

# Kajaria Ceramics

Refer to important disclosures at the end of this report

## Strong volumes and margins; upgrade to Buy on better outlook

- KJC maintained its strong performance in Q3 on the back of strong volume growth and benefits from lower costs. EBITDA stood at Rs1.82bn vs. estimated Rs1.63bn as gross margin improved 1.7pp yoy/1.1pp qoq. OPM came in at 21.7% vs. our estimate of 19.5%.
- Key positives: 1) Gross margin improved due to lower gas prices (Rs25.5-26/scm vs. Rs31-32/scm in Q3FY20); 2) 2.1% qoq rise in realization as discounts/schemes were reduced; 3) 6.7pp yoy/1.5pp qoq improvement in OPM; 4) Rs110mn profit for subsidiaries vs. a loss of Rs10mn in Q3FY20.
- Management said strong improvement in volumes was seen in Tier 1-3 cities, while metros remained at 70-75% of last year levels. It expects 20%/+15% volume growth in FY22/23E and expects OPM to be maintained at approx. 20%. KJC has finalized a new dividend distribution policy and will distribute 40-50% of profits to shareholders.
- We increase FY21-23E EPS by 16-22% on higher volume assumptions and improvement in margins. Higher profits and increased payout will help improve RoCE (30.3% in FY23 vs. 17.3% in FY20). We raise the target multiple to 30x (from 26x) and upgrade our rating to Buy from Hold.

**Strong volumes and margin recovery:** Demand recovery in Tier 1-3 cities led to strong volume growth for KJC despite lower demand in metro cities. KJC achieved volume growth of 10.5% yoy as capacity utilization of all the plants (except one line of Cosa Ceramics which is under up-gradation) was at 100%. Realization improved 0.3% yoy/2.1% qoq due to a reduction in discounts/schemes. Revenue from Sanitaryware/Plywood rose 36%/57.6% yoy. Lower gas prices led to 1.7pp yoy/1.1pp qoq improvement in gross margin to 42.3%. Higher volumes and lower costs (Ad spends and gas prices) led to 63.3% yoy growth in EBITDA and 6.7pp yoy improvement in OPM. Profit increased 93.3% yoy.

**Management optimistic on volume recovery and margin sustenance:** Management sounded optimistic on achieving 20%+ volume growth in FY22, driven by a low base of H1FY21 and volume recovery in metro cities. They expect 15% volume growth in FY23/24. Management expects OPM to sustain at around 20% in FY22/23, led by 1) higher volumes, 2) lower ad spends (25% reduction to continue in FY22), 3) reduction in discounts/schemes, which will help realization improvement and some price increases thereafter, and 4) better performance of JVs/subsidiaries. KJC has planned capex of Rs1.5-2bn in FY22, which will help 10msm capacity addition. It has finalized a new dividend distribution policy, under which the annual dividend will be 40-50% of profits vs. 20-25% earlier.

**Raise estimates on higher volumes and lower costs; upgrade to Buy:** Management believes that KJC has gained market share due to 1) focus on exports by Morbi-based unorganized players, and 2) benefits from increasing distribution reach. Management highlighted that KJC wants to increase its reach to new areas. We increase OPM assumptions on guidance of lower costs and higher profitability of JVs, and increase volume estimate for FY22/23. This leads to an EPS upgrade of 15.9%/17.3%/22.2% for FY21/22/23. Higher profits and increased payout will improve RoCE to 27.4%/30.3% in FY22/23E vs. 17.3% in FY20. Valuations at 24.3x FY23E EPS appear reasonable on improving dynamics of the domestic Tiles industry. We upgrade our rating to Buy with a TP of Rs925, (30x FY23E EPS vs. 26x earlier). Key risks include an increase in gas prices, decline in exports by Morbi players and lower demand of Tiles in domestic markets.

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	29,562	28,080	27,196	33,391	39,243
EBITDA	4,495	4,159	4,895	6,511	7,731
EBITDA Margin (%)	15.2	14.8	18.0	19.5	19.7
APAT	2,314	2,554	2,931	4,024	4,908
EPS (Rs)	14.6	16.1	18.4	25.3	30.9
EPS (% chg)	4.2	10.4	14.8	37.3	22.0
ROE (%)	15.8	15.5	17.1	22.2	24.3
P/E (x)	54.5	49.4	43.0	31.3	25.7
EV/EBITDA (x)	27.8	30.1	25.1	18.8	15.6
P/BV (x)	8.0	7.4	7.3	6.6	5.9

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
<b>Rs 793</b> as of (January 18, 2021)	<b>Rs 925 (▲)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>BUY (▲)</b>	<b>16.7 %</b>

### Change in Estimates

EPS Chg FY21E/FY22E (%)	15.9/17.3
Target Price change (%)	41.2
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	18.4	25.3
Consensus	14.8	19.8
Mean Consensus TP (12M)	Rs 686	

### Stock Details

Bloomberg Code	KJC IN
Face Value (Rs)	1
Shares outstanding (mn)	159
52 Week H/L	839 / 295
M Cap (Rs bn/USD bn)	126 / 1.73
Daily Avg Volume (nos.)	453,161
Daily Avg Turnover (US\$ mn)	4.0

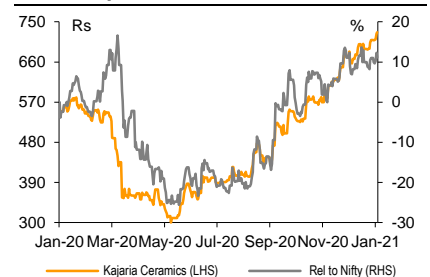
### Shareholding Pattern Dec '20

Promoters	47.5%
FIIIs	23.7%
DIIIs	15.3%
Public and Others	13.5%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	15	39	101	44
<b>Rel. to Nifty</b>	5	14	54	20

### Relative price chart



Source: Bloomberg

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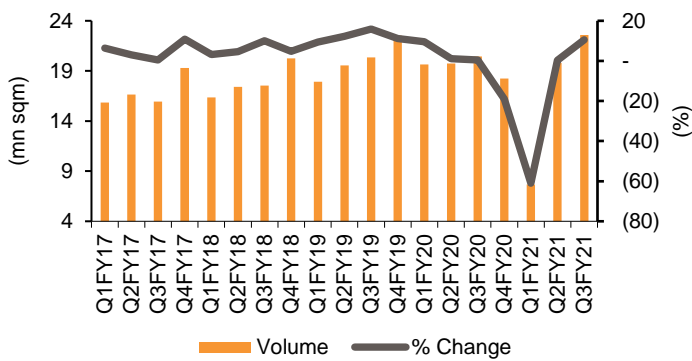
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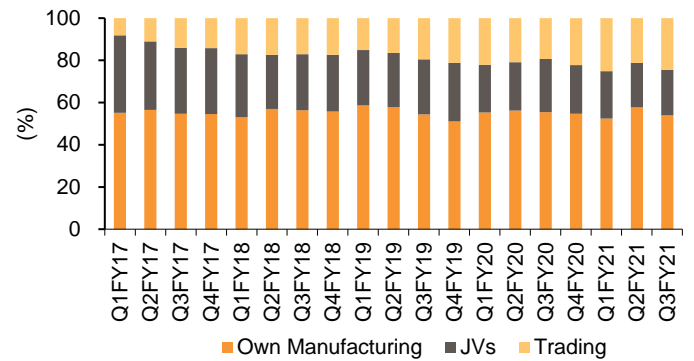
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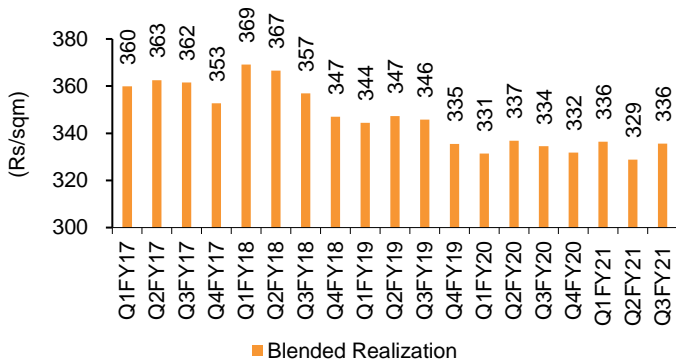
## Story in Charts

**Exhibit 1: Sales volume increased 10.5% yoy**


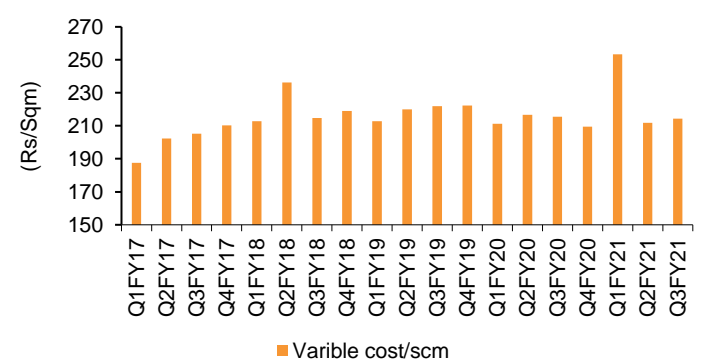
Source: Company, Emkay Research

**Exhibit 2: Volume mix: proportion of trading sales increased in Q3**


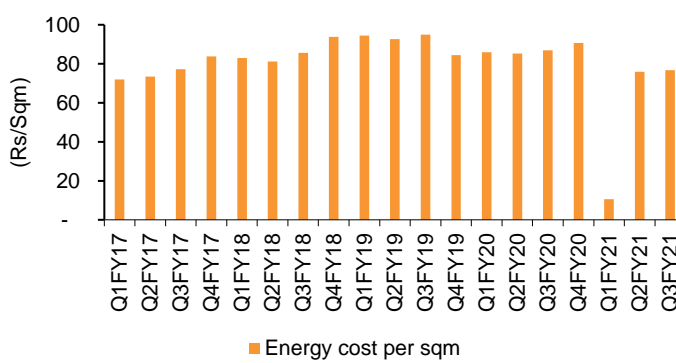
Source: Company, Emkay Research

**Exhibit 3: Realization up by 0.3% yoy/2.1% qoq**


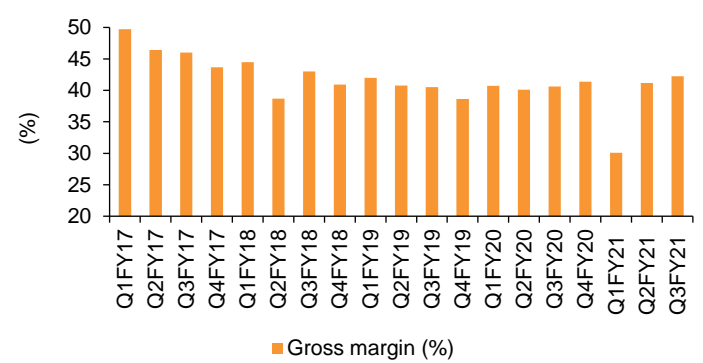
Source: Company, Emkay Research

**Exhibit 4: Variable cost was flat yoy/ up 1% qoq**


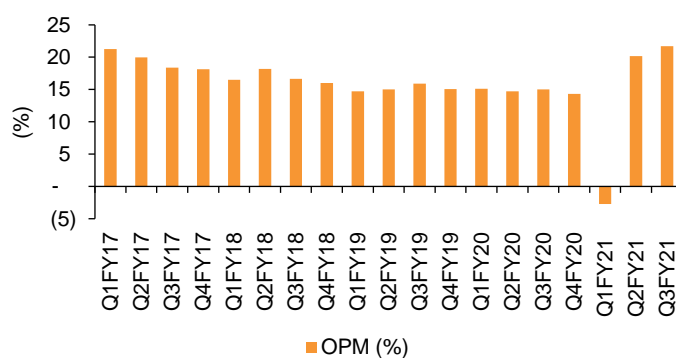
Source: Company, Emkay Research

**Exhibit 5: Energy cost/scm down 12% yoy on lower gas prices**


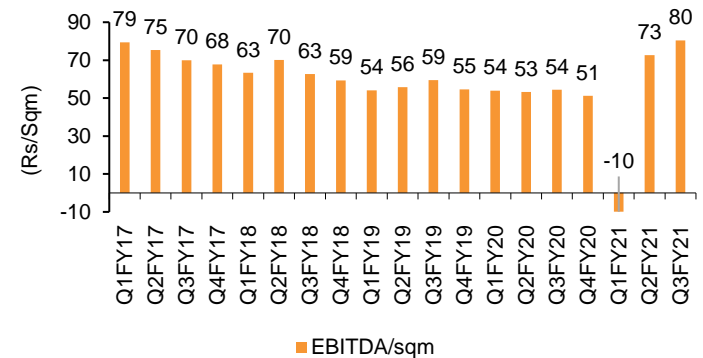
Source: Company, Emkay Research

**Exhibit 6: Gross margin up by 1.7pp yoy/1.1pp qoq**


Source: Company, Emkay Research

**Exhibit 7: OPM up 6.7pp yoy on lower Employee and Other expense**


Source: Company, Emkay Research

**Exhibit 8: EBITDA/scm trends**


Source: Company, Emkay Research

**Exhibit 9: Actual vs estimates (Q3FY21)**

(in Rs mn)	Actual	Estimate Emkay	Estimate Consensus	% variation		Comment
				Emkay	Consensus	
Sales	8,383	8,373	8,071	0.1	3.9	In line with estimates
EBITDA	1,818	1,633	1,480	11.3	22.8	Led by lower than expected costs
OPM (%)	21.7	19.5	18.3			
PAT	1,189	1,024	933	16.1	27.5	Led by higher operating profit

Source: Company, Emkay Research, Bloomberg

**Exhibit 10: Quarterly result**

Rs mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	9MFY21	9MFY20	YoY (%)
<b>Revenue</b>	<b>7,413</b>	<b>6,520</b>	<b>2,776</b>	<b>7,125</b>	<b>8,383</b>	<b>13.1</b>	<b>17.7</b>	<b>18,284</b>	<b>21,560</b>	<b>(15.2)</b>
<b>Operating Expenditure</b>	<b>6,300</b>	<b>5,587</b>	<b>2,851</b>	<b>5,688</b>	<b>6,566</b>	<b>4.2</b>	<b>15.4</b>	<b>15,105</b>	<b>18,335</b>	<b>(17.6)</b>
as % of sales	85.0	85.7	102.7	79.8	78.3			82.6	85.0	
Consumption of RM	2,893	2,406	1,776	2,988	3,523	21.8	17.9	8,287	8,605	(3.7)
as % of sales	39.0	36.9	64.0	41.9	42.0			45.3	39.9	
Power & Fuel	1,511	1,416	165	1,205	1,318	(12.8)	9.4	2,687	4,228	(36.5)
as % of sales	20.4	21.7	5.9	16.9	15.7			14.7	19.6	
Employee expenses	930	869	608	779	895	(3.7)	14.9	2,282	2,701	(15.5)
as % of sales	12.5	13.3	21.9	10.9	10.7			12.5	12.5	
Other expenses	967	896	303	717	830	(14.1)	15.9	1,849	2,802	(34.0)
as % of sales	13.0	13.7	10.9	10.1	9.9			10.1	13.0	
<b>EBITDA</b>	<b>1,113</b>	<b>934</b>	<b>-76</b>	<b>1,437</b>	<b>1,818</b>	<b>63.3</b>	<b>26.5</b>	<b>3,179</b>	<b>3,225</b>	<b>(1.4)</b>
Depreciation	278	283	252	274	276	(0.8)	0.7	801	798	0.5
<b>EBIT</b>	<b>835</b>	<b>650</b>	<b>-328</b>	<b>1,163</b>	<b>1,542</b>	<b>84.6</b>	<b>32.6</b>	<b>2,378</b>	<b>2,427</b>	<b>(2.1)</b>
Other Income	51	69	26	48	65	25.7	34.7	139	172	(19.6)
Interest	48	49	34	21	26	(46.1)	25.5	81	146	(44.7)
<b>PBT</b>	<b>838</b>	<b>670</b>	<b>(336)</b>	<b>1,190</b>	<b>1,581</b>	<b>88.5</b>	<b>32.8</b>	<b>2,435</b>	<b>2,454</b>	<b>(0.8)</b>
Total Tax	226	192	(6)	294	370	64.0	25.9	658	407	61.6
<b>Adjusted PAT</b>	<b>613</b>	<b>478</b>	<b>(329)</b>	<b>896</b>	<b>1,210</b>	<b>97.6</b>	<b>35.0</b>	<b>1,777</b>	<b>2,047</b>	<b>(13.2)</b>
(Profit)/loss from MI	(3)	(8)	(58)	5	21	n/m	n/m	(32)	(10)	n/m
APAT after MI	615	486	(271)	891	1,189	93.3	33.5	1,810	2,057	(12.0)
<b>Reported PAT</b>	<b>615</b>	<b>486</b>	<b>(271)</b>	<b>891</b>	<b>1,189</b>	<b>93.3</b>	<b>33.5</b>	<b>1,810</b>	<b>2,057</b>	<b>(12.0)</b>
<b>Adjusted EPS (Rs)</b>	<b>3.9</b>	<b>3.1</b>	<b>(1.7)</b>	<b>5.6</b>	<b>7.5</b>	<b>93.3</b>	<b>33.5</b>	<b>11</b>	<b>13</b>	<b>(12.0)</b>

Margins (%)					(bps)	(bps)			(bps)	
Gross margin	40.6	41.4	30.1	41.2	42.3	167	111	40.0	40.5	(50)
EBIDTA	15.0	14.3	(2.7)	20.2	21.7	666	152	17.4	15.0	243
EBIT	11.3	10.0	(11.8)	16.3	18.4	712	207	13.0	11.3	174
EBT	10.6	9.2	(13.0)	16.0	18.1	747	205	12.6	10.6	198
PAT	8.3	7.5	(9.8)	12.5	14.2	589	168	9.9	9.5	36
Effective Tax rate	26.9	28.6	1.8	24.7	23.4	(351)	(127)	27.0	16.6	1,043

Source: Company, Emkay Research

**Exhibit 11: Sales Volume**

Sales Volumes-mn sqm	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	9MFY21	9MFY20	YoY (%)
Own Manufacturing	11.3	10.0	4.0	11.4	12.2	7.4	6.5	27.6	33.3	(17.1)
JVs	5.2	4.2	1.7	4.2	4.9	(5.6)	16.2	10.8	14.1	(23.7)
Trading	4.0	4.1	1.9	4.2	5.6	40.5	32.8	11.7	12.4	(6.0)
Total sales volumes	20.4	18.2	7.7	19.8	22.6	10.5	14.1	50.1	59.8	(16.3)

Source: Company, Emkay Research

**Exhibit 12: Revenue Trend**

Revenue Mix (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	9MFY21	9MFY20	YoY (%)
Own Manufacturing	3,974	3,480	1,564	3,824	4,169	4.9	9.0	9,557	11,793	(19.0)
JVs	1,673	1,402	442	1,476	1,717	2.6	16.3	3,635	4,512	(19.4)
Trading	1,190	1,169	571	1,210	1,696	42.6	40.2	3,477	3,692	(5.8)
Sanitaryware / faucets	495	411	174	530	674	36.0	27.2	1,377	1,331	3.5
Plywood	81	58	25	86	128	57.6	48.4	238	231	2.9
<b>Total</b>	<b>7,413</b>	<b>6,520</b>	<b>2,776</b>	<b>7,125</b>	<b>8,383</b>	<b>13.1</b>	<b>17.7</b>	<b>18,284</b>	<b>21,560</b>	<b>(15.2)</b>

Source: Company, Emkay Research

**Exhibit 13: Realization Trend**

Realization / sqm	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	9MFY21	9MFY20	YoY (%)
Own Manufacturing	351	348	390	335	343	(2.3)	2.4	346	354	(2.3)
JVs	324	335	257	352	353	8.7	0.1	337	319	5.6
Trading	301	288	296	289	306	1.5	5.6	298	298	0.2
Blended Realization	334	332	336	329	336	0.3	2.1	333	334	(0.4)

Source: Company, Emkay Research

## Changes in estimates

Recovery in demand for building material products (Tiles, Paints, MDF, etc.) has been much better than our expectations post easing of the lockdown norms. KJC too benefited from a recovery in demand in Tier 1-3 cities where demand in Q3 improved to 110-115% of last year levels. Volume recovery along with cost controls (AD spends, office spends etc.) and lower gas prices led to a strong margin recovery for KJC in Q2/Q3FY21.

KJC's efforts to increase penetration in small cities have started yielding results as management believes that they have gained market share in domestic markets. Anti-China sentiment has led to increased focus of Morbi-based unorganized players on exports, which in turn has helped organized players in domestic markets. Tiles exports from India stood at Rs73bn during Apr-Dec'20 (despite volumes losses in 3 months) vs. Rs90-85bn in FY20 and this may reach Rs110-115bn in FY21. Management further highlighted that they are planning to increase their reach in domestic markets as KJC does not have presence in 175 Lok Sabha constituencies and expects to reach to 100 of those cities in FY22. This will further help volume growth for KJC.

We have increased volume growth estimates to 20%/15% for FY22/23E vs. 12%/8% earlier. Ad spends will continue to be lower in FY22 compared with FY20 levels. Ad spend in FY21/22E will be 55%/30% lower than FY20. Considering higher margins in Q3FY21, we have increased OPM assumptions to 18%/19.5%/19.7% for FY21/22/23E vs. 16%/18%/18.5% earlier. This leads to an increase in EPS by 15.9%/17.3%/22.2% for FY21/22/23E.

**Exhibit 14: Changes in estimates**

Particulars/Rs mn	FY21E			FY22E			FY23E		
	Earlier	Revised	Chg (%)	Earlier	Revised	Chg (%)	Earlier	Revised	Chg (%)
Revenue	27,196	27,196	-	31,352	33,391	6.5	34,813	39,243	12.7
EBITDA	4,351	4,895	12.5	5,643	6,511	15.4	6,440	7,731	20.0
OPM (%)	16.0%	18.0%	200	18.0%	19.5%	150	18.5%	19.7%	120
PAT	2,528	2,931	15.9	3,429	4,024	17.3	4,018	4,908	22.2
EPS (Rs)	15.9	18.4	15.9	21.6	25.3	17.3	25.3	30.9	22.2

Source: Company, Emkay Research

**Exhibit 15: Key Assumptions**

Parameters	FY18	FY19	FY20	FY21E	FY22E	FY23E
Sales Volumes (msm)	72	80	78	74	89	102
Volume growth (yoy)	5.6%	12.2%	-2.8%	-5.0%	20.0%	15.0%
Average Realization (Rs/sqmt)	359	345	337	341	348	354
Realization growth (yoy)	-4.4%	-3.9%	-2.3%	0.0%	1.0%	1.0%
EBITDA margins (%)	16.8%	15.2%	14.8%	18.0%	19.5%	19.7%

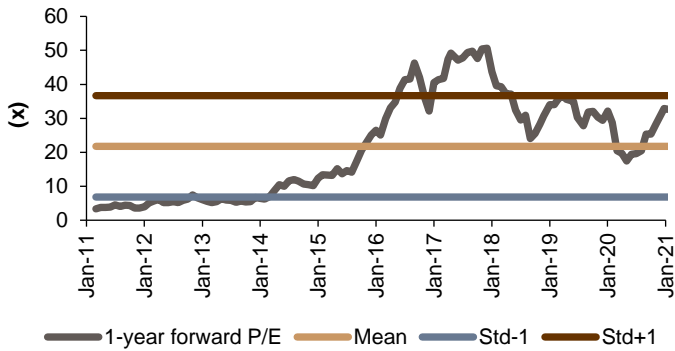
Source: Company, Emkay Research

## Exhibit 16: Peer Valuations

Company	Rs bn Mcap	EV/EBITDA (x)			ROCE (%)			EPS (Rs)			P/E (x)		
		FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Kajaria Ceramics	126.0	25.1	18.8	15.6	20.4	27.4	30.3	18.4	25.3	30.9	43.0	31.3	25.7
Century Plyboards	54.4	20.2	13.9	12.4	17.6	25.2	24.6	6.9	10.7	11.7	36.1	23.5	21.4
Somany Ceramics	16.2	11.5	8.8	7.3	9.3	12.9	14.5	11.3	19.4	24.5	31.0	18.0	14.3

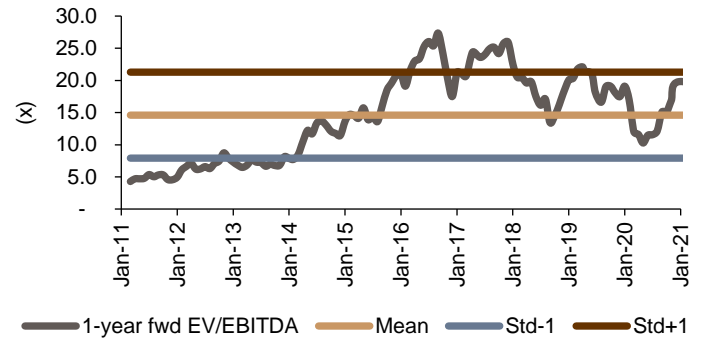
Source: Company, Emkay Research

## Exhibit 17: 1-yr forward P/E chart



Source: Company, Emkay Research

## Exhibit 18: 1-yr forward EV/EBITDA chart



Source: Company, Emkay Research

## Concall takeaways

- **Demand trend and expectations:** There has been a sharp demand recovery (around 10-15% yoy) for Tiles from tier 1 and below cities, though demand from metro cities is still lower than the pre-Covid level (around 70-75%). KJC has also increased its market share as Morbi players are still concentrating on exports. KJC achieved a volume growth of 10.5% yoy as capacity utilization of all the plants (except one line of Cosa Ceramics which is under upgradation) were at 100%. Management highlighted that they further want to increase their penetration in areas where KJC does not have presence (it does not have presence in 175 Loksabha constituencies and plans to increase its reach in 100 of these places in FY22). Management is expecting strong volume growth of 20-25% for FY22 and ~15% for FY23/24 in the Tiles division, which will be led by 1) improvement in demand from metro cities and 2) increased distribution reach.
- **Pricing:** Tile prices remain stable with not much price pressure. Increasing focus of Morbi players on exports will keep prices stable. Management is focusing more on increasing the volume and utilization across plants and not looking for any price increase as of now. KJC will curtail some discounts/schemes, which will help increase realization. It has taken 6-9% price increase in the Sanitaryware segment from January 1 as raw material prices have increased (25% increase in brass price).
- **Retail vs. Institutional sales:** Retail sales constitute 80% of total volumes, while 20% is Institutional sales (10% each to government projects and large project sales). Payments from large project sales (builders segments) still remain a concern.
- **Margins:** Margins in Q3 were supported by lower gas prices and ad spends. Management expects EBITDA margin of 20% in Q4FY21 and FY22/23. Profitability of JVs/subsidiary has also improved (Rs110mn profit in Q3FY21 vs. a loss of Rs10mn in Q3FY20).
- **Gas price:** Avg. gas price in Q3 was Rs25.5-26 per scm for North-based plants vs. Rs31-32 per scm in Q3FY20. Management expects that gas price will rise from here. North plants will see a price increase of 3-4% in Q4, whereas, Gujarat Gas has increased the gas price by Rs4/scm for Morbi-based players from December 24.
- **Ad Spends:** Management has guided for lower ad spend of 45-50% (of FY20) in FY21 and around 70-75% (of FY20) in FY22.
- **Employee Cost:** Employee expenses, which were reduced in H1FY21, have been reinstated in Q3FY21. There are no plans to increase manpower in near future and employee expenses will remain at similar levels.
- **Morbi Players:** Morbi players are still focusing on exports, which stood at Rs73bn in 9MFY21. Exports from Morbi players will be around Rs110-115bn in FY21 and is expected to further grow by 20-30% in FY22. 50-60 new plants are coming in Morbi and these plants will mainly cater to export markets.
- **Sanitaryware /Plywood Division:** Management is targeting revenue of Rs2.1bn in FY21 and Rs2.8bn in FY22 vs. Rs1.8bn in FY20 from the Sanitaryware division. Management is targeting revenue of Rs0.4bn in FY21 and Rs0.7bn in FY22 vs Rs0.3bn in FY20 from the Plywood division. The Sanitaryware segment has turned profitable from Q2FY21 (OPM of 13-14% in Q3 vs. single digit in FY20). The Plywood segment is expected to incur losses for the next two years.
- **Dividend:** Management has announced an interim dividend of Rs10 and guided for 40-50% dividend payout ratio going forward (vs. earlier 20-25% payout ratio).
- **Capex:** Management has guided for capex of Rs0.5bn in FY21 and Rs1.5-2bn in FY22. Capacity increase in FY23 should be at 10msm through brownfield expansions. All capex will be done through internal accrual.

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

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>29,562</b>	<b>28,080</b>	<b>27,196</b>	<b>33,391</b>	<b>39,243</b>
<b>Expenditure</b>	<b>25,067</b>	<b>23,921</b>	<b>22,301</b>	<b>26,880</b>	<b>31,513</b>
<b>EBITDA</b>	<b>4,495</b>	<b>4,159</b>	<b>4,895</b>	<b>6,511</b>	<b>7,731</b>
Depreciation	891	1,081	1,092	1,204	1,288
<b>EBIT</b>	<b>3,604</b>	<b>3,078</b>	<b>3,803</b>	<b>5,307</b>	<b>6,442</b>
Other Income	180	242	170	187	205
Interest expenses	156	195	112	87	57
<b>PBT</b>	<b>3,629</b>	<b>3,125</b>	<b>3,861</b>	<b>5,406</b>	<b>6,590</b>
Tax	1,293	589	973	1,362	1,661
Extraordinary Items	(48)	0	0	0	0
Minority Int./Income from Assoc.	22	(18)	(43)	20	22
<b>Reported Net Income</b>	<b>2,265</b>	<b>2,554</b>	<b>2,931</b>	<b>4,024</b>	<b>4,908</b>
<b>Adjusted PAT</b>	<b>2,314</b>	<b>2,554</b>	<b>2,931</b>	<b>4,024</b>	<b>4,908</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	159	159	159	159	159
Reserves & surplus	15,590	16,984	17,040	18,956	21,181
<b>Net worth</b>	<b>15,749</b>	<b>17,143</b>	<b>17,199</b>	<b>19,115</b>	<b>21,340</b>
<b>Minority Interest</b>	<b>659</b>	<b>637</b>	<b>594</b>	<b>614</b>	<b>636</b>
<b>Loan Funds</b>	<b>1,203</b>	<b>1,182</b>	<b>682</b>	<b>482</b>	<b>282</b>
Net deferred tax liability	1,059	716	716	716	716
<b>Total Liabilities</b>	<b>18,671</b>	<b>19,678</b>	<b>19,191</b>	<b>20,927</b>	<b>22,974</b>
<b>Net block</b>	<b>10,778</b>	<b>11,948</b>	<b>11,355</b>	<b>12,151</b>	<b>12,362</b>
<b>Investment</b>	<b>3</b>	<b>101</b>	<b>101</b>	<b>101</b>	<b>101</b>
<b>Current Assets</b>	<b>12,003</b>	<b>12,056</b>	<b>12,437</b>	<b>13,766</b>	<b>16,031</b>
Cash & bank balance	2,524	2,252	3,729	4,304	5,583
Other Current Assets	0	0	0	0	0
<b>Current liabilities &amp; Provision</b>	<b>5,048</b>	<b>4,693</b>	<b>5,003</b>	<b>5,391</b>	<b>5,820</b>
<b>Net current assets</b>	<b>6,955</b>	<b>7,363</b>	<b>7,435</b>	<b>8,375</b>	<b>10,210</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>18,671</b>	<b>19,678</b>	<b>19,191</b>	<b>20,927</b>	<b>22,974</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>3,580</b>	<b>3,125</b>	<b>3,861</b>	<b>5,406</b>	<b>6,590</b>
Other Non-Cash items	120	27	0	0	0
Chg in working cap	(117)	(993)	1,405	(366)	(556)
<b>Operating Cashflow</b>	<b>3,174</b>	<b>2,244</b>	<b>5,498</b>	<b>4,970</b>	<b>5,719</b>
Capital expenditure	(1,139)	(1,213)	(534)	(2,000)	(1,500)
<b>Free Cash Flow</b>	<b>2,034</b>	<b>1,031</b>	<b>4,964</b>	<b>2,970</b>	<b>4,219</b>
Investments	1	(90)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>(2,609)</b>	<b>(901)</b>	<b>(534)</b>	<b>(2,000)</b>	<b>(1,500)</b>
Equity Capital Raised	(6)	3	0	0	0
Loans Taken / (Repaid)	(404)	(104)	(500)	(200)	(200)
Dividend paid (incl tax)	(575)	(1,150)	(2,874)	(2,108)	(2,683)
Other Financing Cash Flow	0	0	0	0	0
<b>Financing Cashflow</b>	<b>(1,141)</b>	<b>(1,404)</b>	<b>(3,486)</b>	<b>(2,395)</b>	<b>(2,940)</b>
<b>Net chg in cash</b>	<b>(576)</b>	<b>(60)</b>	<b>1,478</b>	<b>575</b>	<b>1,279</b>
Opening cash position	798	221	161	1,639	2,214
<b>Closing cash position</b>	<b>2,524</b>	<b>2,252</b>	<b>3,729</b>	<b>4,304</b>	<b>5,583</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	15.2	14.8	18.0	19.5	19.7
EBIT Margin	12.2	11.0	14.0	15.9	16.4
Effective Tax Rate	35.6	18.9	25.2	25.2	25.2
Net Margin	7.9	9.0	10.6	12.1	12.6
ROCE	21.2	17.3	20.4	27.4	30.3
ROE	15.8	15.5	17.1	22.2	24.3
RoIC	23.1	19.1	23.7	33.9	38.8

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	14.6	16.1	18.4	25.3	30.9
CEPS	20.2	22.9	25.3	32.9	39.0
BVPS	99.1	107.8	108.2	120.2	134.2
DPS	3.0	3.0	15.0	11.0	14.0

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	54.5	49.4	43.0	31.3	25.7
P/CEPS	39.3	34.7	31.3	24.1	20.3
P/BV	8.0	7.4	7.3	6.6	5.9
EV / Sales	4.2	4.5	4.5	3.7	3.1
EV / EBITDA	27.8	30.1	25.1	18.8	15.6
Dividend Yield (%)	0.4	0.4	1.9	1.4	1.8

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Net Debt/EBIDTA	(0.3)	(0.3)	(0.6)	(0.6)	(0.7)
Working Cap Cycle (days)	54.7	66.4	49.7	44.5	43.0

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	9.1	(5.0)	(3.1)	22.8	17.5
EBITDA	(1.5)	(7.5)	17.7	33.0	18.7
EBIT	(2.0)	(14.6)	23.5	39.5	21.4
PAT	2.4	12.7	14.8	37.3	22.0

<b>Quarterly (Rs mn)</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>	<b>Q3FY21</b>
Revenue	7,413	6,520	2,776	7,125	8,383
EBITDA	1,113	934	(76)	1,437	1,818
<b>EBITDA Margin (%)</b>	<b>15.0</b>	<b>14.3</b>	<b>(2.7)</b>	<b>20.2</b>	<b>21.7</b>
PAT	615	486	(271)	891	1,189
<b>EPS (Rs)</b>	<b>3.9</b>	<b>3.1</b>	<b>(1.7)</b>	<b>5.6</b>	<b>7.5</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>	<b>Dec-20</b>
Promoters	47.6	47.6	47.6	47.6	47.5
FII	24.0	23.1	21.9	23.3	23.7
DII	13.0	14.9	17.0	16.7	15.3
Public and Others	15.4	14.4	13.6	12.4	13.5

Source: Capitaline

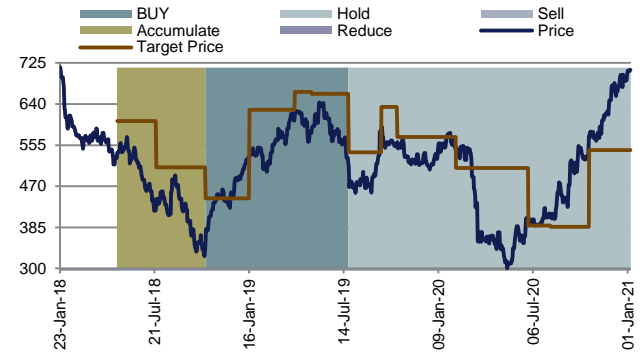


## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
20-Oct-20	575	545	12m	Hold	Sanjeev Kumar Singh
08-Aug-20	407	386	12m	Hold	Sanjeev Kumar Singh
27-Jun-20	401	389	12m	Hold	Sanjeev Kumar Singh
11-Feb-20	545	508	12m	Hold	Sanjeev Kumar Singh
23-Oct-19	562	572	12m	Hold	Sanjeev Kumar Singh
23-Sep-19	588	634	12m	Hold	Sanjeev Kumar Singh
23-Jul-19	511	540	12m	Hold	Sanjeev Kumar Singh
14-May-19	586	661	12m	Buy	Sanjeev Kumar Singh
12-Apr-19	622	665	12m	Buy	Sanjeev Kumar Singh
19-Jan-19	535	628	12m	Buy	Sanjeev Kumar Singh
16-Jan-19	535	628	12m	Buy	Sanjeev Kumar Singh
25-Oct-18	361	445	12m	Buy	Sanjeev Kumar Singh
24-Jul-18	434	509	12m	Accumulate	Sanjeev Kumar Singh
11-May-18	539	605	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>2.11</b>	<b>2.11</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
ACC	0.18	0.00	-100%	-18	0.00
Ambuja Cements	0.24	0.26	9%	2	12.23
Grasim Industries	0.50	0.50	0%	0	23.67
Birla Corporation	0.00	0.04	NA	4	1.87
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	0.04	NA	4	1.96
Orient Cement	0.00	0.00	NA	0	0.00
Prism Johnson	0.00	0.00	NA	0	0.00
Ramco Cements	0.13	0.14	10%	1	6.62
Shree Cements	0.29	0.29	0%	0	13.53
Star Cement	0.00	0.00	NA	0	0.00
Ultratech Cement	0.79	0.85	8%	6	40.12
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	22-Jan-20	22-Jul-20	21-Oct-20	21-Dec-20	20-Jan-21
EAP - Cement & Building Materials	100.0	104.9	91.0	106.2	111.5	122.4
BSE200 Neutral Weighted Portfolio (ETF)	100.0	101.6	87.9	104.1	110.0	121.4

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

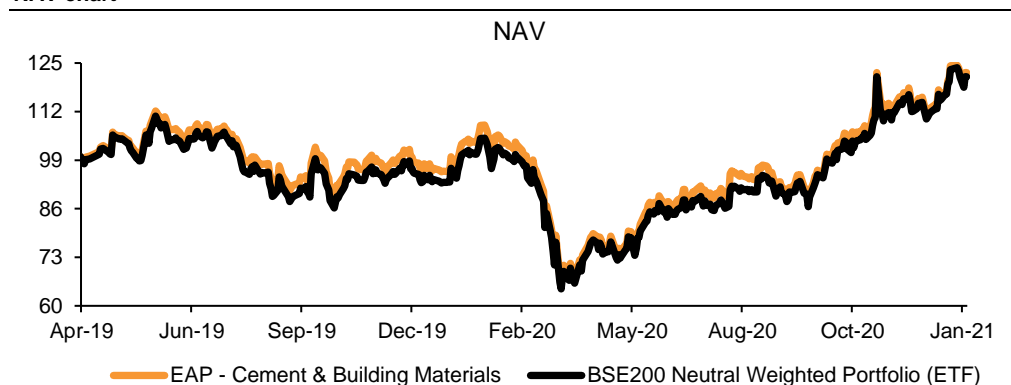
Source: Emkay Research

#### Price Performance (%)

	1m	3m	6m	12m
EAP - Cement & Building Materials	9.8%	15.3%	34.6%	16.8%
BSE200 Neutral Weighted Portfolio (ETF)	10.3%	16.6%	38.1%	19.4%

Source: Emkay Research

#### NAV chart



Source: Emkay Research

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

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

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

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

Completed Date: 22 Jan 2021 01:44:14 (SGT)

Dissemination Date: 22 Jan 2021 01:45:14 (SGT)

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