

JK Lakshmi Cement

Margin stable YoY

JK Lakshmi Cement's (JKLC) standalone revenue/EBITDA/APAT fell 21/16/26% YoY to Rs 8.25/1.43/0.44bn respectively, due to lower sales. A healthy realisation and cost controls led to stable unitary EBITDA (+3% YoY to Rs 752/MT). We estimate demand recovery and benign input costs in subsequent quarters to drive 6% EBITDA CAGR during FY20-23E. JKLC expects to kick-start growth capex FY22E onwards in the northern market. We maintain estimates and BUY rating on the stock with a TP of Rs 385/share.

- **1QFY21:** Sales volume fell 18/23% YoY/QoQ to 1.91 mn MT due to minimal sales in April. However, demand uptick (albeit low) in May/Jun moderated the decline. Adjusted for the sharp fall in non-cement revenue, cement NSR increased 5/5% QoQ/YoY (against blended NSR fall of 3% YoY). Operating cost fell 4% YoY, mainly on account of a sharp cut in other expenses and as input/logistics costs remained low YoY. Adjusted for non-cement revenue, cement opex increased ~5% YoY, in our view, offsetting NSR gains. Thus, unitary EBITDA rose 3% YoY to Rs 752/MT. The non-cement revenue did not contribute to EBITDA in 1QFY21 as against ~5-6% OPM in normal periods. Lower debt drove down interest expense by 6% YoY. Other income rose 39% YoY on treasury gains.
- **Outlook:** JKLC expects demand to recover in subsequent quarters, thus moderating FY21E volume decline at 16% YoY. In FY22E, we expect 21% rebound on demand normalisation and low base effect. We expect 6% EBITDA CAGR during FY20-23E. We maintain our estimates. On capex, JKLC suggested it would start work on brownfield expansion in the northern region next year onwards. As the capex would be spread over 2-3 years, we expect JKLC's net debt/EBITDA to remain comfortably below 2.5x. We maintain BUY rating on the stock. Our target price of Rs 385/sh is SOTP based; we value the standalone cement business at 8x Jun'22E standalone EBITDA and its 73% holding in Udaipur Cement at 20% discount to current market capitalisation.

Standalone Quarterly/Annual Financial summary

YE Mar (Rs bn)	Q1 FY21	Q1 FY20	YoY (%)	Q4 FY20	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Sales (mn MT)	1.9	2.3	(18.2)	2.5	(22.7)	9.7	9.2	7.7	9.3	10.9
NSR (Rs/T)	4,331	4,472	(3.1)	4,305	0.6	4,023	4,403	4,435	4,438	4,464
Opex (Rs/T)	3,579	3,743	(4.4)	3,485	2.7	3,593	3,671	3,761	3,755	3,727
EBITDA(Rs/T)	752	729	3.3	820	(8.2)	430	732	673	683	736
Net Sales	8,252	10,419	(20.8)	10,612	(22.2)	34,122	38,823	40,435	34,304	41,405
EBITDA	1,433	1,698	(15.6)	2,020	(29.1)	4,114	4,150	6,724	5,208	6,371
APAT	444	597	(25.5)	1,008	(55.9)	840	796	2,624	1,608	2,238
AEPS (Rs)	3.8	5.1	(25.5)	8.6	(55.9)	7.1	6.8	22.3	13.7	19.0
EV/EBITDA (x)						12.0	11.1	6.5	8.4	7.2
EV/MT (Rs bn)						4.53	4.22	3.75	3.74	3.93
P/E (x)						40.1	42.3	12.8	20.9	15.0
RoE (%)						5.9	5.3	16.2	9.0	11.4

Source: Company, HSIE Research

BUY

CMP (as on 07 Aug 2020)	Rs 286
Target Price	Rs 385
NIFTY	11,214

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 385	Rs 385
EBITDA %	FY21E	FY22E
	-	-

KEY STOCK DATA

Bloomberg code	JKLC IN
No. of Shares (mn)	118
MCap (Rs bn) / (\$ mn)	34/450
6m avg traded value (Rs mn)	87
52 Week high / low	Rs 389/180

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	46.6	(19.9)	(13.6)
Relative (%)	25.6	(12.4)	(17.3)

SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	46.21	46.22
FIs & Local MFs	18.96	19.99
FPIs	10.61	10.41
Public & Others	24.22	23.38

Pledged Shares - -

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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