

## Rising cost dent margins despite strong volume offtake

We reiterate Buy on JK Cement (JKCE) and with a revised TP of Rs1,180. During Q4FY18, while strong volume growth across both grey (+29% YoY) and white/putty (+11 YoY) drove 28% standalone revenue increase, grey realisation remained insufficient to pass on the cost inflation. Thus, EBITDA fell 5% YoY. On a downward revised PAT base of Q4FY17 and led by lower interest expense, PAT surged 105% YoY. JKCE's reduced debt on books leading to net D:E reduction to 1.1x in FY18 vs 1.6x YoY. We remain bullish on the company owing to stable outlook for white/putty business and increasing demand outlook for grey cement business.

- **Grey Cement- Strong offtake in Q4FY18 could not offset weak realisation and rising cost inflation:** Sales volume rose 29% YoY (+18% QoQ) to 2.4mn MT, driven by similar strong surge from both north and south plants. Thus, utilisation improved 22pp/17pp/20pp YoY across north/south/total basis to 96%/79%/91% in Q4. While pick-up in infrastructure demand drove up sales and utilisation, realisation growth was muted weak QoQ. Further, rising fuel and diesel prices and lower operational efficiency on the operations of the older kilns in north, added to cost pressure. Thus, unitary EBITDA contracted by ~Rs100/MT QoQ and ~Rs210/MT YoY. to a paltry Rs271 (vs our est of Rs318/MT). Thus, segmental EBITDA fell 28% YoY and 15% QoQ to Rs650mn.
- **Better show at white/putty in India moderate total profit decline; UAE weak:** White Cement/putty sales volume from India plant rose 11% YoY (+8% QoQ) to 0.32mn MT, driven by strong 18% growth in putty volume. Increased utilisation and higher blended NSR (+ 3% YoY) offset 2% cost inflation. Thus, segmental OPM expanded 72bps YoY to 31.2%. Hence, white/putty EBITDA from India rose 16% YoY, thus moderating total EBITDA decline to 5% YoY. During Mar-18 qtr, UAE operations recorded 30% YoY volume decline to 80K MT. Thus segmental revenue fell 18% YoY to Rs550mn. Lower utilisation drove UAE margin to contract to 1.3% vs 16.7% YoY.
- **Other updates:** Management expect that pricing in the north market should recover soon, thus boosting north profitability. JKCE is expecting to complete its recently announced 4.2 mn MT expansion in north by end of FY20. This expansion will enhance its operating cost in north. The 0.2 mn MT Putty expansion is on track to be commissioned in Jun 2018. UAE profitability has come under pressure wef 1<sup>st</sup> Jan 2018, owing to introduction of VAT and custom duty by the local government. JKCE is looking to re-structure the subsidiary to reduce the tax impact. We trim our FY19/20 EBITDA estimates by 11%/10% each owing to sharp inflation in fuel and diesel prices, lower than estimated grey cement price recovery and dent in UAE profitability on account of tax introduction (amid weak demand).
- **Valuations and view:** JKCE remains amongst our preferred picks in the midcap space. We estimate JKCE's consolidated EBITDA to grow at 18% CAGR during FY18-20E. Despite on-going expansion, we expect JKCE's net D:E to remain stable at 1x during FY18-20E (vs 1.6-1.8x during FY15-17), on account of good internal accruals and stable working capital. We maintain BUY with a revised TP of Rs1180 (10x its FY20E consolidated EBITDA). Key downside risks: lower-than-expected demand offtake, further spike in petcoke and diesel prices.

Y/E Mar (Rsmn)	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)	Q4FY18E	Variance %
Net Sales	13,160	10,282	28.0	11,261	16.9	12,592	4.5
Op. Cost	11,340	8,374	35.4	9,559	18.6	10,774	5.3
EBITDA	1,819	1,908	(4.6)	1,702	6.9	1,818	0.1
EBITDA margin (%)	13.8	18.6	(473)bps	15.1	(129)bps	14.4	(61)bps
Depreciation	470	452	4.0	451	4.2	470	(0.1)
Interest	562	701	(19.8)	578	(2.7)	600	(6.3)
Other Income	533	506	5.4	249	114.0	200	166.5
Taxes Paid	265	746	(64.4)	193	37.8	237	11.9
Adjusted PAT	1,055	515	104.9	731	44.4	711	48.4

Source: Company, Centrum Research Estimate, Standalone Financials

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	APAT	YoY (%)	DEPS Rs.	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY16	37,855	11.1	5,462	14.4	577	(54.3)	8.3	3.6	4.6	73.5	13.1
FY17	40,214	6.2	7,261	18.1	1,971	241.4	28.2	11.9	7.0	26.5	11.1
FY18E	48,463	20.5	7,875	16.2	3,065	55.6	43.9	16.6	9.7	23.3	11.9
FY19E	53,539	10.5	9,204	17.2	4,218	37.6	60.3	19.6	11.1	16.2	10.0
FY20E	59,465	11.1	11,038	18.6	5,092	20.7	72.8	19.9	11.8	13.4	8.7

Source: Company, Centrum Research Estimates, Consolidated Financials

In the interest of timeliness, this document is not edited.

Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

Target Price	Rs1,180	Key Data	
CMP*	Rs975	Bloomberg Code	JKCE IN
Upside	21%	Curr Shares O/S (mn)	69.9
Previous Target	Rs1,350	Diluted Shares O/S(mn)	69.9
Previous Rating	Buy	Mkt Cap (Rsbn/USDbn)	68.2/1
Price Performance (%)*		52 Wk H / L (Rs)	1195/892
	1M 6M 1Yr	5 Year H / L (Rs)	1195/892
JKCE IN	1.5 (9.1) (13.2)	Daily Vol. (3M NSE Avg.)	55351
Nifty	2.0 5.2 12.9		

\*as on 16 May 2018; Source: Bloomberg, Centrum Research

### Shareholding pattern (%)\*

	Mar-18	Dec-17	Sep-17	Jun-17
Promoter	64.2	64.8	64.2	64.2
Fils	10.3	13.3	11.2	11.3
Dom. Inst.	16.7	5.7	16.4	12.5
Public & Others	8.8	16.2	8.3	12.1

Source: BSE, \*as on 16 May 2018

### Quarterly operational performance trend

	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)
<b>Grey Cement</b>					
Sales (mn MT)	2.40	1.86	28.6	2.03	18.3
NSR (Rs/MT)	3,892	3,709	4.9	3,817	2.0
Opex (Rs/MT)	3,621	3,224	12.3	3,441	5.2
EBITDA (Rs/MT)	271	485	(44.0)	376	(27.8)
<b>White + Putty</b>					
Sales (mn MT)	0.32	0.29	10.7	0.30	8.0
NSR (Rs/MT)	11,670	11,354	2.8	11,426	2.1
Opex (Rs/MT)	8,030	7,893	1.7	8,259	(2.8)
EBITDA (Rs/MT)	3,640	3,460	5.2	3,167	15.0

Source: Company, Centrum Research; Standalone Financials

### Earning Revisions summary

Particulars (Rs bn)	FY19E			FY20E		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	53.5	54.2	(1.2)	59.5	60.7	(2.0)
EBITDA	9.2	10.3	(10.8)	11.0	12.3	(10.1)
Ebitda margin (%)	17.2	19.0		18.6	20.2	
Adj PAT	4.2	5.1	(17.9)	5.1	5.8	(12.1)

Source: Centrum Research Estimates

### Centrum vs. Bloomberg Consensus\*

Particulars (Rs bn)	FY19E			FY20E		
	Centrum	BBG	Var (%)	Centrum	BBG	Var (%)
Net Sales	53.5	53.4	0.3	59.5	59.3	0.2
EBITDA	9.2	9.6	(3.9)	11.0	11.2	(1.5)
PAT	4.2	4.1	2.4	5.1	5.1	(0.9)

Bloomberg Consensus*				Centrum Target Price (Rs)	Variance (%)
BUY	SELL	HOLD	Target Price (Rs)		
21	1	2	1,265	1,180	(6.7)

\*as on 16 May 2018; Source: Bloomberg, Centrum Research Estimates

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## Con-call highlights

### Grey Cement

- Sales volume rose 29% YoY (+18% QoQ) to 2.4mn MT. North sales volume rose 29% YoY and 17% QoQ thus boosting its north utilisation to 96% vs 75% YoY and 83% QoQ. South sales volume too rose 27% YoY and 24% QoQ, thus leading to higher utilisation of 79% vs 62% YoY and 64% QoQ. Clinker sales accounted for 2% of total sales volume during the quarter vs 4% QoQ and negligible YoY. Total utilisation surged to 91% during Q4FY18 vs 71% YoY and 77% QoQ.
- During FY18, north sales volume rose 21% and south sales volume rose 20% YoY, thus leading to total volume growth of 21% to 8.22 mn MT. North utilisation expanded 14.3 pp to 83%, south utilisation expanded 11.4 pp to 67%, leading to total utilisation expansion by 13.5 pp to 78%.
- As north utilisation crossed 90%, all its kilns in north were put to operations, including the old, inefficient kilns. This led to increase in operating costs during Q4FY18, in addition to the impact of rising fuel and diesel prices.
- Its trade: non trade mix currently stands at 60%:40%. PPC: OPC mix stands at 60:40. Average lead distance stood stable at 450Kms.

### White/ Putty segment

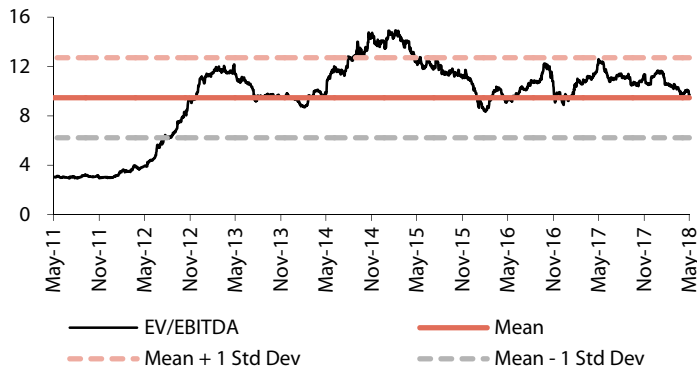
- JKCE's white cement and putty sales (from India operations) rose 11% YoY (+8% QoQ) to 0.32mn MT in Q4FY18. White cement's sales volume rose 3% YoY. Putty sales volume rose 18% YoY. During FY18, total white/putty volumes in India rose 8% YoY, led by 14% uptick in putty sales while white sales rose a modest 2% YoY.
- White cement/clinker sales volume from the UAE subsidiary fell 30% YoY and 5% QoQ to 80K MT. The management said there has been indirect tax introduction on domestic and export sales wef 1<sup>st</sup> Jan 2018. As demand remains weak, the profitability is hit. Management is working on restructuring the company to reduce tax impact. Also to improve profitability, it will increase direct sales in African countries (leading to better realisation) and is also exploring exporting to southern part of India (to boost utilisation).

### Other updates

- JKCE guided that the Katni expansion of the putty plant is expected to be ready by Jun 2018, leading to increase in putty expansion from 0.7 mn MT to 0.9 mn MT.
- JKCE recently announced a 4.2 mn MT capacity expansion plan to be completed by end of FY20. This will include 2.5mn MT clinker capacity and 1 mn MT grinding unit at Nimbhera (brownfield, capex of Rs15bn), 1 mnMT grinding expansion at Mangrol (brownfield, capex of Rs1bn), greenfield grinding units at Silvassa (Gujarat) – 0.7 mn MT (Rs1.5bn capex) and 1.5 mn MT in Aligarh (UP) at capex of Rs2.75bn.
- Consolidated Gross/net debt on books stood at Rs29.3bn/Rs22.5bn at end of FY18.

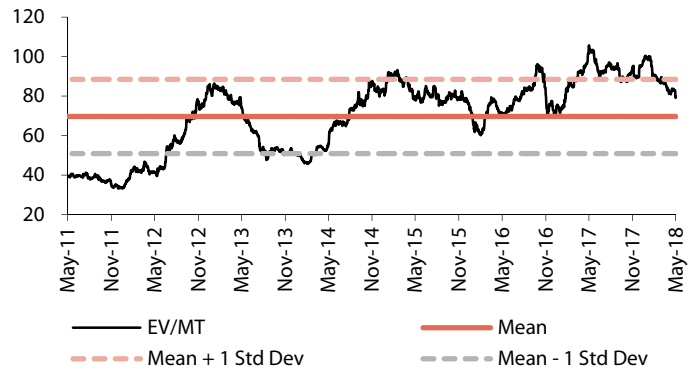
## Valuation & Key assumptions

Exhibit 1: 1-yr forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 2: 1-yr forward EV/MT chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 3: Comparative Valuations

Company	Mkt Cap (Rs bn)	CAGR FY18-20E (%)			EBITDA margin (%)			RoCE (%)			RoE (%)			EV/EBITDA (x)			EV/MT(USD)		
		Rev.	EBITDA	PAT	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
JK Cement	68.2	10.8	18.4	28.9	16.2	17.2	18.6	9.7	11.1	11.8	16.6	19.6	19.9	11.9	10.0	8.7	101	96	89
JK Lakshmi	45.3	6.1	22.2	67.7	12.4	14.0	16.4	6.3	8.2	8.8	6.3	11.5	14.5	15.7	11.3	9.5	96	85	83
Ramco Cements	196.0	14.0	21.0	26.5	25.2	27.7	28.3	9.2	11.3	12.0	15.0	18.2	18.0	16.5	14.6	12.5	185	207	192
Orient Cement	25.0	33.6	49.5	98.5	13.7	14.9	17.2	5.2	6.0	7.9	4.4	6.6	9.5	13.7	12.4	7.5	80	80	77

Source: Company, Centrum Research Estimates. NM – Not Meaningful

Exhibit 4: Key Operational Assumptions (Consolidated)

Particulars	FY15	FY16	FY17	FY18	FY19E	FY20E
<b>Grey Cement</b>						
Capacity (mn MT)	10.5	10.5	10.5	10.5	10.5	12.5
Sales Volume (mn MT)	6.29	6.87	6.81	8.22	8.63	9.15
Utilisation (%)	60.0	65.6	65.0	78.5	82.4	73.4
NSR (Rs/MT)	3,811	3,582	3,657	3,907	4,024	4,205
Opex (Rs/MT)	3,477	3,261	3,174	3,451	3,516	3,597
EBITDA (Rs/MT)	335	321	483	456	507	608
OPM (%)	8.8	9.0	13.2	11.7	12.6	14.5
<b>White/Putty (India + UAE)</b>						
Capacity (mn MT)	1.7	1.7	1.9	1.9	2.1	2.1
Sales Volume (mn MT)	1.1	1.3	1.4	1.5	1.7	1.9
Utilisation (%)	64.1	73.3	74.1	79.3	80.3	88.2
NSR (Rs/MT)	8,994	10,287	10,411	10,427	10,698	10,912
Opex (Rs/MT)	6,813	7,702	7,617	7,714	7,863	7,981
EBITDA (Rs/MT)	2,180	2,584	2,794	2,713	2,835	2,931
OPM (%)	24.2	25.1	26.8	26.0	26.5	26.9
<b>Grey + White+ Putty (Consolidated)</b>						
Total Installed Capacity (mn MT)	12.2	12.2	12.4	12.4	12.6	14.6
Total Sales Volume (mn MT)	7.2	7.8	7.9	9.4	9.9	10.6
YoY change (%)	16.3	9.3	0.7	19.0	5.9	6.5
(Rs/ MT trend)						
Blended NSR	4,611	4,659	4,888	4,975	5,181	5,397
YoY change (%)	1.7	1.0	4.9	1.8	4.1	4.2
Raw Materials	775	858	853	823	847	873
Power & Fuel	1,102	1,020	808	977	1,026	1,057
Freight costs	1,003	960	988	1,135	1,169	1,199
Employee cost	285	331	384	378	410	423
Other expense	837	819	973	853	838	844
Total Opex	4,001	3,987	4,005	4,166	4,290	4,395
Blended EBITDA per MT	610	672	883	808	891	1,002

Source: Company, Centrum Research Estimates

**Exhibit 5: Quarterly financials trend - Standalone**

Y/E Mar (Rs mn)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
<b>Net Sales</b>	<b>8,951</b>	<b>9,221</b>	<b>9,101</b>	<b>10,282</b>	<b>10,415</b>	<b>11,077</b>	<b>11,261</b>	<b>13,160</b>
Total Expenditure	7,202	7,648	7,396	8,374	8,438	9,005	9,559	11,340
Raw Materials	1,772	1,656	1,666	1,786	1,728	1,844	1,855	2,041
Power and Fuel	1,387	1,517	1,548	1,800	1,803	2,058	2,203	2,832
Employee	658	684	684	728	775	783	793	903
Transport	1,700	1,776	1,825	2,065	2,172	2,493	2,622	3,282
Others	1,757	1,905	1,788	2,016	1,907	1,756	1,944	2,125
<b>EBITDA</b>	<b>1,749</b>	<b>1,573</b>	<b>1,705</b>	<b>1,908</b>	<b>1,977</b>	<b>2,072</b>	<b>1,702</b>	<b>1,819</b>
Depreciation	425	437	447	452	450	492	451	470
EBIT	1,324	1,136	1,258	1,456	1,527	1,580	1,252	1,349
Interest	675	691	662	701	680	633	578	562
Other Income	191	78	218	506	186	220	249	533
PBT	840	522	815	1,261	1,033	1,167	923	1,321
Taxes	121	112	158	746	240	281	193	265
Exceptional expense/ (income)	(109)	-	11	(89)	-	46	(1)	(91)
Reported PAT	829	409	646	604	793	840	732	1,146
<b>Adjusted PAT</b>	<b>720</b>	<b>409</b>	<b>657</b>	<b>515</b>	<b>793</b>	<b>886</b>	<b>731</b>	<b>1,055</b>
Adj EPS (Rs)	10.3	5.9	9.4	7.4	11.3	12.7	10.4	15.1
<b>YoY Growth (%)</b>								
Revenue	10.1	6.2	0.7	5.9	16.4	20.1	23.7	28.0
EBITDA	96.6	48.5	34.6	(3.0)	13.1	31.7	(0.2)	(4.6)
PBT	n/m	252.0	148.2	31.4	22.9	123.6	13.3	4.7
Adj PAT	6,779.3	181.5	284.2	(26.5)	10.3	116.3	11.2	104.9
<b>Margins (%)</b>								
EBITDA	19.5	17.1	18.7	18.6	19.0	18.7	15.1	13.8
EBIT	14.8	12.3	13.8	14.2	14.7	14.3	11.1	10.3
PBT	9.4	5.7	9.0	12.3	9.9	10.5	8.2	10.0
Adj PAT	8.0	4.4	7.2	5.0	7.6	8.0	6.5	8.0
<b>Operational Trend</b>								
<b>Cement &amp; clinker</b>								
<b>Sales Vol (mn MT)</b>	<b>1.63</b>	<b>1.65</b>	<b>1.66</b>	<b>1.86</b>	<b>1.87</b>	<b>1.93</b>	<b>2.03</b>	<b>2.40</b>
YoY (%)	1.4	3.6	(5.8)	(1.9)	14.9	17.0	21.7	28.6
NSR (Rs/MT)	3,706	3,636	3,574	3,709	3,984	3,943	3,817	3,892
YoY (%)	1.5	(4.5)	1.9	8.8	7.5	8.4	6.8	4.9
Operating cost (Rs/MT)	3,102	3,238	3,127	3,224	3,299	3,396	3,441	3,621
<b>EBITDA (Rs/MT)</b>	<b>603</b>	<b>399</b>	<b>447</b>	<b>485</b>	<b>685</b>	<b>547</b>	<b>376</b>	<b>271</b>
OPM (%)	16.3	11.0	12.5	13.1	17.2	13.9	9.8	7.0
<b>White &amp; Putty (India)</b>								
<b>Sales Vol (mn MT)</b>	<b>0.26</b>	<b>0.27</b>	<b>0.26</b>	<b>0.29</b>	<b>0.26</b>	<b>0.30</b>	<b>0.30</b>	<b>0.32</b>
YoY (%)	24.7	15.8	4.9	5.0	(0.2)	8.5	12.2	10.7
NSR (Rs/MT)	11,051	11,373	11,054	11,354	11,099	11,220	11,426	11,670
YoY (%)	1.2	2.4	(1.4)	4.1	0.4	(1.3)	3.4	2.8
Operating cost (Rs/MT)	8,059	8,025	7,427	7,893	8,383	7,788	8,259	8,030
EBITDA (Rs/MT)	2,991	3,348	3,627	3,460	2,716	3,432	3,167	3,640
<b>OPM (%)</b>	<b>27.1</b>	<b>29.4</b>	<b>32.8</b>	<b>30.5</b>	<b>24.5</b>	<b>30.6</b>	<b>27.7</b>	<b>31.2</b>
<b>Blended (Grey/White/Putty)</b>								
<b>Sales Vol (mn MT)</b>	<b>1.89</b>	<b>1.92</b>	<b>1.93</b>	<b>2.15</b>	<b>2.13</b>	<b>2.22</b>	<b>2.32</b>	<b>2.72</b>
YoY (%)	4.1	5.1	(4.5)	(1.1)	12.8	15.8	20.4	26.2
<b>NSR (Rs/MT)</b>	<b>4,747</b>	<b>4,800</b>	<b>4,717</b>	<b>4,773</b>	<b>4,895</b>	<b>4,981</b>	<b>4,847</b>	<b>4,843</b>
Raw materials	901	919	804	819	837	861	859	808
Power & fuel	736	790	802	836	848	925	948	1,042
Freight	902	925	946	959	1,021	1,121	1,128	1,208
Employee	349	356	355	338	364	352	341	332
Others	932	992	927	936	897	790	837	782
Operating cost (Rs/MT)	3,820	3,982	3,833	3,888	3,966	4,049	4,114	4,173
<b>EBITDA (Rs/MT)</b>	<b>927</b>	<b>819</b>	<b>884</b>	<b>886</b>	<b>929</b>	<b>932</b>	<b>733</b>	<b>669</b>

Source: Company, Centrum Research

## Financials - Consolidated

### Exhibit 6: Income Statement

Y/E March (Rsmn)	FY16	FY17	FY18	FY19E	FY20E
<b>Revenues</b>	<b>37,855</b>	<b>40,214</b>	<b>48,463</b>	<b>53,539</b>	<b>59,465</b>
Materials cost	6,968	7,019	8,014	8,756	9,616
% of revenues	18.4	17.5	16.5	16.4	16.2
Employee Cost	2,687	3,155	3,683	4,235	4,659
% of revenues	7.1	7.8	7.6	7.9	7.8
Others	22,738	22,778	28,892	31,344	34,153
% of revenues	60.1	56.6	59.6	58.5	57.4
<b>EBITDA</b>	<b>5,462</b>	<b>7,261</b>	<b>7,875</b>	<b>9,204</b>	<b>11,038</b>
EBITDA Margins (%)	14.4	18.1	16.2	17.2	18.6
Depreciation & Amortisation	1,974	2,169	2,313	2,374	2,579
EBIT	3,488	5,092	5,561	6,831	8,458
Interest expenses	3,049	3,027	2,841	2,207	2,482
PBT from operations	438	2,065	2,720	4,624	5,976
Other Income	497	984	1,281	1,000	1,000
Exceptional loss/(gain)	-	(193)	(170)	-	-
PBT	935	2,856	3,832	5,624	6,976
Taxes	388	1,136	976	1,406	1,883
Effective tax rate (%)	41.5	39.8	25.5	25.0	27.0
Net Profit	547	1,720	2,856	4,218	5,092
Minority + Associates	30	58	40	-	-
Reported Net Profit	577	1,777	2,896	4,218	5,092
<b>Adj Net Profit</b>	<b>577</b>	<b>1,971</b>	<b>3,065</b>	<b>4,218</b>	<b>5,092</b>

Source: Company, Centrum Research Estimates

### Exhibit 7: Key Ratios

Y/E March	FY16	FY17	FY18P	FY19E	FY20E
<b>Growth ratios (%)</b>					
Revenues	11.1	6.2	20.5	10.5	11.1
EBITDA	21.2	33.0	8.4	16.9	19.9
Adj Net Profit	(54.3)	241.4	55.6	37.6	20.7
<b>Margin ratios (%)</b>					
EBITDA Margin	14.4	18.1	16.2	17.2	18.6
PBT from operations Margin	1.2	5.1	5.6	8.6	10.0
Adj PAT Margin	1.5	4.9	6.3	7.9	8.6
<b>Return Ratios (%)</b>					
RoE	3.6	11.9	16.6	19.6	19.9
RoCE	4.6	7.0	9.7	11.1	11.8
RoIC	4.4	6.5	8.9	10.8	11.4
<b>Turnover Ratios (days)</b>					
Gross block turnover (x)	0.7	0.7	0.8	0.9	0.9
Debtors	20.4	18.3	17.8	17.8	17.8
Inventory	47.5	50.9	44.4	45.0	46.0
Creditors	29.4	38.8	32.8	30.0	30.0
Cash conversion cycle	38.5	30.5	29.4	32.8	33.8
<b>Solvency Ratio</b>					
Net debt-equity	1.8	1.6	1.1	1.0	1.0
Debt-equity	2.1	1.9	1.5	1.2	1.2
Interest coverage ratio	1.1	1.7	2.0	3.1	3.4
Gross debt/EBITDA	6.1	4.6	3.7	3.0	2.9
Current Ratio	1.5	1.5	1.4	1.2	1.2
<b>Per Share (Rs)</b>					
Adjusted EPS	8.3	28.2	43.9	60.3	72.8
BVPS	228.4	245.3	282.5	334.7	398.3
CEPS	36.5	59.2	76.9	94.3	109.8
DPS	4.0	8.0	10.0	7.0	8.0
Dividend payout %	58.3	36.6	28.1	13.5	12.8
<b>Valuations (x) (Avg Mkt Cap)</b>					
P/E (adjusted)	73.5	26.5	23.3	16.2	13.4
P/BV	2.7	3.0	3.6	2.9	2.4
EV/EBITDA	13.1	11.1	11.9	10.0	8.7
EV/ton (1 USD \$=Rs 65)	79	86	101	96	89
Dividend yield %	0.7	1.1	1.0	0.7	0.8
5 Yr Avg AOCF/EV yield %	3.5	3.3	3.5	4.2	5.2

Source: Company, Centrum Research Estimates

### Exhibit 8: Balance Sheet

Y/E March (Rsmn)	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	699	699	699	699	699
Reserves & surplus	15,171	16,408	19,049	22,699	27,141
<b>Total Shareholders' Fund</b>	<b>15,870</b>	<b>17,107</b>	<b>19,749</b>	<b>23,398</b>	<b>27,840</b>
Total Debt	33,228	33,171	29,306	28,056	32,056
Def tax liab. (net)	2,165	2,599	2,670	2,670	2,670
Minority Interest	98	40	-	-	-
<b>Total Liabilities</b>	<b>51,361</b>	<b>52,917</b>	<b>51,724</b>	<b>54,123</b>	<b>62,565</b>
Gross Block	53,636	58,687	59,786	61,786	75,786
Less:- Accumulated Depreciation	11,100	13,270	15,352	17,726	20,306
Net Block	42,535	45,417	44,433	44,060	55,480
Capital WIP	3,209	1,267	1,043	6,043	3,043
<b>Net Fixed assets</b>	<b>45,745</b>	<b>46,685</b>	<b>45,476</b>	<b>50,102</b>	<b>58,523</b>
Investments	786	803	1,189	1,189	1,189
Inventories	4,931	5,609	5,898	6,601	7,494
Sundry Debtors	2,113	2,019	2,358	2,605	2,893
Cash & bank balances	3,731	4,353	5,595	2,977	2,683
Loans & Advances	1,612	1,859	1,200	1,467	1,629
Other Assets	2,930	2,766	2,826	3,227	3,747
<b>Total current assets</b>	<b>15,318</b>	<b>16,607</b>	<b>17,877</b>	<b>16,876</b>	<b>18,447</b>
Trade payables	3,047	4,271	4,357	4,400	4,888
Other current liabilities	7,070	6,577	7,961	9,094	10,101
Provisions	370	329	500	550	605
<b>Net current assets</b>	<b>4,830</b>	<b>5,429</b>	<b>5,059</b>	<b>2,832</b>	<b>2,853</b>
<b>Total Assets</b>	<b>51,361</b>	<b>52,917</b>	<b>51,724</b>	<b>54,123</b>	<b>62,565</b>

Source: Company, Centrum Research Estimates

### Exhibit 9: Cash Flow

Y/E March (Rsmn)	FY16	FY17	FY18E	FY19E	FY20E
<b>Op profit before WC changes</b>	<b>5,078</b>	<b>6,865</b>	<b>7,128</b>	<b>7,798</b>	<b>9,154</b>
Working capital changes	722	809	1,612	(391)	(316)
<b>Cash from Operations</b>	<b>5,800</b>	<b>7,674</b>	<b>8,740</b>	<b>7,408</b>	<b>8,839</b>
<b>Adj. OCF (OCF-Interest)</b>	<b>2,791</b>	<b>4,698</b>	<b>5,899</b>	<b>5,201</b>	<b>6,356</b>
Net capex	(3,813)	(3,447)	(874)	(7,000)	(11,000)
Adj. FCF (AOCF-Capex)	(1,022)	1,250	5,025	(1,799)	(4,644)
<b>Cash from investing</b>	<b>(4,076)</b>	<b>(3,329)</b>	<b>21</b>	<b>(6,000)</b>	<b>(10,000)</b>
<b>Cash from financing</b>	<b>(1,932)</b>	<b>(3,724)</b>	<b>(7,519)</b>	<b>(4,025)</b>	<b>867</b>
Net change in cash	(208)	622	1,242	(2,618)	(294)

Source: Company, Centrum Research Estimates



## Appendix A

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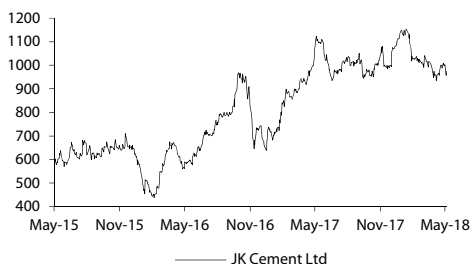
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### JK Cement price chart



Source: Bloomberg, Centrum Research

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