:

Cement segment reported EBIT profit of Rs 79 mn in Q3FY15 compared to loss of Rs 321 mn in Q3FY14, helped by cost savings initiatives taken by the company and y-o-y growth of 6.3% in cement dispatches and 7.9% growth in blended realisation. Despite strong top-line growth, TBK segment reported loss of Rs 35 mn in Q3FY15, as it had to incur higher fuel costs; on account of disruption of gas pipeline (in Q2FY15) which commenced its operation in last week of Q3FY15. RMC segment continue to remain under pressure with a loss of Rs 9 mn in Q3FY15, reflecting lower capacity utilization (~50%) of the RMC plant. Management is in the process of identifying new locations where it plans to relocate unused/underutilized assets of RMC division.

### Profitability Break-up-Segmentwise:

Rs mn	Q3FY15E	Q3FY14	Q2FY15	Y-o-Y	Q-o-Q	9MFY15	9MFY14	Y-o-Y
Cement	79	(321)	340	-124.6%	-194.4%	1,207	(854)	-241.3%
TBK	(35)	(52)	6	-32.6%	-918.8%	(10)	1,158	-100.8%
RMC	(9)	9	(43)	-193.6%	-121.9%	(50)	(8)	543.6%
Less:Finance cost	668	633	643	5.5%	-1.6%	1,959	1,796	9.1%
Less:Other expense	(30)	(29)	(47)	1.0%	-37.3%	(112)	(67)	68.4%
<b>Profit before tax</b>	<b>(603)</b>	<b>(967)</b>	<b>(293)</b>	<b>-37.6%</b>	<b>229.9%</b>	<b>(700)</b>	<b>(1,433)</b>	<b>-51.2%</b>
<b>Margin (%)</b>								
Cement	1.5%	-7.4%	6.5%	893	(493)	7.4%	-6.3%	1,368
TBK	-0.7%	-1.2%	0.1%	56	(79)	-0.1%	9.1%	(920)
RMC	-0.3%	0.3%	-1.5%	(62)	116	-0.6%	-0.1%	(47)

Standalone Source: Company, IndiaNivesh Research

**Outlook and Valuation:**

Prism cement has shown a healthy growth in the top-line; however profitability of segments, especially TBK and RMC segments still remains a concern for the company. With cost optimization measures in place and commencement of gas supply to TBK division at the end of Q3FY15, we expect Prism cement to benefit positively on profitability front.

We initiated coverage of Prism Cement on 13 May 2014 at then CMP of Rs50 with TP of Rs60 subsequently we revised our TP upward to Rs78 and Rs103, both of which have been achieved. At CMP of Rs 98, Prism cement is trading at FY16E, EV/EBITDA multiple of 8.9x. We remain optimistic about the possible turnaround in the profitability of the company on the back of cost saving measures and likely revival in construction/Infra sectors. We maintain HOLD rating on the stock with TP of 103.

Rs mn	Q3FY15E	Q3FY14	Q2FY15	Y-o-Y	Q-o-Q	9MFY15	9MFY14	Y-o-Y
Gross Sales	14,283	12,360	14,394	15.6%	-0.8%	43,670	37,095	17.7%
Excise duty	1,000	934	1,074	7.0%	-6.9%	3,227	2,844	13.5%
<b>Net Sales</b>	<b>13,284</b>	<b>11,426</b>	<b>13,320</b>	<b>16.3%</b>	<b>-0.3%</b>	<b>40,443</b>	<b>34,251</b>	<b>18.1%</b>
Material Costs	6,464	5,219	6,306	23.9%	2.5%	18,949	15,785	20.0%
<i>as % of net sales</i>	<i>48.7%</i>	<i>45.7%</i>	<i>47.3%</i>	<i>299</i>	<i>132</i>	<i>46.9%</i>	<i>46.1%</i>	<i>77</i>
Employee Expenses	808	715	796	13.1%	1.5%	2,342	2,187	7.1%
<i>as % of net sales</i>	<i>6.1%</i>	<i>6.3%</i>	<i>6.0%</i>	<i>(17)</i>	<i>11</i>	<i>5.8%</i>	<i>6.4%</i>	<i>(59)</i>
Power and Fuel	1,796	2,001	1,856	-10.3%	-3.2%	5,726	5,984	-4.3%
<i>as % of net sales</i>	<i>13.5%</i>	<i>17.5%</i>	<i>13.9%</i>	<i>(399)</i>	<i>(41)</i>	<i>14.2%</i>	<i>17.5%</i>	<i>(331)</i>
Freight expense	1,779	1,555	1,796	14.4%	-1.0%	5,340	4,560	17.1%
<i>as % of net sales</i>	<i>13.4%</i>	<i>13.6%</i>	<i>13.5%</i>	<i>(22)</i>	<i>(9)</i>	<i>13.2%</i>	<i>13.3%</i>	<i>(11)</i>
Other expense	2,165	1,964	2,162	10.3%	0.1%	6,283	5,676	10.7%
<i>as % of net sales</i>	<i>16.3%</i>	<i>17.2%</i>	<i>16.2%</i>	<i>(88)</i>	<i>7</i>	<i>15.5%</i>	<i>16.6%</i>	<i>(104)</i>
<b>EBITDA</b>	<b>272</b>	<b>(27)</b>	<b>404</b>		<b>-32.8%</b>	<b>1,803</b>	<b>59</b>	<b>2965.8%</b>
<b>EBITDA margin %</b>	<b>2.0%</b>	<b>-0.2%</b>	<b>3.0%</b>	<b>228</b>	<b>(99)</b>	<b>4.5%</b>	<b>0.2%</b>	<b>429</b>
Other Income	140	141	275	-0.3%	-49.1%	500	1,535	-67.4%
Depreciation	348	448	330	-22.5%	5.3%	1,044	1,309	-20.3%
EBIT	64	(335)	350		<b>-81.6%</b>	1,259	284	343.1%
Finance cost	668	633	643	5.5%	3.8%	1,959	1,796	9.1%
Exceptional item	-	0	-			-	79	
Profit before tax	(603)	(967)	(293)	<i>nmf</i>	<i>nmf</i>	(700)	(1,433.1)	<i>nmf</i>
Tax expense	(197)	(344)	(96)			(228)	(507)	
<i>effective tax rate %</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>			<i>nmf</i>	<i>nmf</i>	
<b>Reported Net Profit</b>	<b>(407)</b>	<b>(623)</b>	<b>(198)</b>	<b>nmf</b>	<b>nmf</b>	<b>(472)</b>	<b>(926.5)</b>	<b>nmf</b>
<b>Adj Net Profit</b>	<b>(407)</b>	<b>(624)</b>	<b>(198)</b>	<b>nmf</b>	<b>nmf</b>	<b>(472)</b>	<b>(1,005)</b>	<b>nmf</b>
<b>Adj.net margin %</b>	<b>-3.0%</b>	<b>-5.4%</b>	<b>-1.5%</b>	<b>236</b>	<b>(158)</b>	<b>-1.2%</b>	<b>-2.8%</b>	<b>166</b>
<b>Adj EPS</b>	<b>-0.81</b>	<b>-1.24</b>	<b>-0.39</b>			<b>-0.94</b>	<b>-2.00</b>	

Standalone Source: Company, IndiaNivesh Research