

# JK Cement

Refer to important disclosures at the end of this report

## Higher realization helps beat estimates, cost savings initiatives to aid

CMP: Rs 1,246

as of (June 18, 2020)

TP: Rs 1,348 (▲)

12 months

Rating: HOLD (■)

Upside: 8.2 %

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- JKCE's Q4 performance was above estimates, with EBITDA at Rs3.5bn vs. estimated Rs2.9bn and EBITDA/ton at Rs1,298 vs. est. of Rs1,019, led by 1) reversal of dealers' incentives of Rs200-250mn and 2) lower-than-expected increase in opex/ton.
- Key positives: 1) Grey cement's realization growth of 6% qoq (3.6% qoq growth adjusted for reversal of dealers' incentives), 2) 0.7% yoy rise in opex/ton, lower than estimated rise of 1.7%, 3) EBITDA/ton growth of 33.7% yoy and 4) 1.9x yoy increase in OCF.
- Management believes that current cement prices are up by Rs10/bag from Q4FY20. It commissioned capacities of 3.5mt in FY20 and balance grinding unit of 0.7mt at Balasinor, Gujarat, will be commissioned in Q3FY21. Capex in FY21 will be restricted at Rs5bn.
- We raise FY21/22/23E EBITDA by 21.6%/10.5%/15.2% on better realization trends. Cost-saving strategies have yielded results and it is further working on improving operational efficiencies at the North plant. Maintain the Hold rating as we await better entry points.

**Higher realizations help profit improvement:** JKCE benefited from better realizations in the grey and white segments in Q4. Realization of grey cement was up 10.1% yoy/6% qoq as cement prices remained strong in the North region. Adjusted for reversal of dealers' incentives of Rs200-250mn, realization should have grown 7.6% yoy/3.6% qoq. Realization of the white cement segment was up 2.8% yoy but flat qoq. Grey cement sales volume was down 6.6% yoy due to the lockdown. Sales volume of white cement, including wall putty, fell 12.9% yoy. Opex/ton rose mere 0.7% yoy as variable cost/ton fell Rs178/ton yoy and Rs202/ton qoq. Higher realization led to 23.9% yoy growth in EBITDA and 4.7pp yoy improvement in OPM. EBITDA/ton was at Rs1,298 vs. Rs971/Rs1,086 in Q4FY19/Q3FY20. Adjusted for write-offs of Rs17.8bn investments in JK Cement Works (Fujairah), profit rose 18.9% yoy.

**Raise estimates on higher realization/lower opex; maintain Hold:** We raise FY21/22/23E EBITDA by 21.6%/10.5%/15.2% as we increase realization assumptions by approx. 3% each for FY21-23E. Management said that they further expect a fall in freight costs (Rs30-40/ton) and energy costs for North operations (after completing the modernization of Kiln III at Nimbahera, Rajasthan). The company is taking efforts to reduce fixed costs and expects savings of Rs50-60mn/month going forward. We expect the company to benefit from the efficiency (lower coal and power consumption) of the new plants (3.5mt commissioned and 0.7mt to be commissioned in Q3FY21). Though we like JKCE due to its exposure to the white cement segment, cost-saving initiatives and capacity expansion plans in the grey cement, the increase in the stock price recently leaves little room for further upside. We increase valuation multiple of grey cement to 11x vs. 10x EBITDA earlier and maintain Hold, with a revised TP of Rs1,348 (vs. Rs1,056 earlier). Key risk could be significant pressure on cement demand, which may put pressure on sales volumes and cement prices.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Cement & Building Materials \(page 10\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	52,587	58,016	52,544	60,064	66,170
EBITDA	8,345	12,134	9,466	11,237	12,793
EBITDA Margin (%)	15.9	20.9	18.0	18.7	19.3
APAT	2,703	4,964	2,185	3,166	4,070
EPS (Rs)	35.0	64.2	28.3	41.0	52.7
EPS (% chg)	(19.1)	83.6	(56.0)	44.9	28.5
ROE (%)	11.6	17.3	7.0	9.6	11.3
P/E (x)	35.6	19.4	44.1	30.4	23.6
EV/EBITDA (x)	14.1	10.0	13.0	11.1	9.8
P/BV (x)	3.6	3.2	3.0	2.8	2.6

Source: Company, Emkay Research



### Change in Estimates

EPS Chg FY21E/FY22E (%)	194/41
Target Price change (%)	27.6
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	28.3	41.0
Consensus	52.3	74.0
Mean Consensus TP (12M)	Rs 1,293	

### Stock Details

Bloomberg Code	JKCE IN
Face Value (Rs)	10
Shares outstanding (mn)	77
52 Week H/L	1,505 / 795
M Cap (Rs bn/USD bn)	96 / 1.26
Daily Avg Volume (nos.)	93,736
Daily Avg Turnover (US\$ mn)	1.3

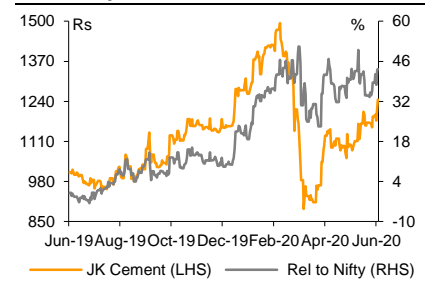
### Shareholding Pattern Mar '20

Promoters	58.1%
FIIIs	12.4%
DIIIs	23.8%
Public and Others	5.7%

### Price Performance

(%)	1M	3M	6M	12M
Absolute	14	13	5	24
Rel. to Nifty	-	(5)	28	44

### Relative price chart



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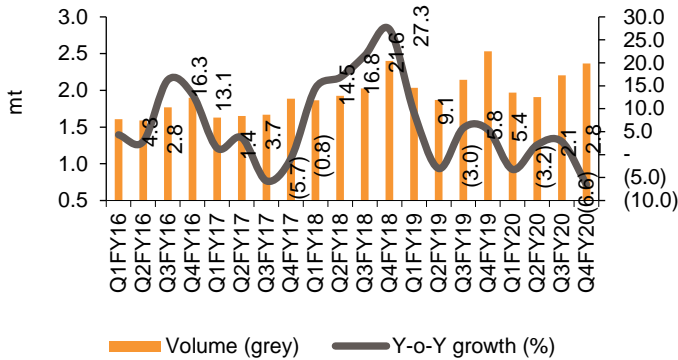
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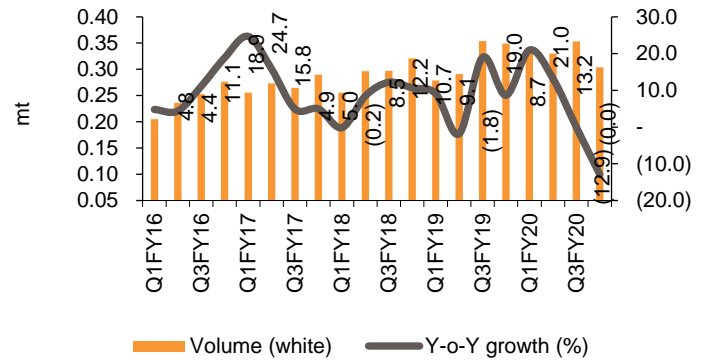
## Story in Charts

**Exhibit 1: Grey cement sales volume declined by 6.6% yoy**



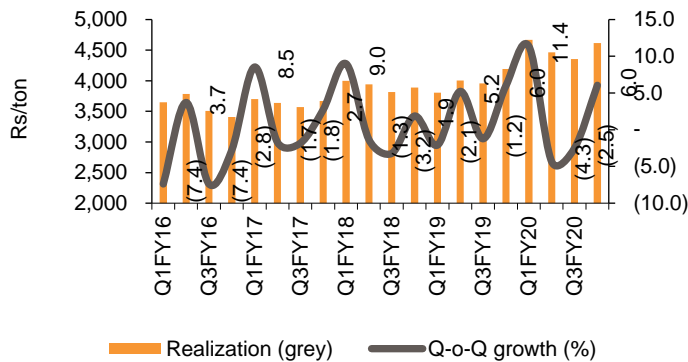
Source: Emkay Research, Company

**Exhibit 2: White cement (including putty) volume down by 12.9% yoy**



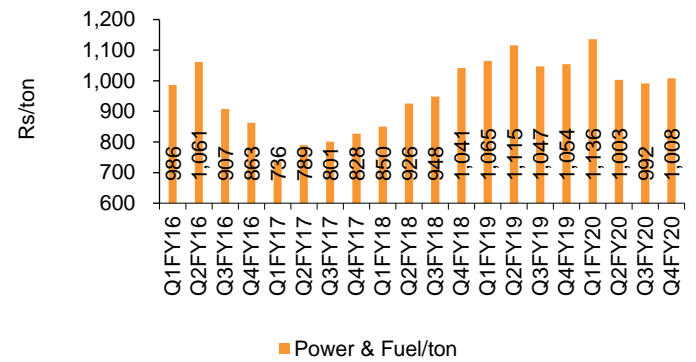
Source: Emkay Research, Company

**Exhibit 3: Realization (grey cement) up 6% yoy/10.1% qoq**



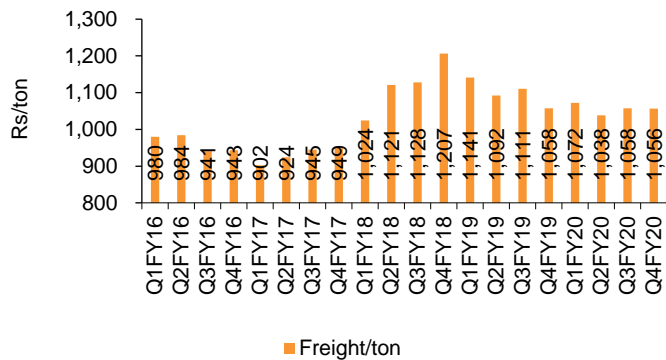
Source: Emkay Research, Company

**Exhibit 4: Power and Fuel/ton declined by 4.3% yoy**



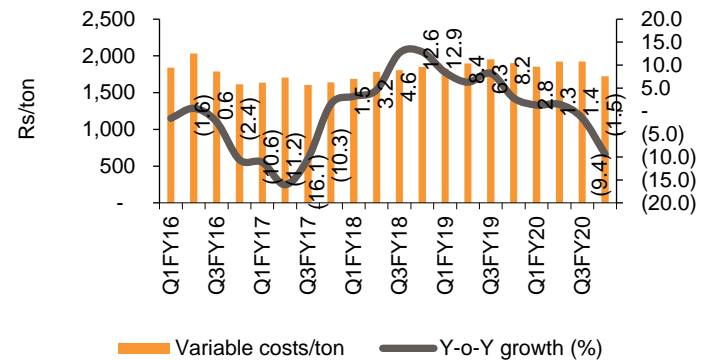
Source: Emkay Research, Company

**Exhibit 5: Freight/ton was flat yoy basis**



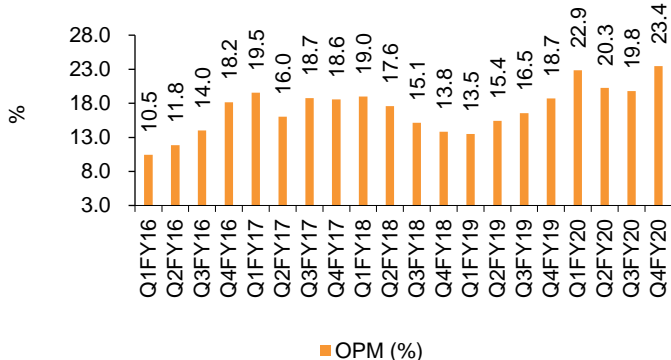
Source: Emkay Research, Company

**Exhibit 6: Variable costs/ton declined by 9.4% yoy/10.5% qoq**



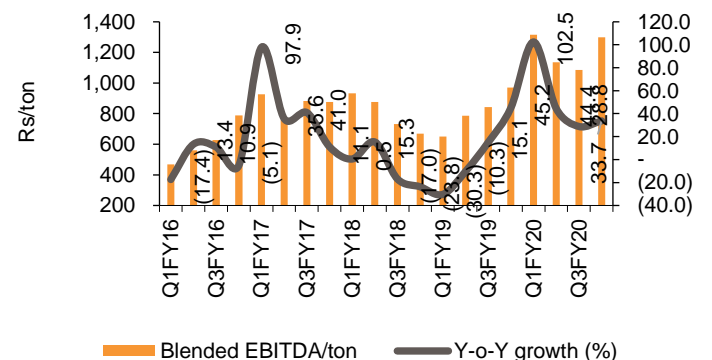
Source: Emkay Research, Company

**Exhibit 7: OPM expanded by 470bps yoy/366bps qoq**



Source: Emkay Research, Company

**Exhibit 8: EBITDA/ton up 33.7% yoy/19.5% qoq**



Source: Emkay Research, Company

**Exhibit 9: Actual vs Estimates (Q4FY20)**

(in Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Sales	14,774	14,829	14,672	-0.4	0.7	In line with estimates
EBITDA	3,463	2,855	2,978	21.3	16.3	Impact of higher realization of grey cement and lower opex
EBITDA margin (%)	23.4	19.3	20.3	418bps	314bps	
Adj. PAT	1,784	1,431	1,452	24.7	22.8	Led by higher operating profit

Source: Company, Emkay Research, Bloomberg

**Exhibit 10: Quarterly Results**

Particulars/ Rs mn	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY (%)
<b>Revenue</b>	<b>14,919</b>	<b>13,280</b>	<b>12,542</b>	<b>14,042</b>	<b>14,774</b>	<b>-1.0</b>	<b>5.2</b>	<b>54,638</b>	<b>49,813</b>	<b>9.7</b>
<b>Total Expenditure</b>	<b>12,124</b>	<b>10,245</b>	<b>10,002</b>	<b>11,264</b>	<b>11,312</b>	<b>-6.7</b>	<b>0.4</b>	<b>42,822</b>	<b>41,712</b>	<b>2.7</b>
as % of net sales	81.3%	77.1%	79.7%	80.2%	76.6%			78.4%	83.7%	
Inc/dec in inventory	295	(462)	(8)	102	(298)	n/m	n/m	(665)	(47)	n/m
Raw mat. Cost	2,143	2,117	2,071	2,286	2,204	2.8	-3.6	8,677	8,212	5.7
Employee cost	836	968	962	992	987	18.1	-0.5	3,909	3,535	10.6
as % of net sales	5.6%	7.3%	7.7%	7.1%	6.7%			7.2%	7.1%	
Power & fuel cost	3,034	2,621	2,244	2,536	2,690	-11.4	6.0	10,091	10,523	-4.1
as % of net sales	20.3%	19.7%	17.9%	18.1%	18.2%			18.5%	21.1%	
Freight cost	3,045	2,474	2,323	2,705	2,818	-7.4	4.2	10,321	10,818	-4.6
as % of net sales	20.4%	18.6%	18.5%	19.3%	19.1%			18.9%	21.7%	
Other expenditure	2,772	2,526	2,409	2,643	2,911	5.0	10.1	10,490	8,671	21.0
as % of net sales	18.6%	19.0%	19.2%	18.8%	19.7%			19.2%	17.4%	
<b>EBITDA</b>	<b>2,795</b>	<b>3,035</b>	<b>2,540</b>	<b>2,777</b>	<b>3,463</b>	<b>23.9</b>	<b>24.7</b>	<b>11,815</b>	<b>8,101</b>	<b>45.8</b>
Depreciation	497	494	518	556	577	16.1	3.8	2,144	1,944	10.3
<b>PBIT</b>	<b>2,298</b>	<b>2,541</b>	<b>2,023</b>	<b>2,222</b>	<b>2,886</b>	<b>25.6</b>	<b>29.9</b>	<b>9,671</b>	<b>6,158</b>	<b>57.1</b>
Other income	349	172	180	237	271	-22.6	14.4	859	805	6.7
Interest	533	534	561	561	572	7.2	1.8	2,229	2,227	0.1
<b>PBT</b>	<b>2,114</b>	<b>2,179</b>	<b>1,641</b>	<b>1,897</b>	<b>2,585</b>	<b>22.3</b>	<b>36.3</b>	<b>8,302</b>	<b>4,736</b>	<b>75.3</b>
Tax	614	641	553	521	801	30.4	53.7	2,516	1,487	69.2
<b>Reported PAT</b>	<b>1,500</b>	<b>1,538</b>	<b>1,088</b>	<b>1,376</b>	<b>2</b>	<b>-99.8</b>	<b>-99.8</b>	<b>4,004</b>	<b>2,995</b>	<b>33.7</b>
EO items	-	-	-	-	1,782			1,782	254	
<b>Adj. PAT</b>	<b>1,500</b>	<b>1,538</b>	<b>1,088</b>	<b>1,376</b>	<b>1,784</b>	<b>18.9</b>	<b>29.7</b>	<b>5,785</b>	<b>3,249</b>	<b>78.1</b>
<b>Adj. EPS</b>	<b>21.4</b>	<b>22.0</b>	<b>15.6</b>	<b>19.7</b>	<b>25.5</b>	<b>18.9</b>	<b>29.7</b>	<b>82.7</b>	<b>46.5</b>	<b>78.1</b>

Margins (%)						bps	bps			bps
EBITDA	18.7	22.9	20.3	19.8	23.4	470	366	21.6	16.3	536
EBIT	15.4	19.1	16.1	15.8	19.5	413	371	17.7	12.4	534
EBT	14.2	16.4	13.1	13.5	17.5	333	399	15.2	9.5	569
PAT	10.1	11.6	8.7	9.8	12.1	202	228	10.6	6.5	407
Effective tax rate	29.1	29.4	33.7	27.5	31.0	193	351	30.3	31.4	-108

Source: Company, Emkay Research

**Exhibit 11: Operating analysis on per ton basis**

Rs/ton	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY (%)
Grey Cement volume (mt)	2.53	1.97	1.91	2.20	2.36	-6.6	7.2	8.4	8.6	(1.5)
White Cement volume (mt)	0.35	0.34	0.33	0.35	0.30	-12.9	-14.1	1.3	1.3	4.1
<b>Total volumes</b>	<b>2.88</b>	<b>2.31</b>	<b>2.24</b>	<b>2.56</b>	<b>2.67</b>	<b>-7.3</b>	<b>4.3</b>	<b>9.8</b>	<b>9.9</b>	<b>(0.8)</b>
Raw material consumed	847	717	922	933	714	-15.7	-23.5	888	834	6.5
Employee cost	290	420	430	388	370	27.4	-4.5	400	359	11.5
Power & fuel cost	1,054	1,136	1,003	992	1,008	-4.3	1.7	1,033	1,068	(3.3)
Freight cost	1,058	1,072	1,038	1,058	1,056	-0.1	-0.1	1,056	1,098	(3.8)
Other cost	963	1,094	1,077	1,033	1,091	13.3	5.6	1,073	880	22.0
Operating cost	4,212	4,439	4,469	4,404	4,240	0.7	-3.7	4,382	4,234	3.5
Blended realization	5,182	5,753	5,604	5,489	5,538	6.9	0.9	5,591	5,056	10.6
Realization (grey cement)	4,193	4,670	4,467	4,354	4,618	10.1	6.0	4,527	4,001	13.2
Realization (white cement)	11,752	11,591	11,741	12,095	12,086	2.8	-0.1	11,876	11,685	1.6
Blended EBITDA	971	1,315	1,135	1,086	1,298	33.7	19.5	1,209	822	47.0

Source: Company, Emkay Research

## Change in estimates

We increase FY21 volumes estimates by 8.1% as sales volumes in Q1FY21 seem to be better than our earlier assumptions. We now factor in a volume decline of 30% yoy in Q1FY21 vs. our earlier estimate of a decline of 50% yoy. Cement prices have been better than our estimates and our channel checks indicated a price increase of 7%/14% qoq in North/South markets (key markets of JKCE). Based on the current pricing trend, we have raised realization assumptions by approx. 3% each for FY21-23E. Management has guided for fixed cost reduction of Rs50-60mn/month. They expect further savings in freight costs (logistics cost-savings initiatives have yielded benefits with scope of further savings) and energy costs (after completing modernization of Kiln III at Nimbahera, Rajasthan). Changes in volume and realization estimates lead to EBITDA upgrade of 21.6%/10.5%/15.2% for FY21/22/23E. EPS estimate for FY21E now stands at Rs28.3 vs. Rs9.6 earlier. EPS estimates for FY22/23E is being upgraded by 40.8%/44.1%.

**Exhibit 12: Change in Estimates**

Particulars (Rs mn)	FY21E			FY22E			FY23E		
	Revised	Previous	Chg (%)	Revised	Previous	Chg (%)	Revised	Previous	Chg (%)
Sales volume (grey)-mt	7.6	7.1	8.1	8.6	8.6	-	9.4	9.4	-
Realization (Rs/tn)	4,555	4,409	3.3	4,621	4,470	3.4	4,714	4,561	3.3
Sales	52,544	47,646	10.3	60,064	57,848	3.8	66,170	64,088	3.2
EBITDA	9,466	7,781	21.6	11,237	10,166	10.5	12,793	11,105	15.2
OPM (%)	18.0	16.3	168.3	18.7	17.6	113.4	19.3	17.3	200.6
Profit	2,185	744	193.6	3,166	2,248	40.8	4,070	2,825	44.1
EPS (Rs)	28.3	9.6	193.6	41.0	29.1	40.8	52.7	36.6	44.1

Source: Company, Emkay Research

**Exhibit 13: Key assumptions**

Particulars	FY18	FY19	FY20	FY21E	FY22E	FY23E
Grey Cement Sales (mt)	8.2	8.6	8.4	7.6	8.6	9.4
Realization (Rs/ton)	4,011	4,001	4,527	4,555	4,621	4,714
<b>Per ton costs (Rs)</b>						
Raw material	833	885	971	993	1,005	1,046
Employee cost	392	407	466	546	528	517
Power & Fuel	1,014	1,123	1,120	1,084	1,103	1,127
Freight	1,178	1,142	1,128	1,161	1,188	1,204
Other expense	885	921	1,090	1,100	1,088	1,045
<b>Total Cost</b>	<b>4,322</b>	<b>4,491</b>	<b>4,694</b>	<b>4,883</b>	<b>4,911</b>	<b>4,938</b>

Source: Emkay Research, Company

**Exhibit 14: SoTP Valuation**

Particulars (Rs mn)	Jun-22E
EBITDA- White Cement	4,566
Target multiple (x)	12
EBITDA- Grey Cement	7,059
Target multiple (x)	11
EV (Rs mn)	1,32,450
Net Debt (Rs mn)	28,317
Target market cap	1,04,133
No of shares (mn)	77.3
<b>Target price/share (Rs)</b>	<b>1,348</b>
CMP (Rs)	1,246
<b>Upside (%)</b>	<b>8.2%</b>

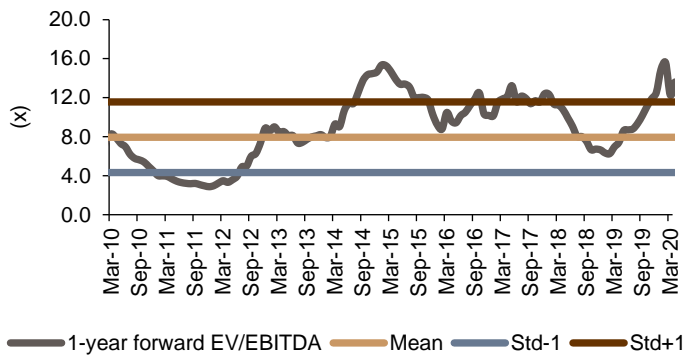
Source: Company, Emkay Research

## Exhibit 15: Peer Valuation

Company	Rs bn	EV/EBITDA (x)			EV/Ton (USD)			EPS (Rs)			P/E (x)		
	Mcap	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
<b>JK Cement</b>	<b>96.3</b>	<b>13.0</b>	<b>11.1</b>	<b>9.8</b>	<b>117</b>	<b>112</b>	<b>113</b>	<b>28.3</b>	<b>41.0</b>	<b>52.7</b>	<b>44.1</b>	<b>30.4</b>	<b>23.6</b>
ACC*	235.6	13.1	9.6	8.3	76	75	74	35.3	53.6	63.8	35.5	23.4	19.6
Ambuja Cements*	372.0	18.3	12.5	10.6	118	108	104	4.1	5.9	6.9	45.9	31.8	27.1
India Cements	40.8	16.6	11.5	10.0	62	62	61	-2.0	2.5	4.5	-64.3	53.2	29.0
Ramco Cements	146.2	23.5	16.6	13.9	119	116	114	8.8	16.6	21.1	70.2	37.4	29.4
Shree Cements	761.8	32.0	23.8	19.6	225	212	207	118.7	278.9	394.9	184.2	78.4	55.4
UltraTech Cement	1055.8	19.2	14.2	12.0	143	139	133	57.2	111.0	142.1	67.2	34.6	27.1
JK Lakshmi Cement	30.4	9.3	6.6	5.1	44	42	38	6.4	15.6	22.6	40.6	16.6	11.4
Orient Cement	14.8	10.2	8.0	6.3	43	42	40	0.3	2.3	4.4	213.0	31.1	16.4
Prism Cement	22.5	12.7	8.4	7.5	77	77	76	-1.0	1.1	1.8	-43.1	41.1	25.0
Star Cement	35.9	11.6	8.6	7.5	81	81	79	3.9	5.5	6.0	22.0	15.7	14.1
Birla Corp	41.3	9.4	7.1	5.9	72	67	53	11.1	36.8	44.8	48.3	14.6	12.0

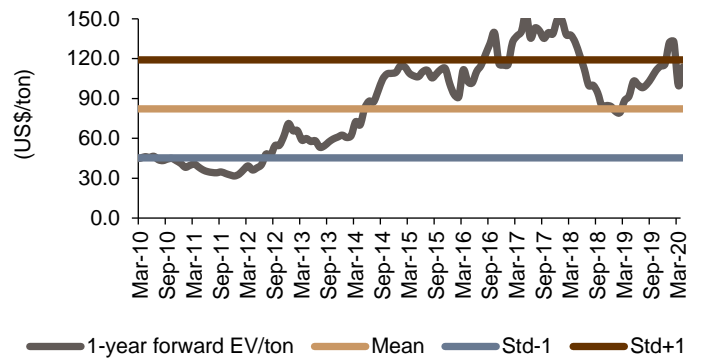
Source: Company, Emkay Research, \*Dec-ending companies

## Exhibit 16: 1-yr forward EV/EBITDA chart



Source: Company, Emkay Research

## Exhibit 17: 1-yr forward EV/ton chart



Source: Company, Emkay Research

## Con-call highlights

- **Pricing outlook:** Cement prices have seen improvement in Q1FY21 vs. Q4FY20. Current cement prices are up by Rs10/bag compared to Q4FY20 average. Improved realization in Q4FY20 has been due to a reversal of Rs200-250mn of dealers' incentives. This provision was created to incentivize dealers as the management had earlier expected higher volumes from the new plants.
- **Opex trend:** Power and fuel costs were higher in the quarter since JKCE still consumes expensive imported pet coke. In the backdrop of poor demand in Q4FY20, the imported inventory could not be consumed completely and is expected to be exhausted only by Aug'20. JKCE has to keep an average of 2-3months of pet coke inventory. Certain fixed cost reduction initiatives have been taken in the event of Covid-19, which is expected to generate an approximate savings of Rs600-700mn in FY21.
- **Capacity addition and capex:** JKCE has commissioned 3.5mt grinding capacities out of the planned expansion of 4.2mt. Grinding capacity of 0.7mt of Balasinor, Gujarat, is likely to be commissioned by Q3FY21. Modernization of Kiln III at Nimbahera, Rajasthan (capacity enhancement from 5,000TPD to 6,000tpd through de-bottlenecking) is expected to be commissioned by Q3FY21. Capex in FY20 was Rs12.9bn and there could be further capex of Rs6-7bn in FY21. Capex in FY21 will be on: 1) Rs4bn on remaining expansion in Rajasthan, 13MW WHRS and logistics infrastructure improvement (construction of an over-bridge and overheads), 2) Rs2.5bn on Kiln III modernization at Nimbahera (Rs1.5bn has been spent till date) and 3) Rs500-600mn on land acquisition at Panna, Madhya Pradesh.
- **Panna, Madhya Pradesh project update:** JKCE has completed 80% land acquisition out of requirement of 425acres and remaining 20% of land will be acquired during FY21. Environmental Clearance (EC) is also expected to be obtained in FY21. However, due to the subdued demand situation caused by Covid-19, the board will review the decision on commencement of work on the project in due course of time.
- **White Cement segment:** Putty market in India is 3mt and white cement market is 1.2mt. The company enjoys a 25-26% market share in this segment. Expansion of 0.3mt of putty plant is expected to be completed by Q2FY21.
- **BCG Consulting:** JKCE spent Rs780mn on payment to BCG and other professionals for logistics savings exercise. It expects 20-25% reduction in this expenditure in FY21.
- **UAE operations:** Sales volumes (cement and clinker) in Q4 was 0.1mt (includes 8,800tons sold into India). The 100% subsidiary is expected to receive Rs1.1-1.2bn of loans from the India business in FY21. The repayment plan is clear, however, subjected to demand scenario in the region. In CY21, 50% of principal will be paid by UAE subsidiary and the rest will be supported by Indian operations. In CY22, 75% of principal will be paid by the subsidiary, while they will pay 100% in CY23. Any shortfall in payments will have to be met through Indian operations.
- **Cost of debt:** Average cost of debt is 8.75%; further reduction of 25-40bps is expected in FY21.



**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>52,587</b>	<b>58,016</b>	<b>52,544</b>	<b>60,064</b>	<b>66,170</b>
<b>Expenditure</b>	<b>44,242</b>	<b>45,882</b>	<b>43,078</b>	<b>48,827</b>	<b>53,376</b>
<b>EBITDA</b>	<b>8,345</b>	<b>12,134</b>	<b>9,466</b>	<b>11,237</b>	<b>12,793</b>
Depreciation	2,413	2,880	3,468	3,661	3,969
<b>EBIT</b>	<b>5,932</b>	<b>9,255</b>	<b>5,998</b>	<b>7,575</b>	<b>8,825</b>
Other Income	804	853	683	737	811
Interest expenses	2,611	2,764	3,361	3,502	3,452
<b>PBT</b>	<b>4,124</b>	<b>7,344</b>	<b>3,319</b>	<b>4,811</b>	<b>6,184</b>
Tax	1,488	2,511	1,135	1,645	2,114
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	67	130	0	0	0
<b>Reported Net Income</b>	<b>2,703</b>	<b>4,964</b>	<b>2,185</b>	<b>3,166</b>	<b>4,070</b>
<b>Adjusted PAT</b>	<b>2,703</b>	<b>4,964</b>	<b>2,185</b>	<b>3,166</b>	<b>4,070</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	773	773	773	773	773
Reserves & surplus	26,249	29,504	30,990	33,598	36,922
<b>Net worth</b>	<b>27,022</b>	<b>30,277</b>	<b>31,763</b>	<b>34,370</b>	<b>37,695</b>
<b>Minority Interest</b>	<b>(72)</b>	<b>(203)</b>	<b>(203)</b>	<b>(203)</b>	<b>(203)</b>
<b>Loan Funds</b>	<b>29,731</b>	<b>31,951</b>	<b>35,267</b>	<b>34,767</b>	<b>34,267</b>
Net deferred tax liability	3,123	4,173	4,173	4,173	4,173
<b>Total Liabilities</b>	<b>59,803</b>	<b>66,198</b>	<b>70,999</b>	<b>73,107</b>	<b>75,932</b>
<b>Net block</b>	<b>45,367</b>	<b>55,545</b>	<b>61,872</b>	<b>65,711</b>	<b>69,242</b>
<b>Investment</b>	<b>4,383</b>	<b>458</b>	<b>458</b>	<b>458</b>	<b>458</b>
<b>Current Assets</b>	<b>18,632</b>	<b>24,122</b>	<b>25,437</b>	<b>24,015</b>	<b>23,632</b>
Cash & bank balance	4,556	6,345	8,285	6,568	5,553
Other Current Assets	1,565	1,280	1,280	1,280	1,280
<b>Current liabilities &amp; Provision</b>	<b>14,323</b>	<b>19,222</b>	<b>18,269</b>	<b>18,577</b>	<b>18,901</b>
<b>Net current assets</b>	<b>4,309</b>	<b>4,899</b>	<b>7,169</b>	<b>5,437</b>	<b>4,731</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>59,803</b>	<b>66,198</b>	<b>70,999</b>	<b>73,107</b>	<b>75,932</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>4,124</b>	<b>7,344</b>	<b>3,319</b>	<b>4,811</b>	<b>6,184</b>
Other Non-Cash items	(49)	179	0	0	0
Chg in working cap	(681)	2,820	(329)	15	(309)
<b>Operating Cashflow</b>	<b>7,039</b>	<b>13,668</b>	<b>8,684</b>	<b>10,344</b>	<b>11,181</b>
Capital expenditure	(6,313)	(12,428)	(6,000)	(7,500)	(7,500)
<b>Free Cash Flow</b>	<b>725</b>	<b>1,240</b>	<b>2,684</b>	<b>2,844</b>	<b>3,681</b>
Investments	0	0	0	0	0
Other Investing Cash Flow	(1,710)	(2,338)	0	0	0
<b>Investing Cashflow</b>	<b>(8,023)</b>	<b>(14,765)</b>	<b>(6,000)</b>	<b>(7,500)</b>	<b>(7,500)</b>
Equity Capital Raised	73	0	0	0	0
Loans Taken / (Repaid)	344	3,133	3,000	(500)	(500)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	1,311	(4,215)	(3,744)	(4,061)	(4,197)
<b>Financing Cashflow</b>	<b>1,728</b>	<b>(1,081)</b>	<b>(744)</b>	<b>(4,561)</b>	<b>(4,697)</b>
<b>Net chg in cash</b>	<b>744</b>	<b>(2,179)</b>	<b>1,940</b>	<b>(1,717)</b>	<b>(1,016)</b>
Opening cash position	5,595	4,556	6,345	8,285	6,568
<b>Closing cash position</b>	<b>4,556</b>	<b>6,345</b>	<b>8,285</b>	<b>6,568</b>	<b>5,553</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	15.9	20.9	18.0	18.7	19.3
EBIT Margin	11.3	16.0	11.4	12.6	13.3
Effective Tax Rate	36.1	34.2	34.2	34.2	34.2
Net Margin	5.0	8.3	4.2	5.3	6.2
ROCE	12.1	16.0	9.7	11.5	12.9
ROE	11.6	17.3	7.0	9.6	11.3
RoIC	13.3	18.7	10.4	12.1	13.3

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	35.0	64.2	28.3	41.0	52.7
CEPS	66.2	101.5	73.2	88.4	104.0
BVPS	349.7	391.8	411.1	444.8	487.8
DPS	10.0	7.5	6.0	8.0	10.0

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	35.6	19.4	44.1	30.4	23.6
P/CEPS	0.0	0.0	0.0	0.0	0.0
P/BV	3.6	3.2	3.0	2.8	2.6
EV / Sales	2.2	2.1	2.3	2.1	1.9
EV / EBITDA	14.1	10.0	13.0	11.1	9.8
Dividend Yield (%)	0.8	0.6	0.5	0.6	0.8

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	0.8	0.8	0.8	0.8	0.8
Net Debt/EBIDTA	2.5	2.1	2.8	2.5	2.2
Working Cap Cycle (days)	(1.7)	(9.1)	(7.8)	(6.9)	(4.5)

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	8.5	10.3	(9.4)	14.3	10.2
EBITDA	6.0	45.4	(22.0)	18.7	13.9
EBIT	6.7	56.0	(35.2)	26.3	16.5
PAT	(5.3)	83.6	(56.0)	44.9	28.5

<b>Quarterly (Rs mn)</b>	<b>Q4FY19</b>	<b>Q1FY20</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>
Revenue	14,919	13,280	12,542	14,042	14,774
EBITDA	1,813	3,035	2,540	2,777	3,463
<b>EBITDA Margin (%)</b>	<b>12.2</b>	<b>22.9</b>	<b>20.3</b>	<b>19.8</b>	<b>23.4</b>
PAT	518	1,538	1,088	1,376	1,784
<b>EPS (Rs)</b>	<b>7.4</b>	<b>22.0</b>	<b>15.6</b>	<b>19.7</b>	<b>25.5</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Mar-19</b>	<b>Jun-19</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>
Promoters	58.1	58.1	58.1	58.1	58.1
FII	10.0	10.7	11.9	12.1	12.4
DII	24.7	24.3	23.5	23.5	23.8
Public and Others	7.2	6.9	6.5	6.3	5.7

Source: Capitaline

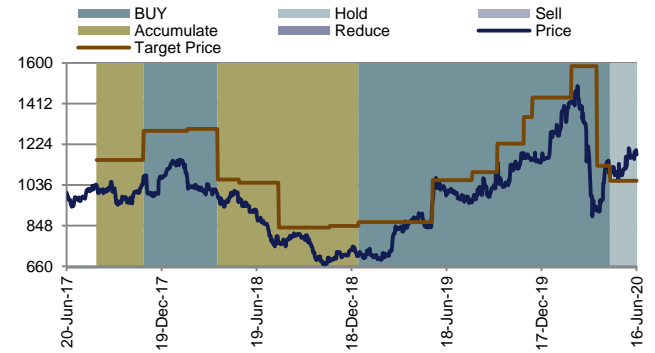


## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
18-May-20	1,091	1,056	12m	Hold	Sanjeev Kumar Singh
26-Apr-20	1,090	1,056	12m	Hold	Sanjeev Kumar Singh
01-Apr-20	921	1,125	12m	Buy	Sanjeev Kumar Singh
12-Feb-20	1,419	1,585	12m	Buy	Sanjeev Kumar Singh
29-Nov-19	1,157	1,440	12m	Buy	Sanjeev Kumar Singh
20-Nov-19	1,179	1,350	12m	Buy	Sanjeev Kumar Singh
13-Nov-19	1,182	1,350	12m	Buy	Sanjeev Kumar Singh
23-Sep-19	1,117	1,227	12m	Buy	Sanjeev Kumar Singh
26-Aug-19	1,026	1,096	12m	Buy	Sanjeev Kumar Singh
06-Aug-19	961	1,096	12m	Buy	Sanjeev Kumar Singh
24-Jun-19	1,009	1,059	12m	Buy	Sanjeev Kumar Singh
13-Jun-19	1,023	1,059	12m	Buy	Sanjeev Kumar Singh
22-May-19	964	1,059	12m	Buy	Sanjeev Kumar Singh
28-Feb-19	725	864	12m	Buy	Sanjeev Kumar Singh
05-Feb-19	692	864	12m	Buy	Sanjeev Kumar Singh
07-Jan-19	714	864	12m	Buy	Sanjeev Kumar Singh
31-Dec-18	714	864	12m	Buy	Sanjeev Kumar Singh
06-Nov-18	683	846	12m	Accumulate	Sanjeev Kumar Singh
31-Jul-18	768	839	12m	Accumulate	Sanjeev Kumar Singh
16-May-18	975	1,047	12m	Accumulate	Sanjeev Kumar Singh
05-Apr-18	986	1,061	12m	Accumulate	Sanjeev Kumar Singh
06-Feb-18	1,054	1,296	12m	Buy	Sanjeev Kumar Singh
15-Dec-17	1,075	1,286	12m	Buy	Sanjeev Kumar Singh
14-Nov-17	1,077	1,286	12m	Buy	Sanjeev Kumar Singh
06-Sep-17	1,021	1,151	12m	Accumulate	Sanjeev Kumar Singh
16-Aug-17	1,032	1,151	12m	Accumulate	Sanjeev Kumar Singh

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Cement & Building Materials



### Analyst: Sanjeev Kumar Singh

#### Contact Details

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#### Sector

Cement & Building materials

#### Analyst bio

Sanjeev Kumar Singh holds an MBA and has over 10 years of experience in the Cement sector. His team currently covers 17 stocks in the Cement and Building Materials space.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Cement &amp; Building Materials</b>	<b>2.21</b>	<b>2.21</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
ACC	0.20	0.20	4%	1	9.20
Ambuja Cements	0.26	0.27	4%	1	12.18
Grasim Industries	0.43	0.23	-48%	-21	10.25
Birla Corporation	0.00	0.09	NA	9	3.86
India Cements	0.00	0.00	NA	0	0.00
JK Cement	0.00	0.00	NA	0	0.00
Jk Lakshmi Cement	0.00	0.12	NA	12	5.56
Orient Cement	0.00	0.00	NA	0	0.00
Prism Johnson	0.00	0.00	NA	0	0.00
Ramco Cements	0.15	0.11	-28%	-4	4.82
Sanghi Industries*	0.00	0.00	NA	0	0.00
Shree Cements	0.37	0.25	-31%	-11	11.47
Star Cement	0.00	0.00	NA	0	0.00
Ultratech Cement	0.81	0.94	17%	14	42.67
Century Plyboards	0.00	0.00	NA	0	0.00
Kajaria Ceramics	0.00	0.00	NA	0	0.00
Somany Ceramics	0.00	0.00	NA	0	0.00
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.00</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

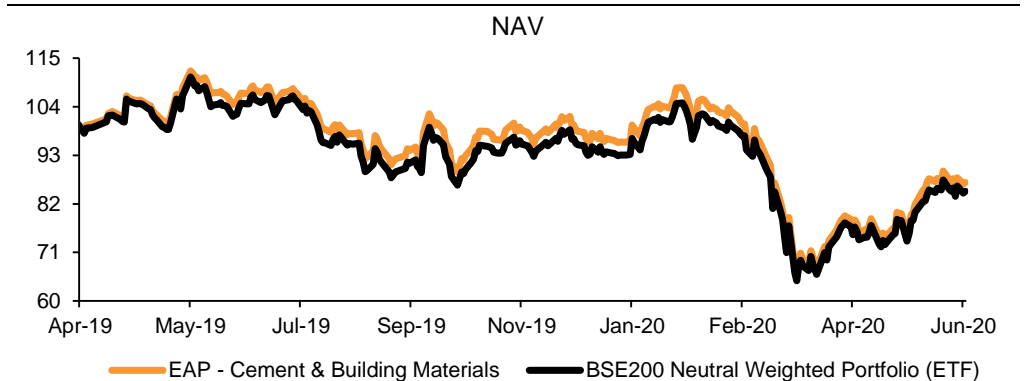
### Sector portfolio NAV

	Base					Latest
	1-Apr-19	16-Sep-19	18-Dec-19	18-Mar-20	18-May-20	17-Jun-20
EAP - Cement & Building Materials	100.0	94.9	96.8	76.4	75.0	87.2
BSE200 Neutral Weighted Portfolio (ETF)	100.0	92.0	93.8	74.4	73.5	84.5

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
<b>BUY</b>	Over 15%
<b>HOLD</b>	Between -5% to 15%
<b>SELL</b>	Below -5%

Completed Date: 19 Jun 2020 01:39:07 (SGT)

Dissemination Date: 19 Jun 2020 01:40:07 (SGT)

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