

Annual Report 2020: Staying ahead of the curve

JK Cement in its FY20 annual report, highlights about growing together and staying ahead of the curve. JK Cement has posted a strong all round performance in a challenging year and a challenging external environment that was dampened by the Covid-19 pandemic. The company was able to demonstrate such growth driven by resource efficiency, expanding capacities, growing prominence across urban and rural markets. The company continuously improves resource efficiency in clinker and cement production process by optimizing energy usage, utilizing generated waste and targeting higher alternate fuel and raw material usage. Also, they are trying to limit the usage of natural resources in grey cement manufacturing and increase the share of additives like fly ash and slag. On the demand front, outlook remains buoyant and any weakness is likely to be transient. Cement demand is likely to return to its normal growth trajectory, especially aided by the rural market where pandemic seems to have had a limited impact.

MDA Overview

The cement demand growth during FY21 is expected to witness an unprecedented contraction of 10-15%, owing to the spread of the global pandemic. Thus, the demand for FY21 is expected to be 285 MT as against 328 MT in FY20. Cement production capacity in FY20 stood at 520 MT and it is estimated that capacity may increase to 541 MT by FY21. The cement demand for FY21 will remain muted primarily due to the diversion of funds towards health and public welfare in H1FY21 by the government. However, in H2FY21, demand would see a gradual pickup mainly driven by increased government spending on infrastructure, affordable housing in Pradhan Mantri Awas Yojana–Urban (PMAY-U), Pradhan Mantri Awas Yojana–Rural (PMAY-R) and Pradhan Mantri Gram Sadak Yojana (PMGSY).

Expansion Plans

During FY20, the company commissioned 2.6 MTPA clinker production line at Mangrol (Rajasthan) and 3.5 MTPA cement grinding capacity out of which Nimbahera (1 MTPA), Mangrol (1 MTPA) and split grinding unit at Aligarh (1.5 MTPA). Work at split grinding unit at Balasinor (Gujarat) of 0.7 MTPA had to be stopped for some time due to the nationwide lockdown to contain the COVID-19 spread. The unit is expected to come on stream in Q3FY21. The modernization of line 3 at Nimbahera plant is expected to complete by the end of FY21. The 0.3 MTPA wall putty expansion work at Katni has also been deferred due to disruptions caused by the pandemic and is likely to be commissioned by the end of Q2FY21.

Financial Snapshot

Revenue up 9.7% YoY to Rs54.6 bn in FY20 led by 10.6% YoY growth in blended realization to Rs5,590/ tn which was partially offset by blended volume de-growth of 0.8% YoY to 9.8 mt in FY20. EBITDA/tn increased by 47.0% YoY to Rs1,209/ tn in FY20 led by 10.6% YoY growth in realization to Rs5,590/ tn coupled which was partially offset by higher cost by 3.5% YoY to Rs4,382/ tn. APAT grew 78.1% YoY to Rs5.8 bn in FY20.

Grey cement revenue up 11.4% YoY to Rs38.2 bn in FY20 led by 13.2% YoY growth in realization to Rs4,527/ tn which was partially offset by volume de-growth of 1.5% YoY to 8.4 mt in FY20.

White cement & putty revenue up 5.8% YoY to Rs15.7 bn in FY20 led by 1.5% YoY growth in realization to Rs11,863/ tn coupled with volume growth of 4.2% YoY to 1.33 mt in FY20.

CMP	Rs 1,536
Target/Downside	Rs 1,413 / 8%
BSE Sensex	38,209
NSE Nifty	11,216

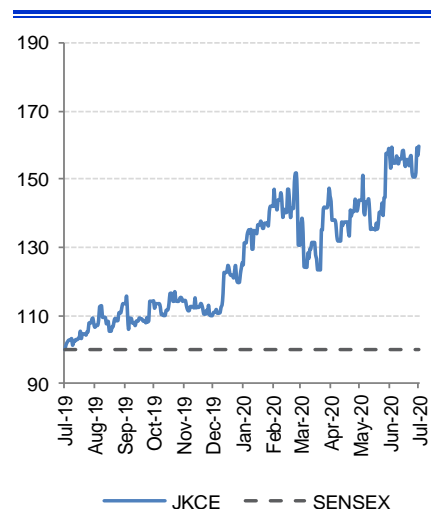
Scrip Details

Equity / FV	Rs 773mn / Rs 10
Market Cap	Rs 119bn
	US\$ 2bn
52-week High/Low	Rs 1,565/Rs 795
Avg. Volume (no)	87,537
NSE Symbol	JKCEMENT
Bloomberg Code	JKCE IN

Shareholding Pattern Jun'20(%)

Promoters	58.1
MF/Banks/FIs	23.3
FIIIs	13.4
Public / Others	5.2

Company Relative to Sensex



VP Research: Shravan Shah

Tel: +91 22 40969749

E-mail: shravans@dolatcapital.com

Associate: Maulik Shah

Tel: +91 22 40969775

E-mail: mauliks@dolatcapital.com

Annual Report Macro View

Key Management	Shri Raghavpat Singhania was appointed as COO (White cement) wef 8 Feb'20 Shri Madhavkrishna Singhania was appointed as COO (Grey Cement) wef 8 Feb'20		
Board of Directors	Mr. Raj Kumar Lohia ceased to be Director wef 3 Aug'19. Shri Sudhir Jalan was appointed as a Non-Executive Non Independent Director of the Company by a Special Resolution passed through Postal Ballot wef 17 Dec'19. Mr. Ashok Sinha was appointed as Non-Executive Independent Director of the Company wef 18 May'19. Mr. Saurabh Chandra was appointed as Non-Executive Independent Director of the Company wef 18 May'19.		
Credit Rating		FY2019	FY2020
	Long term bank facilities	CARE AA	CARE AA
	Short term bank facilities	CARE A1+	CARE A1+
Auditors	M/s S.R.Batliboi & Co, LLP, Chartered Accountants continue to be the Auditors.		
Pledged Shares		FY2019	FY2020
		-	-
Macro-economic Factors	India's GDP is expected to grow at 1.8-2.0% in FY21. The forecast of a sluggish growth is primarily due to the COVID-19 outbreak in March 2020 and its impact on the lives of 130 bn people living in India. The government announced a stimulus package of Rs20 tn, which is almost 10% of the India's GDP to support the economic revival.		
Key Holders	Shareholding Pattern	Mar'19	Jun'20
	A. Promoters	58.07	58.07
	B. Public Shareholding		
	1. Institutions:		
	a. Mutual Funds	21.34	21.18
	b. Banks/FI	0.02	0.01
	c. Central Govt.	-	-
	d. State Govt.(s)	-	-
	e. Venture Capital Funds	-	-
	f. Insurance Companies	3.35	2.10
	g. FII(s) / FPI(s)	10.01	13.42
	h. Foreign Venture Capital Funds	-	-
	i. Others (Alternate Investment Funds)	-	0.01
	j. Qualified Institutional Buyer	-	-
	2. Non-Institutions:		
	a. Bodies Corp.	1.00	0.86
	b. Individuals	5.33	3.42
	c. Others	0.88	0.93
	C. Shares held by Custodian for GDRs & ADRs	-	-
	Total	100.00	100.00

Source: Company, DART

Exhibit 1: Remuneration of Key managerial personnel

Name of Director	Designation	Remuneration (Rs mn)		
		FY18	FY19	FY20
Mr. Yadupati Singhania	Chairman & Managing Director	142.4	186.0	212.5
Mr. Ajay Kumar Saraogi	President (C/A) & Chief Financial Officer	22.7	26.1	29.2
Mr. Shambhu Singh	Asst. Vice President (Legal) & Company Secretary	4.5	5.3	6.2
Mr. Raghavpat Singhania	Chief Operating Officer (White Cement)	-	12.9	16.2
Mr. Madhavkrishna Singhania	Chief Operating Officer (Grey Cement)	-	11.3	12.6
Smt. Sushila Devi Singhania	Non-Executive Non Independent	1.4	1.5	1.1
Shri A. Karati	Non-Executive Independent	1.2	1.2	1.3
Shri J.N. Godbole	Non-Executive Independent	1.4	1.4	1.4
Dr. K.B. Agarwal	Non-Executive Independent	1.7	1.7	1.7
Shri K.N. Khandelwal	Non-Executive Non Independent	1.4	1.4	1.6
Shri Sudhir Jalan	Non-Executive Non Independent	-	-	1.1
Shri Suparas Bhandari	Non-Executive Independent	1.3	1.4	1.5
Mr. Paul Heinz Hugentobler	Non-Executive Non Independent	11.9	12.1	11.9
Mrs. Deepa Gopalan Wadhwa	Non-Executive Independent	-	1.1	1.2
Shri Ashok Sinha	Non-Executive Independent	-	-	1.2
Shri Saurabh Chandra	Non-Executive Independent	-	-	1.3

Source: DART, Company

Exhibit 2: Board and Committee Composition

Name of Directors	Audit	Nomination & Remuneration	Stakeholders Relationship	CSR	Risk
Dr. K.B. Agarwal	✓		✓	•	•
Shri A. Karati	•	•			
Shri J.N. Godbole	•	•		•	•
Shri K.N. Khandelwal	•		•		•
Shri Ashok Sinha	•				
Shri Sudhir Jalan	•				
Shri Suparas Bhandari		•	•	•	
Shri Shambhu Singh		•	•		
Shri Saurabh Chandra			•		•
Smt Deepa Gopalan Wadhwa			•		•
Smt. Sushila Devi Singhania				•	
Total No. of Members	6	4	6	4	5

Source: Company, DART, ✓ Chairperson, • Member

Exhibit 3: Plant locations

India	
Grey Cement Plants	Kailash Nagar, Nimbahera, Dist. Chittorgarh, Rajasthan
	Mangrol, Dist. Chittorgarh, Rajasthan
	Gotan, Dist. Nagaur, Rajasthan
	Muddapur, Dist. Bagalkot, Karnataka
	Jharli, Dist. Jhajjar, Haryana
	Satha, Pargana Morthal, Tehsil: Koil, Dist: Aligarh, UP
White Cement & White Cement based Wall Putty Plant	Vadadala, Tehsil: Balasinor, Dist: Mahisagar, Ahmedabad Indore Highway, Gujrat (under implementation)
	Gotan, Dist. Nagaur, Rajasthan
Thermal Power Plants	Village: Rupaund, Tehsil - Badwara, Dist. Katni, M.P
	Kailash Nagar, Nimbahera, Dist. Chittorgarh, Rajasthan
	Gotan, Dist. Nagaur, Rajasthan
	Muddapur, Dist. Bagalkot, Karnataka
	Mangrol, Chittorgarh, Rajasthan
Waste Heat Recovery Power Plant (For captive consumption)	Kailash Nagar, Nimbahera, Dist. Chittorgarh, Rajasthan
	Mangrol, Dist. Chittorgarh, Rajasthan
Overseas	
Dual process White/Grey Cement Plant	Plot No.7, Habhab, Tawian Fujairah, UAE

Source: Company, DART

Key Takeaways from the MD&A

Cement Industry

- The cement demand growth during FY21 is expected to witness an unprecedented contraction of 10-15%, owing to the spread of the global pandemic. Thus, the demand for FY21 is expected to be 285 MT as against 328 MT in FY20. Cement production capacity in FY20 stood at 520 MT and it is estimated that capacity may increase to 541 MT by FY21.

Cement Demand

- The cement demand for FY21 will remain muted primarily due to the diversion of funds towards health and public welfare in H1FY21 by the government. However, in H2FY21, demand would see a gradual pickup mainly driven by increased government spending on infrastructure, affordable housing in Pradhan Mantri Awas Yojana–Urban (PMAY-U), Pradhan Mantri Awas Yojana–Rural (PMAY-R) and Pradhan Mantri Gram Sadak Yojana (PMGSY). Additionally, key infrastructure project on road, metros and irrigation would drive demand for the overall economy.
- The housing segment is the key demand driver, accounting for 65% of total consumption. Other demand drivers are infrastructure at ~20% alongside, industrial and commercial demand at ~15%.
- The long-term domestic demand outlook for cement remains buoyant and any weakness is likely to be transient. With the government's renewed push on infrastructure development and construction, cement demand is likely to return to its normal growth trajectory, especially aided by the rural market where the pandemic seems to have had a limited impact.

Expansion Plans

Grey cement expansion of 4.2 MTPA

JK Cement has commissioned 2.6 MTPA clinker production line at Mangrol and 3.5 MTPA cement grinding at Nimbahera, Mangrol and Aligarh and started commercial dispatches. Work of 0.7 MTPA split grinding unit at Balasinor (Gujarat) was stopped on account of the outbreak of COVID-19. Work has restarted with limited workforce and is expected to be completed in Q3FY21.

Nimbahera Line 3

The Company had to stop upgradation and modernisation of Line-3 at Nimbahera due to migration of labourers. The construction work has restarted with limited workforce.

Wall Putty expansion of 0.3 MTPA

The company suspended work of 0.3 MTPA Wall Putty capacity at Katni due to the COVID-19 outbreak however, the construction work has restarted with limited workforce and is expected to be completed by Q2FY21.

Brands

JK Cement launched two new products, manufactured through a technology developed inhouse, Particle level Water (PWRT), JK Super Strong Weather Shield Cement has an integral water repellent property at the particle level. JK Cement TileMaxX is the polymer-modified high strength adhesive used for all types of tiles, tiles on tiles and cementitious substrates. To expand and strengthen the sub-brands under the white cement portfolio, they re-launched JK Wall Putty as JK Cement WallMaxX.

Industry concerns and measures taken

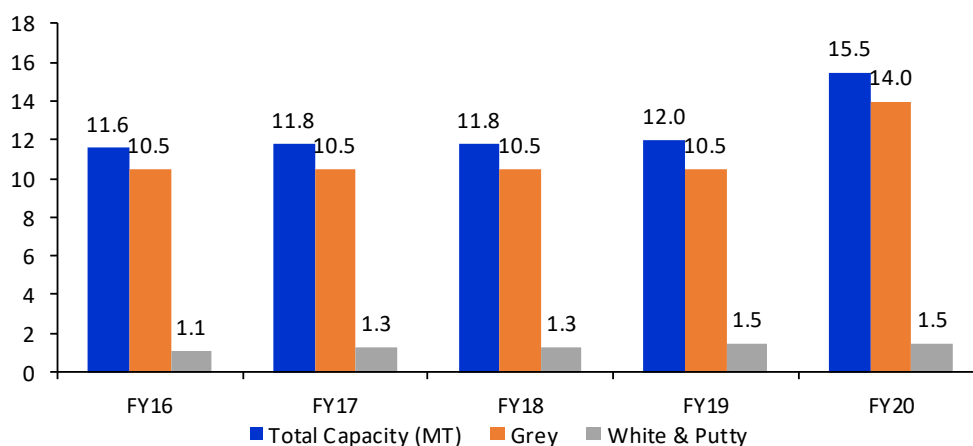
- **Raw material** - Limestone being the basic raw material for cement manufacturing is depleting. Other raw materials like red ochre and gypsum too are depleting. Hence, the company is using alternate fuels like bauxite/iron and synthetic gypsum as replacement. Blended cement is cost effective as it uses fly ash and slag which are by products of thermal power plants and steel plants. The company has increased blending by 2% in FY20.
- **Power & Fuel** - Lower pet coke and crude prices resulted in comparatively lower power and fuel costs. In case of pet-coke, one of the Company's major suppliers turned towards gasification resulting in increased dependence on imports, while pet coke prices in the international market remained quite volatile. The use of green energy, such as power from wind, solar and waste-heat recovery (WHR) saves power costs.
- **Logistics** - Brent crude price of US\$35 per barrel is lower than average price of last year of US\$62 per barrel and this helped save logistic cost. Special initiatives taken has resulted in logistic cost saving of Rs40-50/ tn. Additionally, the transfer of clinker to grinding location by rail also results in freight cost savings as now only 65% material needs to be transported to consumption location.

Financial Analysis

Capacity

Cement capacity increased by 30% YoY to 14 MTPA in FY20 taking the total capacity to 15.5 MTPA.

Exhibit 4: Capacity

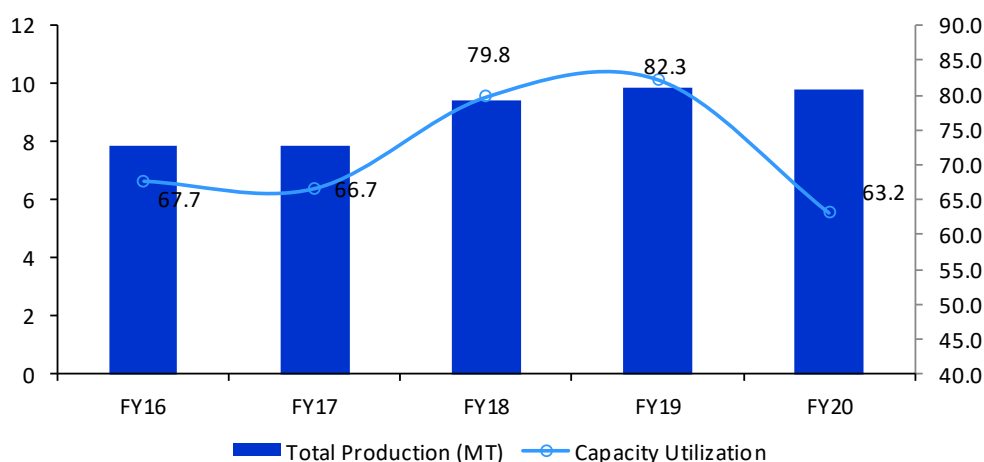


Source: Company, DART

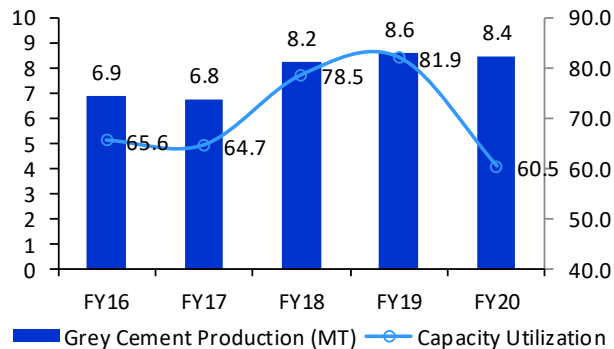
Cement and White & Putty Production

Total production decreased 0.8% YoY to 9.8 mt in FY20 vs. 9.9 mt in FY19. Grey cement production down 1.5% YoY to 8.4 mt in FY20 vs. 8.6 mt in FY19. White & Putty production up 4.2% YoY to 1.33 mt in FY20 vs. 1.27 mt in FY19. Volumes were impacted in last 10-15 days of Mar'20 on account of lockdown due to covid-19. Overall capacity utilization decreased to 63.2% in FY20 from 82.3% in FY19. Grey cement capacity utilization decreased to 60.5% in FY20 from 81.9% in FY19 whereas white & putty capacity utilization increased to 88.4% in FY20 from 84.8% in FY19.

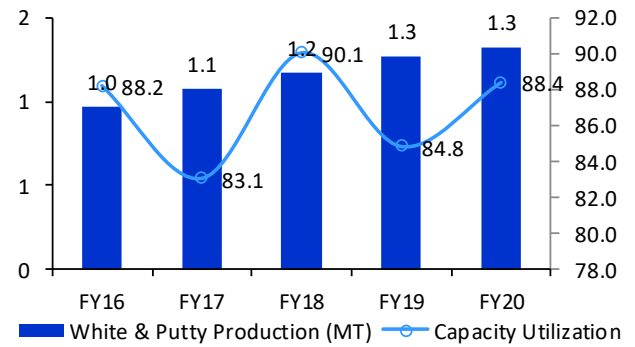
Exhibit 5: Production and Capacity utilization



Source: Company, DART

Exhibit 6: Grey cement production trend


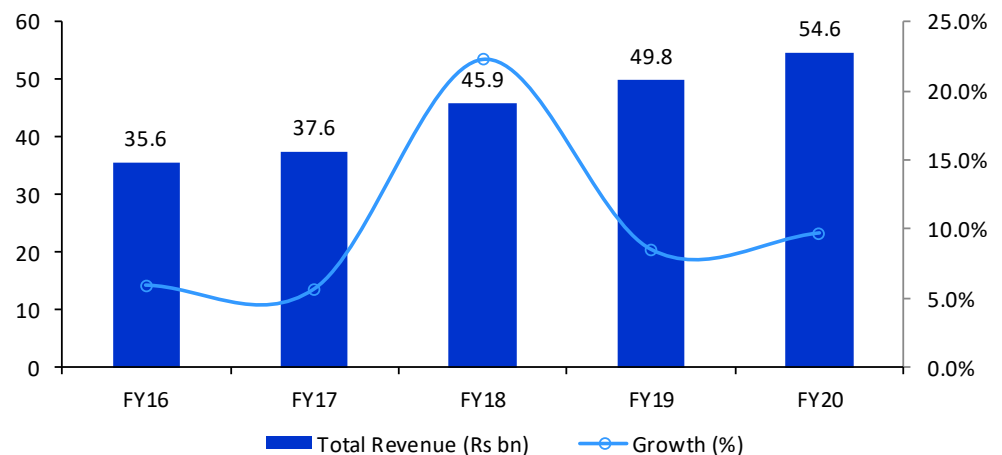
Sources: Company, DART

Exhibit 7: White & Putty production trend


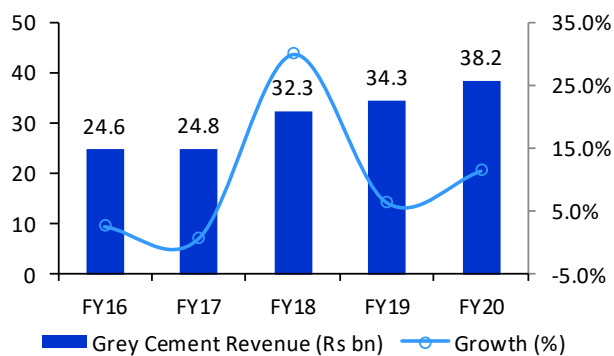
Sources: Company, DART

Revenue and revenue Growth

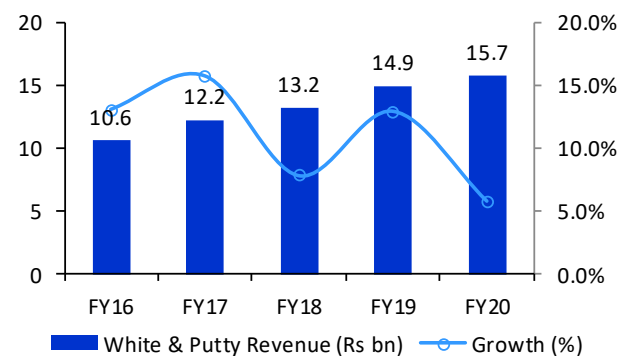
Revenue increased by 9.7% YoY in FY20 to Rs54.6 bn led by 10.6% increase in blended realization which was partially offset by minor fall in blended volume by 0.8% YoY.

Exhibit 8: Revenue grew at 11.3% CAGR between FY16-FY20


Source: Company, DART

Exhibit 9: 11.6% revenue CAGR between FY16-FY20


Sources: Company, DART

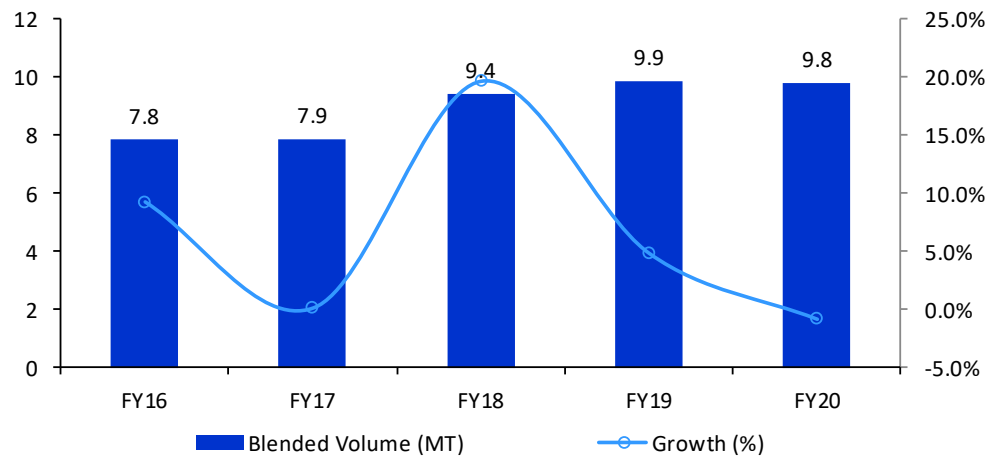
Exhibit 10: 10.5% revenue CAGR between FY16-FY20


Sources: Company, DART

Volume Trend

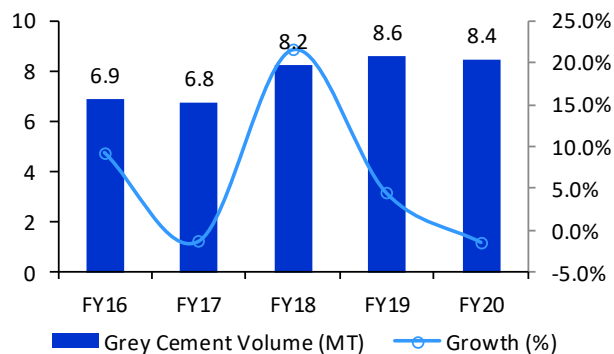
Volume marginally down by 0.8% YoY to 9.8 mt in FY20. Grey cement volume down 1.5% YoY to 8.4 mt in FY20 whereas white & putty volume up 4.2% YoY to 1.33 mt in FY20.

Exhibit 11: Blended volume trend



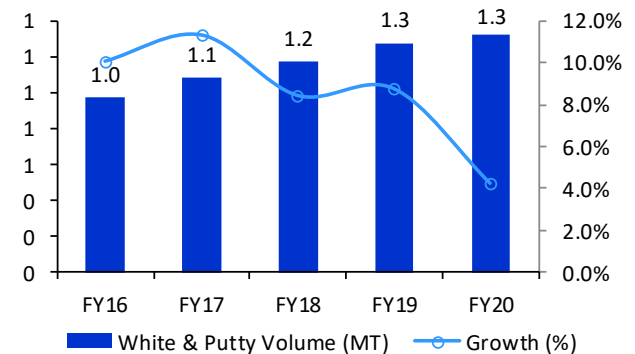
Source: Company, DART

Exhibit 12: Grey cement volume trend



Sources: Company, DART

Exhibit 13: White & Putty volume trend

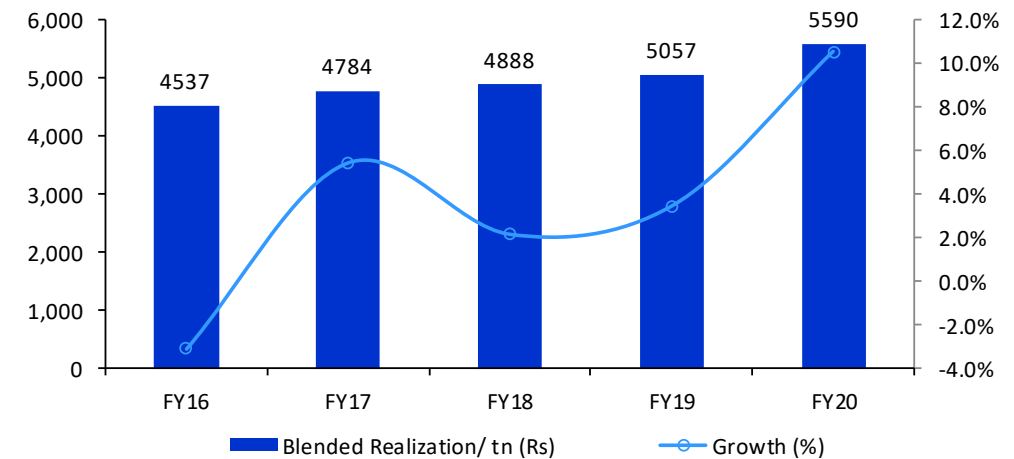


Sources: Company, DART

Realization Trend

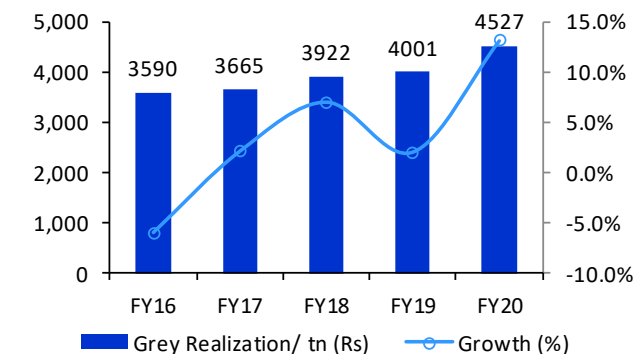
Blended realization up 10.6% YoY to Rs5,590/ tn in FY20. Grey realization up 13.2% YoY to Rs4,527/ tn and white & putty realization up 1.5% YoY to Rs11,863/tn in FY20.

Exhibit 14: Blended realization trend



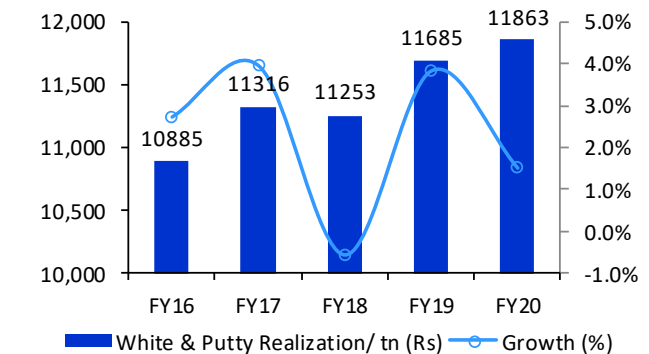
Sources: Company, DART

Exhibit 15: Grey cement realization trend



Sources: Company, DART

Exhibit 16: White & Putty realization trend

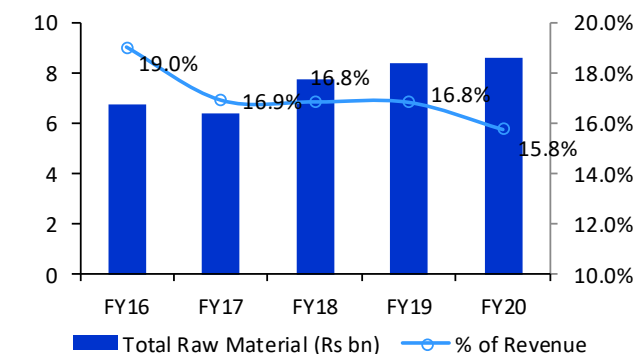


Sources: Company, DART

Expenses

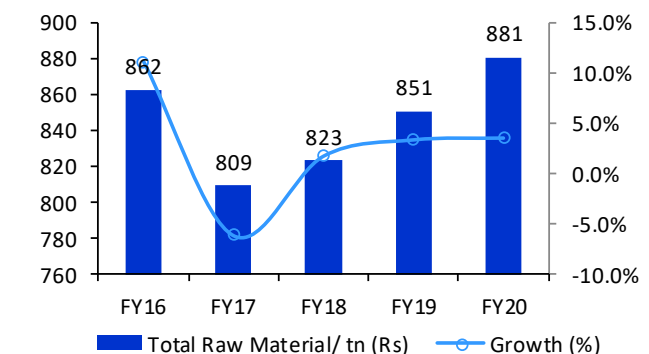
Raw materials cost increased by 2.7% YoY to Rs8.6 bn. Raw material cost/ tn too increased by 3.5% YoY to Rs881/ tn.

Exhibit 17: Raw material as a % to revenue



Sources: Company, DART

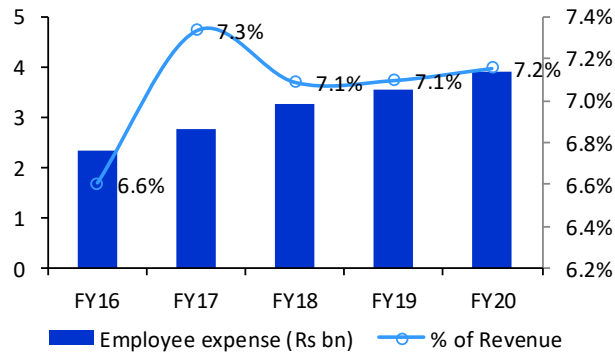
Exhibit 18: Raw material cost/ tn trend



Sources: Company, DART

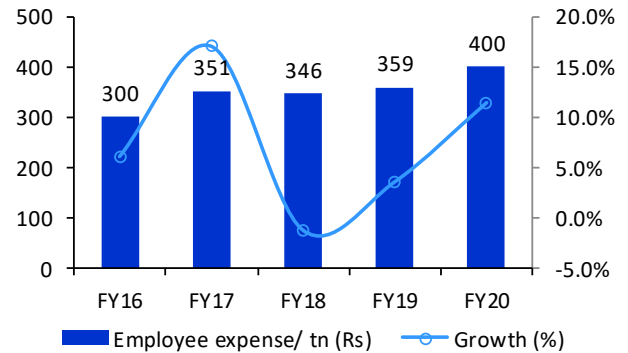
Employee expenses increased by 10.6% YoY to Rs3.9 bn in FY20 as against Rs3.5 bn in FY19. Employee cost/ tn too increased 11.5% YoY to Rs400/ tn as against Rs359/ tn in FY19.

Exhibit 19: Employee exp as a % to revenue



Sources: Company, DART

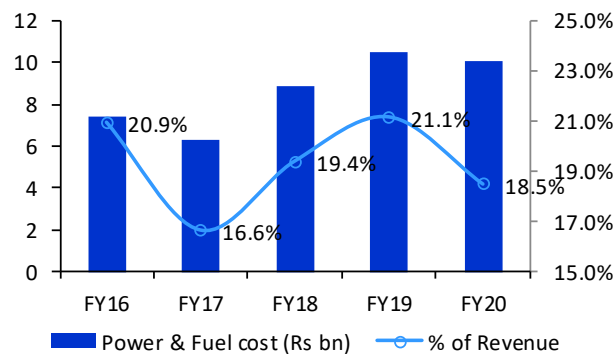
Exhibit 20: Employee exp/ tn trend



Sources: Company, DART

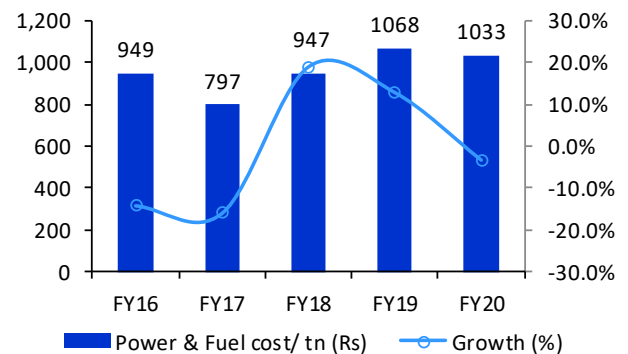
Power and fuel cost decreased 4.1% YoY to Rs10.1 bn as against Rs10.5 bn in FY19. Power and Fuel cost/ tn too decreased 3.3% YoY to Rs1,033/ tn as against Rs1,068/ tn in FY19.

Exhibit 21: Power & Fuel cost as a % to revenue



Sources: Company, DART

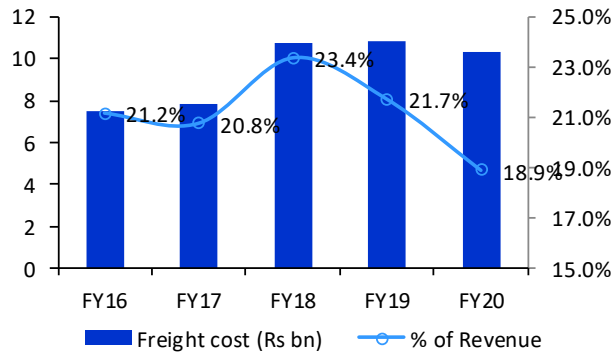
Exhibit 22: Power & Fuel cost/ tn trend



Sources: Company, DART

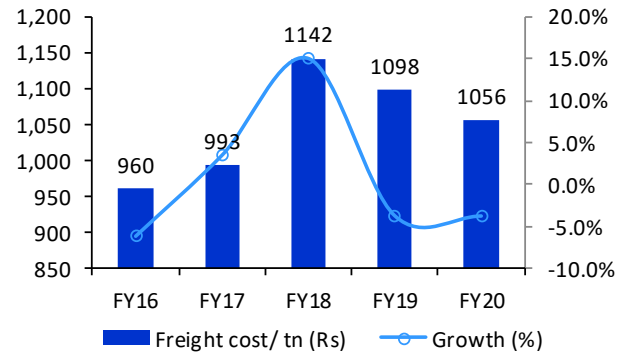
Freight charges decreased 4.6% YoY to Rs10.3 bn as against Rs10.8 bn in FY19. Freight charges/ tn too decreased 3.8% YoY to Rs1,056/ tn as against Rs1,098/ tn in FY19.

Exhibit 23: Freight cost as a % to revenue



Sources: Company, DART

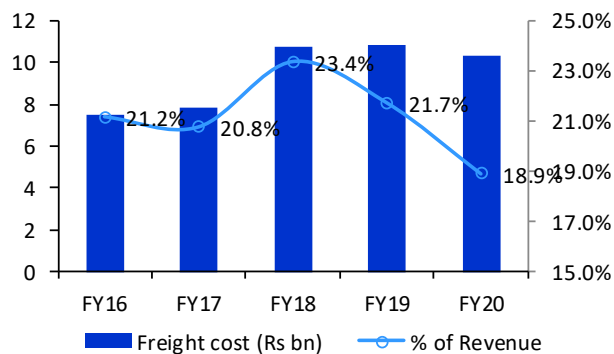
Exhibit 24: Freight cost/ tn trend



Sources: Company, DART

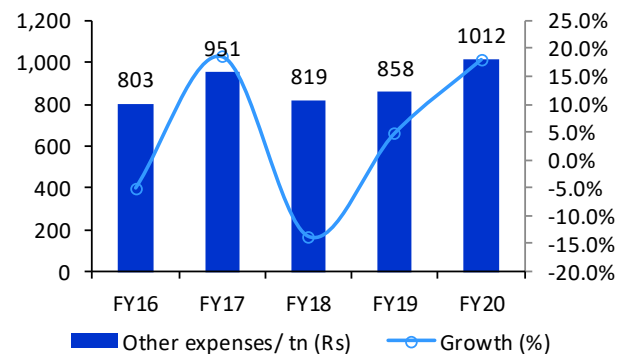
Other expenses increased by 17.0% YoY to Rs9.9 bn as against Rs8.5 bn in FY19. Other expenses/ tn too increased 17.9% YoY to Rs1,012/ tn as against Rs858/ tn in FY19.

Exhibit 25: Other expenses as a % to revenue



Sources: Company, DART

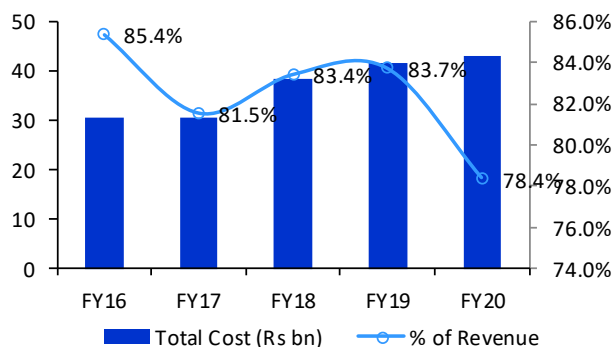
Exhibit 26: Other expenses/ tn trend



Sources: Company, DART

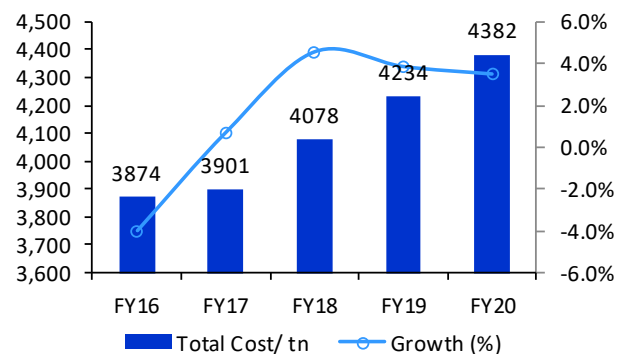
Total expenses increased 2.7% YoY to Rs42.8 bn as against Rs41.7 bn in FY19. Total expenses/ tn too increased 3.5% YoY to Rs4,382/ tn as against Rs4,234/ tn in FY19.

Exhibit 27: Total expenses as a % to revenue



Sources: Company, DART

Exhibit 28: Total expenses/ tn trend

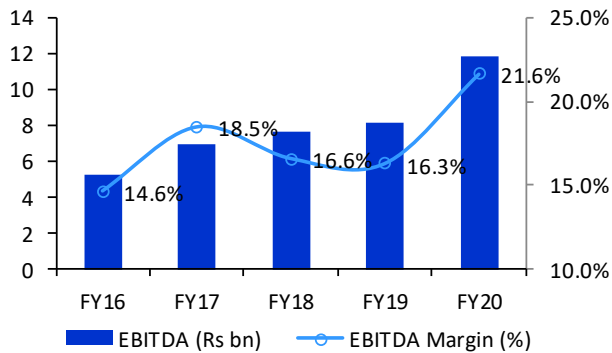


Sources: Company, DART

Margins

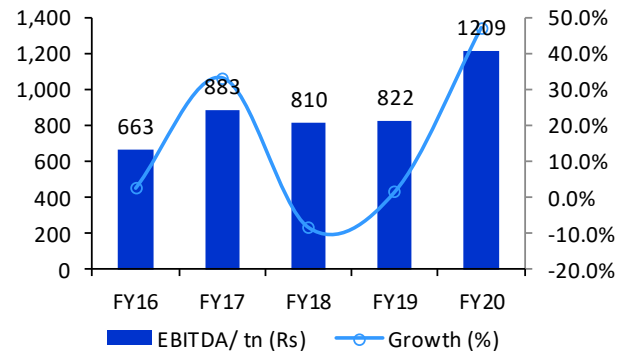
EBITDA margin increased by 536 bps YoY to 21.6% in FY20. EBITDA/ tn too increased by 47.0% YoY to Rs1,209/ tn as against Rs822/ tn in FY19. This was mainly because of higher blended realizations (Rs5,590/ tn, +10.6% YoY) which was partially offset by higher cost (Rs4,382/ tn, +3.5% YoY) in FY20.

Exhibit 29: EBITDA Margin Trend



Sources: Company, DART

Exhibit 30: EBITDA/ tn Trend



Sources: Company, DART

Depreciation: Depreciation increased by 10.3% YoY to Rs2.1 bn in FY20 as against Rs1.9 bn in FY19, mainly due to increase in gross block by 20.2% YoY to Rs62.2 bn in FY20 as against Rs51.8 bn in FY19.

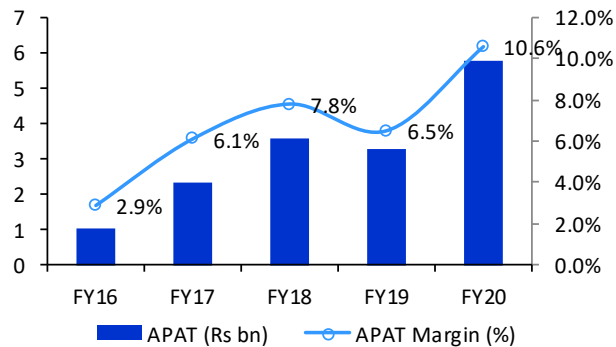
Finance Cost: Finance cost up marginally by 0.4% YoY to Rs2.2 bn in FY20. Total Debt increased by 17.0% YoY to Rs27.6 in FY20 as against Rs23.6 bn in FY19.

Effective Tax Rate: Total effective tax rate for FY20 stood at 38.6% vs. 31.4% in FY19.

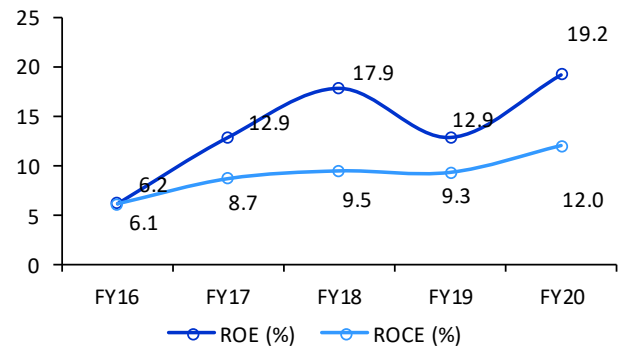
Exceptional items: J.K. Cement Works (Fujairah) FZC is incurring losses for the past several years since its incorporation and its net worth has been significantly eroded. During FY20, based on business valuation of J.K. Cement Works (Fujairah) FZC' (subsidiary of J.K.Cement (Fujairah) FZC) by an independent external valuer, the Company has recognized provision towards diminution of carrying amount of investment J.K. Cement (Fujairah) FZC of Rs16.2 bn. Additionally, the Company has also provided for outstanding receivable for earlier years from J.K. Cement (Fujairah) FZC amounting to Rs1.7 bn. The total amount of Rs17.8 bn has been disclosed as exceptional item.

APAT: Reported PAT increased by 23.2% YoY to Rs4.0 bn in FY20 as against Rs3.2 bn in FY19. After adjusting exceptional items, APAT increased by 78.1% YoY to Rs5.8 bn in FY20 as against Rs3.2 bn in FY19. APAT margin increased by 407 bps YoY to 10.6% in FY20 as against 6.5% in FY19.

Return Ratios: ROCE increased by 271 bps YoY to 12.0% in FY20 as against 9.3% in FY19 and ROE also increased by 632 bps YoY to 19.2% from 12.9% in FY19.

Exhibit 31: PAT margin trend


Sources: Company, DART

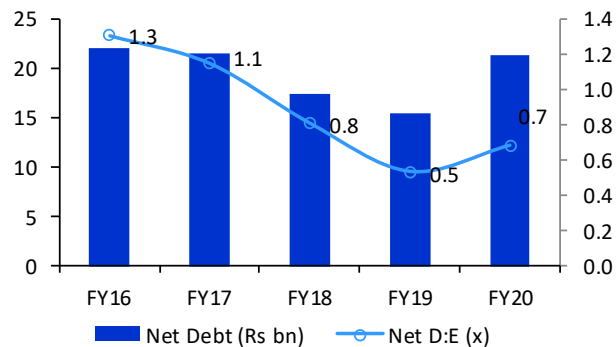
Exhibit 32: Return Ratios Trend


Sources: Company, DART

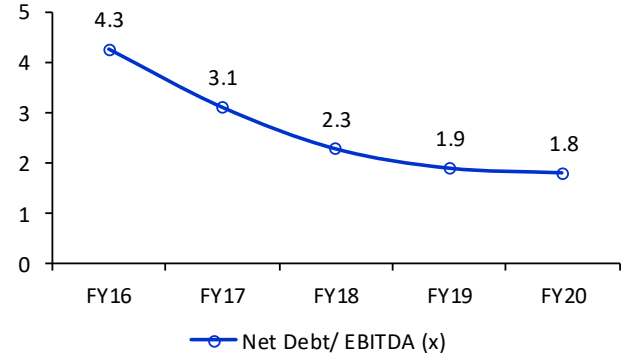
Balance Sheet Analysis

Networth: Networth increased 8.2% YoY to Rs31.3 bn in FY20 as against Rs28.9 bn in FY19.

Net Debt: Net Debt increased 38.7% YoY to Rs21.3 bn in FY20 as against Rs15.3 bn in FY19. Net D:E too increased to 0.68x in FY20 as against 0.53x in FY19. Net Debt/ EBITDA decreased to 1.8x in FY20 as against 1.9x in FY19.

Exhibit 33: Net D:E trend


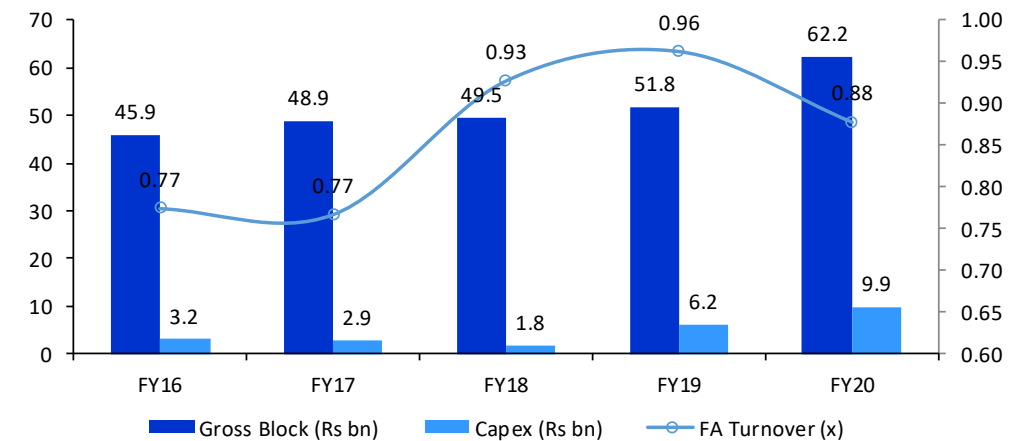
Sources: Company, DART

Exhibit 34: Net Debt/ EBITDA trend


Sources: Company, DART

Gross Block: The company incurred a capex of Rs9.9 bn in FY20 vs. Rs6.2 bn in FY19, a growth of 60.4% YoY. Gross Block stands at Rs62.2 bn in FY20 vs. Rs51.8 bn in FY19, a growth of 20.2% YoY. Fixed Asset turnover decreased to 0.88x in FY20 from 0.96x in FY19.

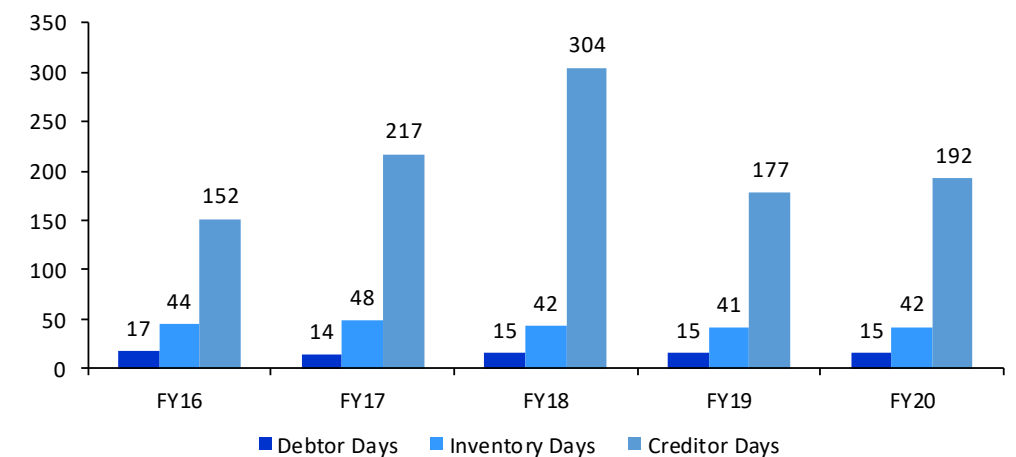
Exhibit 35: Gross Block, Capex & FA Turnover Trend



Source: Company, DART

Working Capital: Trade receivables increased to Rs2.2 bn in FY20, a growth of 10.5% YoY resulting in flat debtor days of 15 days. Inventories increased to Rs6.3 bn in FY20, a growth of 12.4% YoY resulting in similar inventory days of 42 vs. 41 days. Trade payables too increased to Rs4.5 bn in FY20, a growth of 11.1% YoY resulting in increased trade payable days of 192 vs. 177 days. Core working capital days thus decreased to (135 days) vs. (122 days).

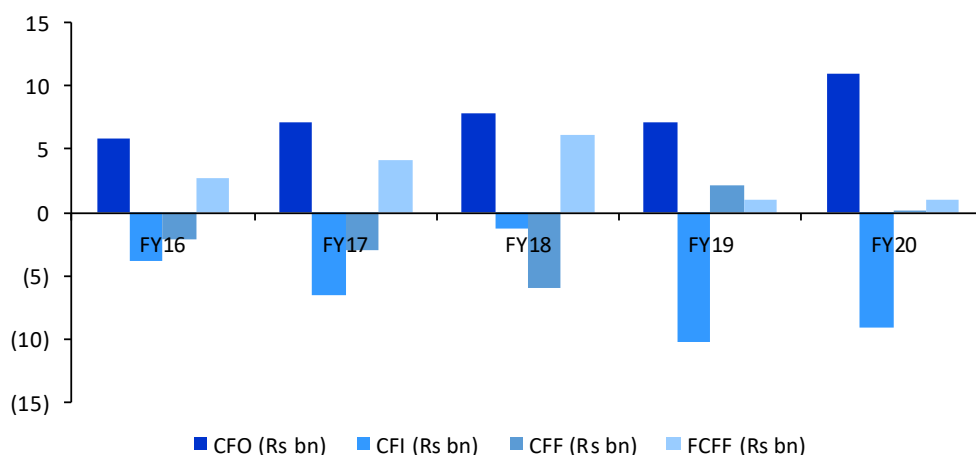
Exhibit 36: Debtor, Inventory and Creditor Days



Source: Company, DART

Cash Flow: Cash flow from operations increased by 53.6% YoY to Rs10.9 bn in FY20 compared to Rs7.1 bn in FY19. Cash flow from investing decreased to (Rs9.1 bn) in FY20 vs. (Rs10.3 bn) in FY19. Cash flow from financing decreased by 91.5% YoY to Rs0.2 bn in FY20 compared to Rs2.1 bn in FY19

Exhibit 37: Cash Flows Trend



Source: Company, DART

Dividend: JK Cement declared a dividend of Rs7.5 per equity share on face value of Rs10 per share in FY20 vs. Rs10 per equity share in FY19. The cash outflow on account of dividend and dividend distribution tax amounted to Rs698.6 mn in FY20 vs. Rs931.5 mn in FY19.

Subsidiary Financials

Exhibit 38: Subsidiary Financials

Particulars (Rs bn)	Standalone	Consolidated	Difference
Revenue	54.6	58.0	3.4
Expenditure	42.8	45.9	3.1
EBITDA	11.8	12.1	0.3
Depreciation	2.1	2.9	0.7
PBIT	9.7	9.3	(0.4)
Other Income	0.9	0.9	(0.0)
Interest	2.2	2.8	0.5
PBT	8.3	7.3	(1.0)
Exceptional items	1.8	0.0	(1.8)
PBT	6.5	7.3	0.8
Tax	2.5	2.5	(0.0)
PAT	4.0	4.8	0.8
Adjustments	1.8	0.0	(1.8)
APAT	5.8	4.8	(1.0)

Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	49,813	54,638	52,535	63,441
Total Expense	41,712	42,822	42,139	50,246
COGS	29,721	29,019	28,339	34,000
Employees Cost	3,535	3,909	3,987	4,585
Other expenses	8,456	9,894	9,812	11,661
EBIDTA	8,101	11,815	10,396	13,195
Depreciation	1,944	2,144	2,680	3,132
EBIT	6,158	9,671	7,716	10,063
Interest	2,221	2,229	2,692	2,947
Other Income	799	859	630	634
Exc. / E.O. items	0	1,782	0	0
EBT	4,736	10,083	5,654	7,750
Tax	1,487	2,516	1,696	2,325
RPAT	3,249	7,567	3,958	5,425
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	3,249	9,348	3,958	5,425

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	773	773	773	773
Minority Interest	0	0	0	0
Reserves & Surplus	28,155	30,516	33,702	38,354
Net Worth	28,928	31,289	34,474	39,127
Total Debt	23,586	27,598	32,898	32,598
Net Deferred Tax Liability	3,125	4,181	4,181	4,181
Total Capital Employed	55,639	63,069	71,554	75,906

Applications of Funds

Net Block	36,355	44,681	53,593	51,961
CWIP	5,564	5,092	1,500	10,000
Investments	6,104	5,652	5,652	5,652
Current Assets, Loans & Advances	21,450	23,126	24,236	23,775
Inventories	5,579	6,272	6,030	7,282
Receivables	2,022	2,234	2,159	2,607
Cash and Bank Balances	4,297	6,311	7,732	4,822
Loans and Advances	0	0	0	0
Other Current Assets	5,608	8,298	8,315	9,064
Less: Current Liabilities & Provisions	13,833	15,482	13,427	15,482
Payables	4,074	4,526	3,575	4,255
Other Current Liabilities	9,760	10,956	9,852	11,227
<i>sub total</i>				
Net Current Assets	7,616	7,643	10,809	8,293
Total Assets	55,639	63,069	71,554	75,906

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	40.3	46.9	46.1	46.4
EBIDTA Margin	16.3	21.6	19.8	20.8
EBIT Margin	12.4	17.7	14.7	15.9
Tax rate	31.4	25.0	30.0	30.0
Net Profit Margin	6.5	13.8	7.5	8.6
(B) As Percentage of Net Sales (%)				
COGS	59.7	53.1	53.9	53.6
Employee	7.1	7.2	7.6	7.2
Other	17.0	18.1	18.7	18.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.8	0.9	1.0	0.8
Interest Coverage	2.8	4.3	2.9	3.4
Inventory days	41	42	42	42
Debtors days	15	15	15	15
Average Cost of Debt	9.4	8.7	8.9	9.0
Payable days	30	30	25	24
Working Capital days	56	51	75	48
FA T/O	1.4	1.2	1.0	1.2
(D) Measures of Investment				
AEPS (Rs)	42.0	121.0	51.2	70.2
CEPS (Rs)	67.2	148.7	85.9	110.7
DPS (Rs)	9.0	17.5	10.0	10.0
Dividend Payout (%)	21.5	14.5	19.5	14.2
BVPS (Rs)	374.4	404.9	446.2	506.4
RoANW (%)	12.9	25.1	12.0	14.7
RoACE (%)	10.6	13.5	9.9	11.4
RoAIC (%)	13.2	17.9	12.8	14.9
(E) Valuation Ratios				
CMP (Rs)	1536	1536	1536	1536
P/E	36.5	12.7	30.0	21.9
Mcap (Rs Mn)	1,18,665	1,18,665	1,18,665	1,18,665
MCap/ Sales	2.4	2.2	2.3	1.9
EV	1,34,010	1,39,942	1,43,832	1,46,442
EV/Sales	2.7	2.6	2.7	2.3
EV/EBITDA	16.5	11.8	13.8	11.1
P/BV	4.1	3.8	3.4	3.0
Dividend Yield (%)	0.6	1.1	0.7	0.7
(F) Growth Rate (%)				
Revenue	8.5	9.7	(3.8)	20.8
EBITDA	6.5	45.8	(12.0)	26.9
EBIT	7.2	57.1	(20.2)	30.4
PBT	7.7	112.9	(43.9)	37.1
APAT	(9.5)	187.7	(57.7)	37.1
EPS	(9.5)	187.7	(57.7)	37.1

Cash Flow

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	7,111	10,925	7,305	10,329
CFI	(10,322)	(9,086)	(7,421)	(9,788)
CFF	2,072	176	1,536	(3,451)
FCFF	947	1,035	(695)	329
Opening Cash	5,435	4,297	6,312	7,732
Closing Cash	4,297	6,312	7,732	4,822

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	Buy	1,166	961
Nov-19	Buy	1,305	1,182
Nov-19	Buy	1,305	1,160
Feb-20	Buy	1,582	1,421
Mar-20	Buy	1,160	930
Mar-20	Buy	1,160	920
Jun-20	Accumulate	1,413	1,246

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
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Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
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CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Pooja Soni	Manager - Institutional Sales	poojas@dolatcapital.com	+9122 4096 9700
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

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

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
