

View: EBITDA/tn at multi-quarter/ year high; Maintain Buy

- Revenue below estimates however, EBITDA margins and APAT above estimates.
- JKLC posted (9.5%)/ 53.9%/ 128.5% YoY growth in revenue/ EBITDA/ APAT to Rs10.6 bn/ Rs2.0 bn/ Rs988 mn in Q4FY20 driven by 7.7% YoY realization growth (-0.5% QoQ).
- We expect 1.5%/ 0.6%/ (4.3%) revenue/ EBITDA/ APAT CAGR over FY20-22E led by (15.0%)/ 20.0% volume growth and (1.0%)/ 2.0% cement realization growth in FY21E/ FY22E.
- We reduce our FY21E estimates by 21.1%/ 26%/ 49.4% for revenue/ EBITDA/ APAT primarily due to (-15%) vs. 0.9% volume growth and (-1%) vs. 0.7% realization growth to factor extended COVID-19 lockdown. However, we broadly maintain our FY22E estimates for revenue/ EBITDA/ APAT. We factor JKLC to start doing capex by end of FY21E for brown-field expansions to capture growth in demand. The current valuation of 7.2x/ 5.5x FY21E/22E EV/EBITDA (~50% discount to 3/ 5 /10 year averages) are attractive. Thus, we maintain Buy with a revised SOTP of Rs283 based on (6x standalone FY22E EV/EBITDA, 50% of FY22E Capital WIP and JKLC's 72.5% stake in Udaipur Cement Works at 30% holding discount).

Multi-quarter/year high EBITDA/tn backed by robust realization

In line blended realization (+7.7% YoY/ -0.5% QoQ to Rs4,298/tn), lower than estimated blended volume (-16.0% YoY/ +6.1% QoQ to 2.47mt) and marginally lower than estimated operating cost (-1.8% YoY/ -5.1% QoQ to Rs3,480/tn) helped JKLC to report multi-quarter/ year blended EBITDA/tn to Rs818 (+83.3% YoY/ +25.4 QoQ). For FY20, EBITDA/tn grew 70.6% to Rs732. Clinker utilization stood at 95-96%.

Other update

JKLC expects demand to improve from Q3FY21E especially from rural market. JKLC witnessed ~Rs10/ 15 per bag price hike in North/ East during last one month and expects no more price hike until demand returns. Standalone gross/net debt stands at Rs14.5 bn/ Rs10 bn as on FY20 v/s Rs16.1 bn/ Rs12.3 bn (FY19).

Q4FY20 Result (₹ Mn)

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)
Revenue	10,612	11,725	(9.5)	10,050	5.6
Total Expense	8,592	10,412	(17.5)	8,531	0.7
EBITDA	2,020	1,312	53.9	1,519	33.0
Depreciation	510	446	14.2	485	5.2
EBIT	1,511	866	74.4	1,035	46.0
Other Income	225	168	33.7	147	53.1
Interest	425	460	(7.8)	428	(0.8)
EBT	1,311	574	128.4	754	74.0
Tax	303	142	114.4	262	15.9
RPAT	1,008	433	132.9	492	104.9
APAT	988	433	128.5	492	101.0
			(bps)		(bps)
Gross Margin (%)	38.7	29.5	918	32.7	597
EBITDA Margin (%)	19.0	11.2	784	15.1	392
NPM (%)	9.5	3.7	581	4.9	460
Tax Rate (%)	23.1	24.7	(151)	34.7	(1160)
EBIT Margin (%)	14.2	7.4	685	10.3	394

CMP	Rs 206
Target / Upside	Rs 283 / 37%
BSE Sensex	30,921
NSE Nifty	9,067

Scrip Details

Equity / FV	Rs 589mn / Rs 5
Market Cap	Rs 24bn
	US\$ 321mn
52-week High/Low	Rs 396/Rs 180
Avg. Volume (no)	2,44,278
NSE Symbol	JKLAKSHMI
Bloomberg Code	JKLC IN

Shareholding Pattern Mar'20(%)

Promoters	46.2
MF/Banks/FIs	19.0
FII	10.6
Public / Others	24.2

Valuation (x)

	FY20A	FY21E	FY22E
P/E	9.2	19.5	10.0
EV/EBITDA	5.1	7.2	5.5
ROE (%)	16.3	7.1	12.6
RoACE (%)	13.6	8.6	11.7

Estimates (₹ mn)

	FY20A	FY21E	FY22E
Revenue	40,435	34,023	41,649
EBITDA	6,724	5,033	6,806
PAT	2,636	1,241	2,416
EPS (Rs.)	22.4	10.5	20.5

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Exhibit 1: Actual V/s DART estimates (Rs mn)

Particulars	Actual	DART Est	% Variance	Comments
Revenue(Rsmn)	10,612	12,622	(15.9)	-13.4%/ -2.9% lower than estimated volume/ realization
EBITDA(Rsmn)	2,020	2,169	(6.9)	-2.9%/ -5.1% lower than estimated realization / cost
EBITDA%	19.0	17.2	185	
PAT(Rsmn)	988	922	7.2	Lower tax than estimates

Source: DART, Company

Exhibit 2: Change in estimates – broadly maintains FY22E estimates.

(Rs mn)	FY21E			FY22E		
	New	Old	% chg	New	Old	% chg
Net revenues	34,023	43,118	(21.1)	41,649	43,856	(5.0)
EBIDTA	5,033	6,800	(26.0)	6,806	6,959	(2.2)
EBIDTA (%)	14.8%	15.8%	(98)	16.3%	15.9%	47
Adj. Net Profit	1,241	2,453	(49.4)	2,416	2,396	0.8
EPS (Rs)	10.5	20.9	(49.4)	20.5	20.4	0.8

Source: DART, Company

Exhibit 3: Volume, Realization & Cost/tn Analysis

(Rs)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20	FY19	YoY (%)
Volume(MT)	2.47	2.94	(16.0)	2.33	6.1	9.19	9.67	(5.0)
Realization/tn (₹)	4,298	3,989	7.7	4,319	(0.5)	4,402	4,017	9.6
EBITDA/tn (₹)	818	447	83.3	653	25.4	732	429	70.5
Cost/tn (₹)	3,480	3,543	(1.8)	3,666	(5.1)	3,670	3,587	2.3
Raw Material Cost/tn (₹)	956	1,001	(4.4)	968	(1.2)	1,000	956	4.7
Employee Expenses/tn (₹)	308	231	33.1	338	(9.1)	333	272	22.8
Power and Fuels/tn (₹)	812	872	(6.9)	907	(10.5)	919	952	(3.5)
Freight Expenses/tn (₹)	867	939	(7.7)	886	(2.2)	890	986	(9.8)
Other expenses/tn (₹)	537	500	7.5	566	(5.1)	528	422	24.9

Source: Company, DART

Exhibit 4: % of Revenue

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20	FY19	YoY (%)
Raw Material Cost	22.2	25.1	(284)	22.4	(17)	22.7	23.8	(106)
Employee Expenses	7.2	5.8	136	7.8	(68)	7.6	6.8	81
Power and Fuels	18.9	21.9	(297)	21.0	(211)	20.9	23.7	(282)
Freight Expenses	20.2	23.5	(337)	20.5	(35)	20.2	24.6	(434)
Other expenses	12.5	12.5	(3)	13.1	(61)	12.0	10.5	147

Source: Company, DART

Exhibit 5: Q4FY20 performance (standalone)

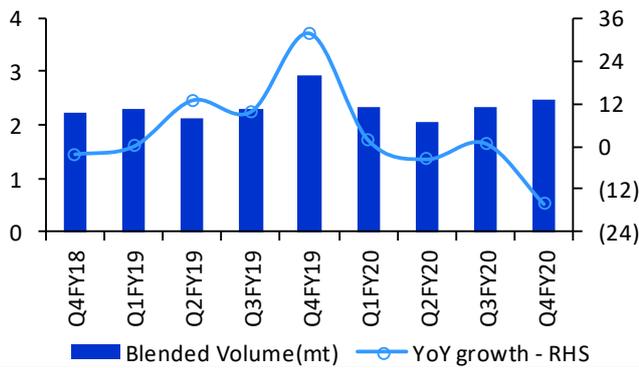
(Rs mn)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20	FY19	YoY (%)
Revenue	10,612	11,725	(9.5)	10,050	5.6	40,435	38,823	4.2
Raw Material Cost	2,361	2,941	(19.7)	2,253	4.8	9,189	9,236	(0.5)
Employee Expenses	760	680	11.8	788	(3.5)	3,062	2,625	16.7
Power and Fuel	2,005	2,563	(21.8)	2,111	(5.0)	8,439	9,198	(8.3)
Freight Cost	2,140	2,759	(22.4)	2,062	3.8	8,176	9,533	(14.2)
Other expenses	1,326	1,469	(9.7)	1,317	0.7	4,846	4,082	18.7
Total Expenditure	8,592	10,412	(17.5)	8,531	0.7	33,711	34,673	(2.8)
PBIDT (Excl. OI)	2,020	1,312	53.9	1,519	33.0	6,724	4,150	62.0
Other Income	225	168	33.7	147	53.1	493	565	(12.8)
Depreciation	510	446	14.2	485	5.2	1,884	1,794	5.0
EBIT	1,736	1,034	67.8	1,181	46.9	5,333	2,921	82.6
Interest	425	460	(7.8)	428	(0.8)	1,636	1,877	(12.8)
PBT(Before Exceptional Item)	1,311	574	128.4	754	74.0	3,697	1,044	254.0
E.O	0	0	-	0	-	(302)	0	-
PBT(After Exceptional Item)	1,311	574	128.4	754	74.0	3,395	1,044	225.1
Tax	303	142	114.4	262	15.9	1,061	249	326.8
RPAT	1,008	433	132.9	492	104.9	2,333	796	193.3
Adjustment	(19)	0	-	0	-	283	0	-
APAT	988	433	128.5	492	101.0	2,616	796	228.9
EPS (Rs)	8.40	3.68	128.5	4.18	101.0	22.23	6.76	228.9
			<i>bps</i>		<i>bps</i>			<i>bps</i>
EBIDTA Margin (excl. O.I.)	19.0	11.2	784	15.1	392	16.6	10.7	594
NPM (%)	9.3	3.69	563	4.9	442	6.5	2.0	442
Tax Rate (%)	23.1	24.7	(151)	34.7	(1,160)	31.3	23.8	745

Source: DART, Company

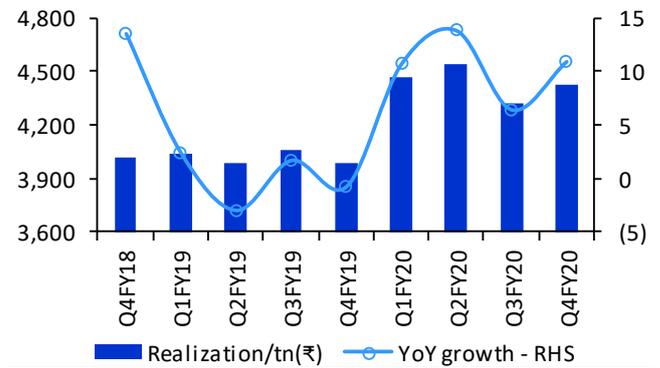
Exhibit 6: Valuation

Particulars	(Rs mn)
Assumed EV/EBITDA multiple (x)	6.0
EBITDA (FY22E)	6,806
EV	40,837
Less: Net Debt (FY22E)	13,295
Mcap	27,542
Shares o/s (mn)	118
(a) Value/share (Rs)	234
Udaipur Cement Works Mcap	2,971
JKLC's stake (72.54%) value in Udaipur Cement Works	2,155
Holding company discount (%)	30
JKLC's stake value in Udaipur Cement Works post discount	1,509
(b) Value/share (Rs)	12.8
50% of FY22E Capital WIP	4,259
(c) Value/share (Rs)	36.2
Target price (Rs) (a+b)	283.1
CMP (Rs)	206.2
Up/(down)side (%)	37.3

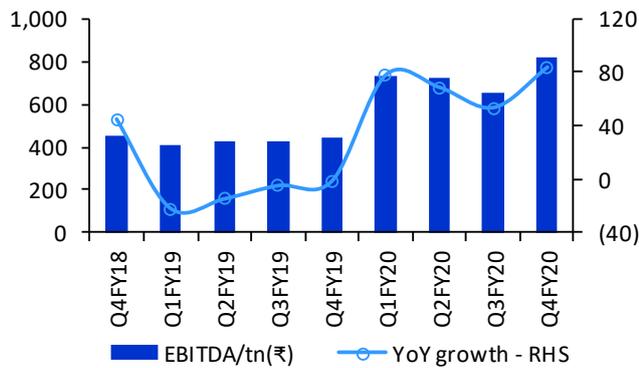
Source: DART, Company

Exhibit 7: Volume (mt)


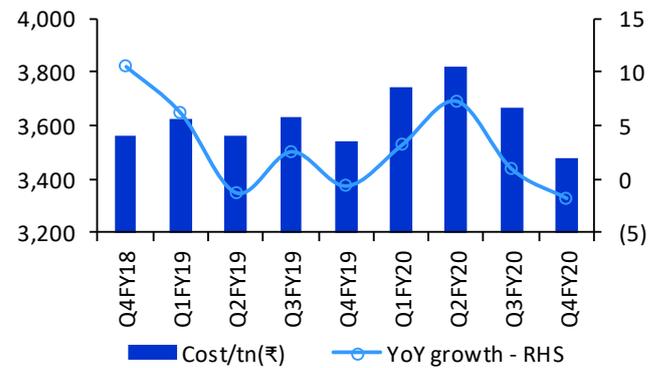
Source: DART, Company

Exhibit 8: Realization/tn(Rs)


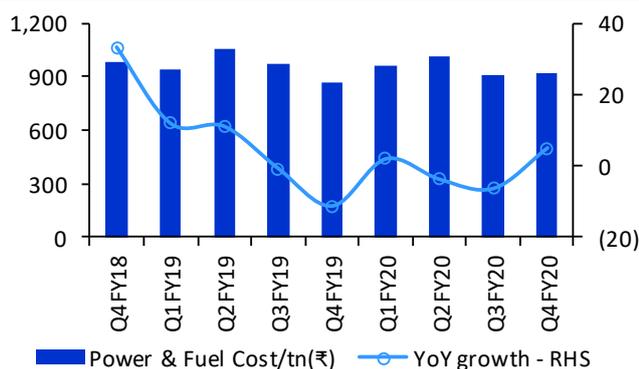
Source: DART, Company

Exhibit 9: EBITDA/tn (Rs)


Source: DART, Company

Exhibit 10: Cost/tn (Rs)


Source: DART, Company

Exhibit 11: Power & Fuel Cost/tn (Rs)


Source: DART, Company

Exhibit 12: Freight Cost/tn (Rs)


Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	38,823	40,435	34,023	41,649
Total Expense	34,673	33,711	28,989	34,843
COGS	28,418	26,138	21,921	26,670
Employees Cost	2,599	3,031	3,092	3,401
Other expenses	3,656	4,542	3,976	4,772
EBIDTA	4,150	6,724	5,033	6,806
Depreciation	1,794	1,884	2,029	2,110
EBIT	2,356	4,840	3,004	4,696
Interest	1,874	1,636	1,571	1,662
Other Income	563	493	340	416
Exc. / E.O. items	0	(302)	0	0
EBT	1,044	3,395	1,773	3,451
Tax	249	1,042	532	1,035
RPAT	796	2,352	1,241	2,416
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	796	2,636	1,241	2,416

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	589	589	589	589
Minority Interest	0	0	0	1
Reserves & Surplus	14,638	16,538	17,486	19,607
Net Worth	15,227	17,127	18,074	20,196
Total Debt	16,129	14,500	15,430	15,630
Net Deferred Tax Liability	0	205	205	205
Total Capital Employed	31,355	31,831	33,708	36,031

Applications of Funds

Net Block	26,385	28,032	27,503	26,893
CWIP	4,111	1,519	3,519	8,519
Investments	3,573	3,673	3,673	3,673
Current Assets, Loans & Advances	10,486	12,275	9,922	10,091
Current Investment	3,624	4,169	3,219	2,119
Inventories	3,117	4,128	3,169	3,880
Receivables	1,066	882	839	1,027
Cash and Bank Balances	180	314	282	215
Loans and Advances	33	433	433	433
Other Current Assets	2,466	2,347	1,979	2,416
Less: Current Liabilities & Provisions	13,199	13,667	10,909	13,146
Payables	5,114	4,685	3,915	4,792
Other Current Liabilities	8,085	8,983	6,994	8,353
Net Current Assets	(2,713)	(1,393)	(987)	(3,055)
Total Assets	31,355	31,831	33,708	36,030

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	26.8	35.4	35.6	36.0
EBIDTA Margin	10.7	16.6	14.8	16.3
EBIT Margin	6.1	12.0	8.8	11.3
Tax rate	23.8	30.7	30.0	30.0
Net Profit Margin	2.0	5.8	3.6	5.8
(B) As Percentage of Net Sales (%)				
COGS	73.2	64.6	64.4	64.0
Employee	6.7	7.5	9.1	8.2
Other	9.4	11.2	11.7	11.5
(C) Measure of Financial Status				
Gross Debt / Equity	1.1	0.8	0.9	0.8
Interest Coverage	1.3	3.0	1.9	2.8
Inventory days	29	37	34	34
Debtors days	10	8	9	9
Average Cost of Debt	10.3	10.7	10.5	10.7
Payable days	48	42	42	42
Working Capital days	(26)	(13)	(11)	(27)
FA T/O	1.5	1.4	1.2	1.5
(D) Measures of Investment				
AEPS (Rs)	6.8	22.4	10.5	20.5
CEPS (Rs)	22.0	38.4	27.8	38.5
DPS (Rs)	0.9	0.9	2.5	2.5
Dividend Payout (%)	13.4	4.0	23.7	12.2
BVPS (Rs)	129.4	145.5	153.6	171.6
RoANW (%)	5.3	16.3	7.1	12.6
RoACE (%)	8.1	13.6	8.6	11.7
RoAIC (%)	7.2	15.4	9.3	13.6
(E) Valuation Ratios				
CMP (Rs)	206	206	206	206
P/E	30.5	9.2	19.5	10.0
Mcap (Rs Mn)	24,264	24,264	24,264	24,264
MCap/ Sales	0.6	0.6	0.7	0.6
EV	36,588	34,280	36,192	37,559
EV/Sales	0.9	0.8	1.1	0.9
EV/EBITDA	8.8	5.1	7.2	5.5
P/BV	1.6	1.4	1.3	1.2
Dividend Yield (%)	0.4	0.4	1.2	1.2
(F) Growth Rate (%)				
Revenue	13.8	4.2	(15.9)	22.4
EBITDA	0.9	62.0	(25.1)	35.2
EBIT	1.5	105.4	(37.9)	56.3
PBT	1.6	225.1	(47.8)	94.6
APAT	(8.8)	231.3	(52.9)	94.6
EPS	(8.8)	231.3	(52.9)	94.6
Cash Flow				
(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	6,895	5,413	4,382	6,607
CFI	(785)	(1,586)	(2,392)	(5,588)
CFF	(6,045)	(3,693)	(2,023)	(1,086)
FCFF	8,801	6,336	7,882	13,107
Opening Cash	116	180	314	282
Closing Cash	180	314	282	215

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-19	Accumulate	369	332
Nov-19	Buy	425	306
Jan-20	Buy	491	370
Mar-20	Buy	290	203
Mar-20	Buy	290	197

*Price as on recommendation date

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In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.

Dolat Capital Market Private Limited.

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

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