JK Cement

BSE SENSEX	S&P CNX
60,747	18,012

CMP: INR2,713 TP: INR3,170 (+17%) Upgrade to BUY

Growth plans and cost savings to drive earnings

- JK Cement (JKCE) is increasing its grey cement capacity by 27% to 18.7mtpa by FY23-end, driving a CAGR of 11% in grey cement volume over FY22-25E. JKCE further intends to increase its grey cement capacity to 25mtpa by FY25E.
- Over FY22-25E, we expect a 12% EBITDA CAGR (~13% CAGR in grey cement and ~10% CAGR in white cement). Improvement in grey cement profitability will be driven by cost-saving initiatives (increasing blended cement share, renewable energy, and alternative fuel) and improvement in realization with increasing exposure in North and Central India.
- We estimate cumulative OCF (consolidated) at INR52b over FY23-25E, which will partly support further capex requirement. Consolidated net debt is estimated to peak out by FY24 and deleveraging will start from FY25 onwards.
- We upgrade JKCE to Buy, valuing it at 13.5x Sep'FY24E EV/EBITDA (premium to its five year average one year forward EV/EBITDA of 12.5x) to arrive at our TP of INR3,170, an upside of 17% from its current levels. Earlier, we had downgraded the stock to Neutral from Buy in Nov-21, considering rich valuations and looming concerns of input cost pressures.

Building scale and market reach in grey cement will help future growth

- JKCE has been consistently adding capacities, helping in its volume growth and diversification of its market-mix. Its grinding capacity in grey cement registered a CAGR of 9.6% over FY09-22, driving sales volume CAGR of 9.3%.
- JKCE plans to expand its presence in the Central India by setting up an integrated plant at Panna, Madhya Pradesh (MP) and a split grinding unit (GU) at Hamirpur, Uttar Pradesh (UP). This project is expected to be commissioned by Mar'23, post which, its grey cement capacity will increase to 18.7mtpa.
- It intends to increase its total grinding capacity to ~25mtpa by FY25E, through a mix of greenfield and brownfield expansions. As per our channel checks, JKCE has placed orders for two greenfield GUs in Central India, having a combined capacity of 3.9mtpa. Apart from that, it plans to increase its grinding capacity at four of its existing grinding units by 0.5mtpa each, through debottlenecking.

Strengthening presence in North and Central India

- JKCE commissioned 4.2mtpa grey cement capacity during FY20/21, out of which, 50% (2mtpa) was added to its existing north plants. This expansion helped the company to hold its position among the top five players (in terms of installed capacity) in the North region.
- In the current phase of expansion, the company is adding ~10mtpa over the next three years, out of which, 80% (8mtpa) is being added in Central India. These expansions will help JKCE to be one among the top five cement players (in terms of installed capacity) in central India as well.
- High capacity utilizations (in the range of 77-83% in FY22) and higher consolidation (~78% of capacity share is held by the top five players) in the North and Central India should offer better pricing power in these regions.

Stock Info

Bloomberg	JKCE IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	209.6 / 2.5
52-Week Range (INR)	3837 / 2005
1, 6, 12 Rel. Per (%)	-2/-4/-21
12M Avg Val (INR M)	415

Financials Snapshot (INR b)

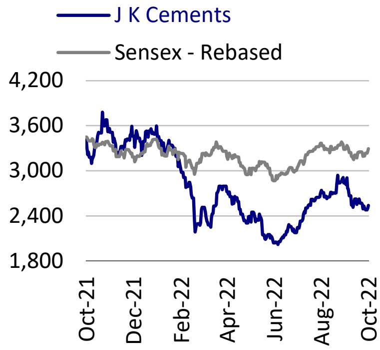
Y/E MARCH	FY23E	FY24E	FY25E
Sales	92.1	101.5	111.7
EBITDA	14.9	18.5	21.5
Adj. PAT	6.3	7.0	8.6
EBITDA Margin (%)	16.1	18.3	19.3
Adj. EPS (INR)	81.2	90.3	111.4
EPS Gr. (%)	(7.7)	11.3	23.4
BV/Sh. (INR)	623	691	777
Ratios			
Net D:E	0.6	0.7	0.6
RoE (%)	13.7	13.7	15.2
RoCE (%)	9.5	10.1	11.0
Payout (%)	21.3	24.4	22.4
Valuations			
P/E (x)	33.4	30.0	24.3
P/BV (x)	4.4	3.9	3.5
EV/EBITDA(x)	14.5	12.8	10.8
EV/ton (USD)	150	134	103
Div. Yield (%)	0.6	0.8	0.9
FCF Yield (%)	(0.1)	0.6	3.8

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	45.8	45.8	57.6
DII	21.9	21.1	20.1
FII	15.6	16.1	17.4
Others	16.7	17.0	4.9

FII Includes depository receipts

Stock performance (one-year)



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Mudit Agarwal - Research analyst (Mudit.Agarwal@MotilalOswal.com)

Focusing on efficiency improvement and sustainable growth

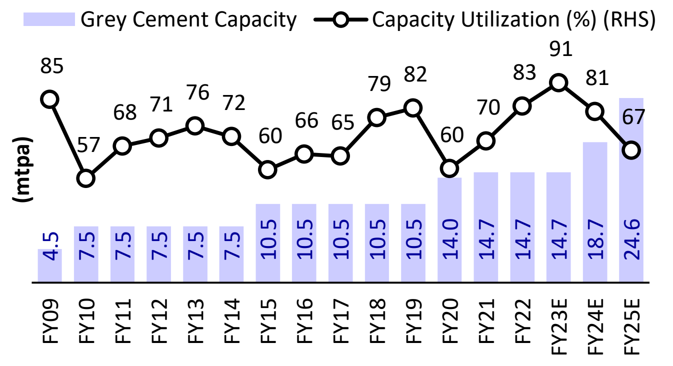
- JKCE’s new kilns are more efficient than the old kilns, leading to lower energy consumption. The company’s kiln heat rate has reduced by ~5%, while its power consumption has declined 31% from its FY09 levels. After commissioning its new plant at Panna, MP, the share of modern kilns will increase to +81% (v/s 57% in FY19) and would further help to reduce energy consumption.
- The company is also increasing green energy share in total power consumption by adding WHRS, Solar, and Wind power plants. It plans to double its WHRS capacity to 84.3MW by FY24E and treble its Solar and Wind power capacity (including group captive) to 55.7MW by FY23E. It targets to increase green energy share in total power consumption to 75% by FY30 v/s 32% in FY22.
- The company has increased the usage of alternative fuels (AFR) in the last few quarters. It achieved thermal substitution rate of 8.9% at the company level (TSR of 18% at Muddapur, Karnataka plant) in FY22. This also aided cost savings. The management highlighted cost savings of INR774m in FY22 v/s INR219m in FY21.

Upgrade to Buy on improving growth outlook

- JKCE is set to increase grey cement capacity to 25mtpa by FY25. Over FY19-22, despite Covid headwinds, JKCE reported industry leading volume CAGR of ~12%, (grey cement) helped by capacity additions and diligent efforts towards brand visibility. We estimate grey cement volume CAGR of ~11% over FY22-25E.
- JKCE’s OCF will not be enough to support capex, and hence, borrowing will increase till FY24. We estimate the company’s net debt to peak out by FY24 and deleveraging to start from FY25. We estimate a net debt/EBITDA ratio of 2x in FY24, which should improve to 1.6x in FY25E.
- JKCE trades at 12.8x/10.8x FY24/FY25 EV/EBITDA and EV/t of USD134/ USD103 FY24/25E. We estimate further upside will be driven by 1) EBITDA growth (12% CAGR over FY22-25E); 2) improvement in profitability of grey cement business (estimate blended EBITDA/t of INR1,075/INR1,150 FY24E/FY25E); and 3) higher OCF, which will support expansion as well as deleveraging of its balance sheet.
- We value JKCE at 13.5x Sep’FY24E EV/EBITDA (premium to its five year average one year forward EV/EBITDA of 12.5x) to arrive at our TP of INR3,170, an upside of 17% from its current levels. We upgrade the stock to **Buy** from Neutral.

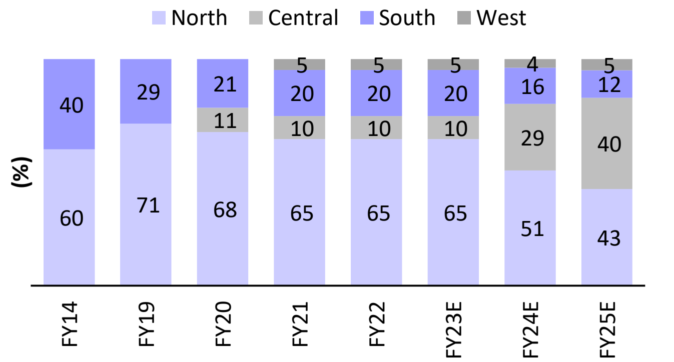
Story in charts

Exhibit 1: JKCE has been consistent in capacity expansion



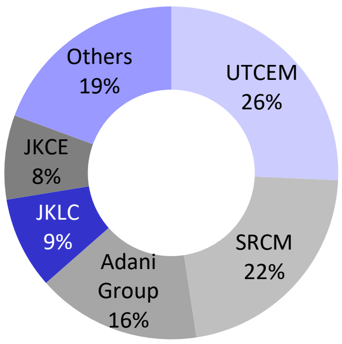
Sources: MOFSL, company reports

Exhibit 2: Capacity-mix improves in the north and central



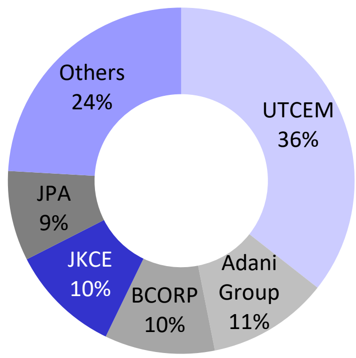
Sources: MOFSL, company reports

Exhibit 3: Top five players capacity* share in North (FY25E)



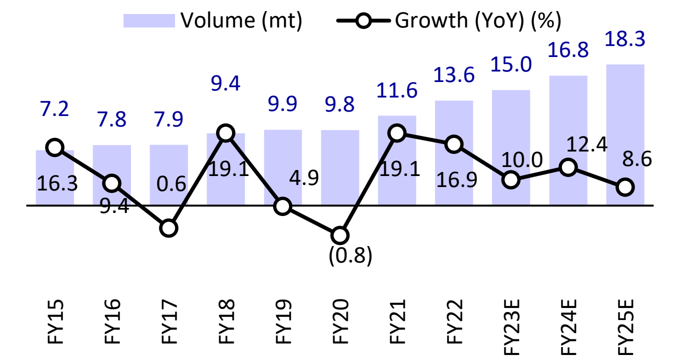
Sources: Company reports, MOFSL; Note: Installed grey cement capacity

Exhibit 4: Top five players capacity* share in Central (FY25E)



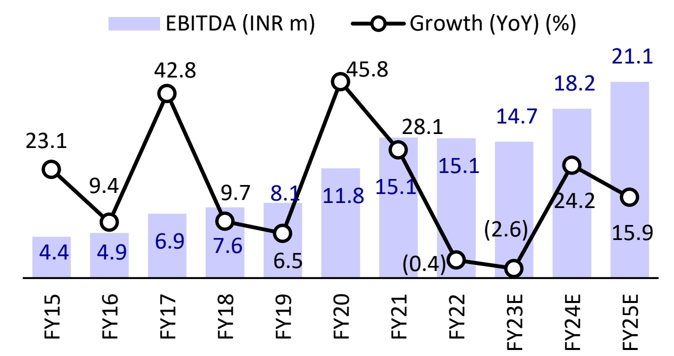
Sources: Company reports, MOFSL; Note: Installed grey cement capacity

Exhibit 5: Sales volume* CAGR of ~10% over FY22-25



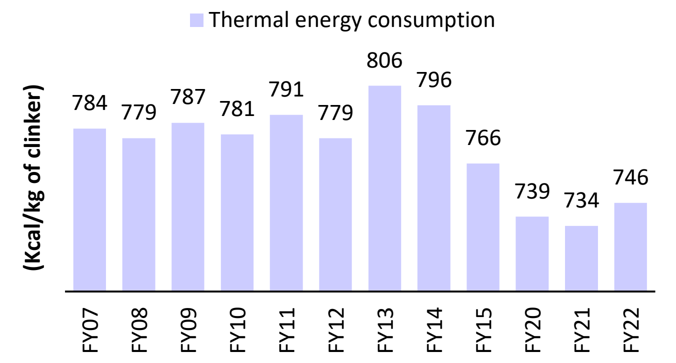
Sources: MOFSL, company reports, * Combined grey and white

Exhibit 6: Estimate EBITDA CAGR of ~12% over FY22-25



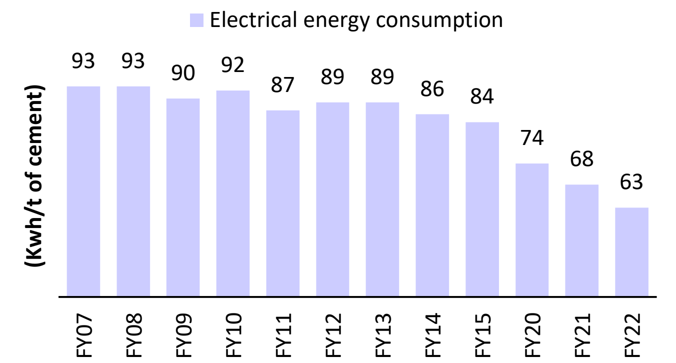
Sources: MOFSL, company reports

Exhibit 7: New generation kilns drive decline in heat rate…



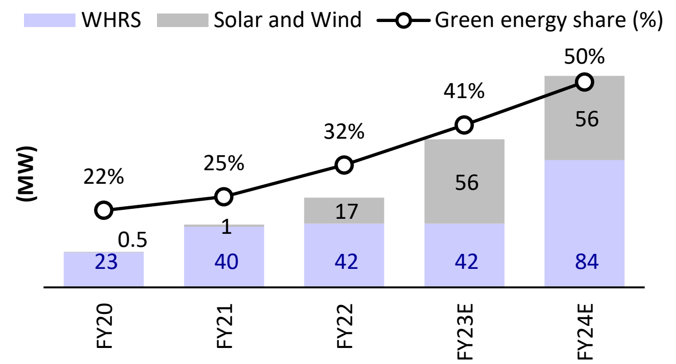
Sources: Company reports, MOFSL

Exhibit 8: …also power consumption/t of cement produce



Sources: Company reports, MOFSL

Exhibit 9: Green energy share to increase further…



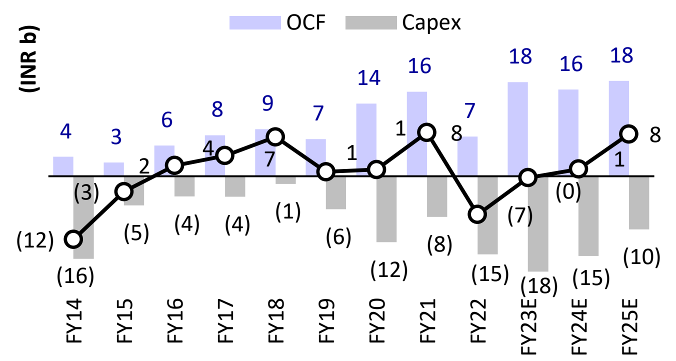
Sources: Company reports, MOFSL

Exhibit 10: …to aid INR105/t in cost reduction

Particulars	WHRS	Solar Power
Incremental capacity (MW)	42	39
PLF assumed (%)	75%	23%
Power generation (m kwh)	249.5	76.5
Cost savings (INR/kwh)	5.3	3.5
Total savings (INR m)	1,310	268
Cost reduction (INR/t)	87	18

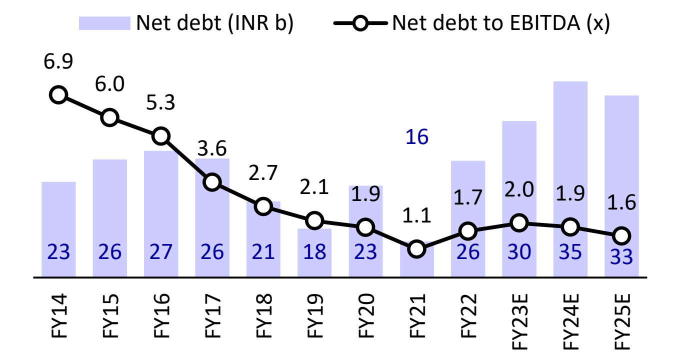
Sources: Company reports, MOFSL; Note: Cost reduction is estimated at after stabilization of plants

Exhibit 11: OCF to improve, will partly support expansion



Sources: MOFSL, Company reports

Exhibit 12: Consolidated net debt to peak out in FY24E

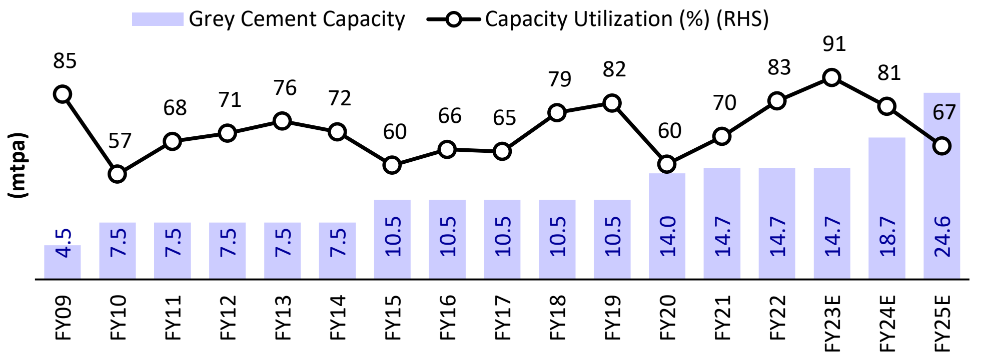


Sources: MOFSL, Company reports

Building scale and market reach in grey will aid volume growth

- JK cement (JKCE) has been consistently adding capacities, which supported volume growth and helped diversification in its market mix. It commissioned a 6,500tpd (1.95mtpa) kiln in Mudhol, Karnataka, in FY10; 5,600tpd (1.85mtpa) kiln at Mangrol, Rajasthan, in FY15; 8,000tpd (2.64mtpa) kiln at Mangrol in FY20. Its grinding capacity registered a CAGR of 9.6% over FY09-22, leading to volume CAGR of 9.3%.
- JKCE plans to expand its presence in the Central India by setting up an integrated plant at Panna, Madhya Pradesh (MP), and a split location grinding unit (GU) at Hamirpur, Uttar Pradesh (UP). These plants are expected to be commissioned by Mar'23, post which, its grey cement capacity will increase to 18.7mtpa.
- The company intends to increase total grinding capacity to ~25mtpa by FY25E and as per our channel checks JKCE has placed orders for two greenfield GUs – 1) 250tph (1.65mtp) for Ujjain, MP; and 2) 340tph (2.24mtpa) for Prayagraj, UP. It also plans to increase its grinding capacity at four existing grinding units by 0.5mtpa each, through debottlenecking.

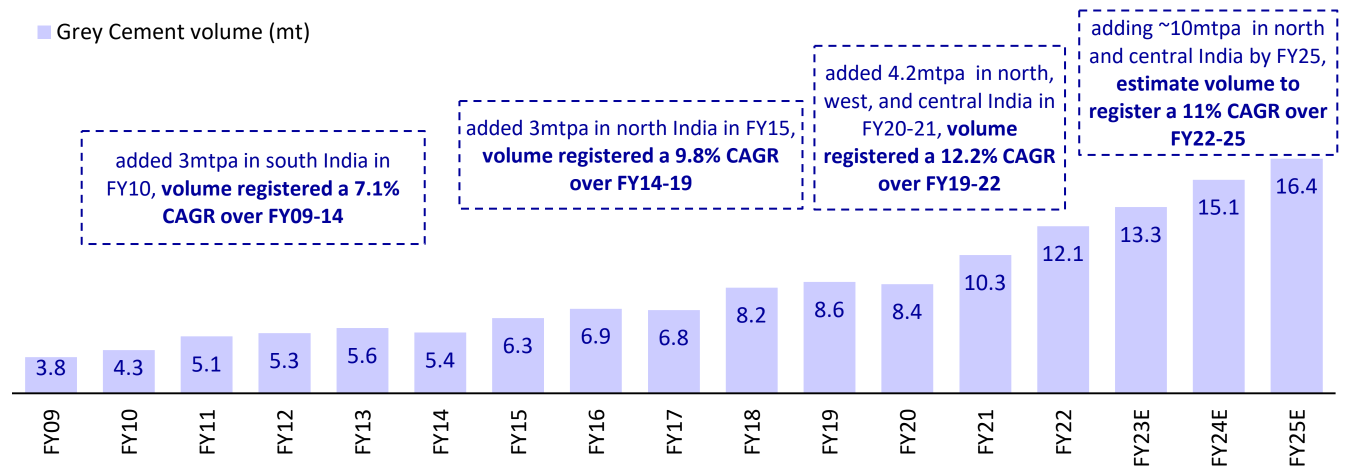
Exhibit 13: JKCE has been consistent in capacity addition



Sources: Company reports, MOFSL

- Over FY19-22, JKCE has reported industry leading grey cement volume CAGR of ~12%, helped by capacity additions and diligent efforts towards brand visibility. We estimate JKCE would register a volume CAGR of ~11% over FY22-25E.

Exhibit 14: Grey cement volume exhibited ~12% CAGR over FY19-22; estimate ~11% CAGR over FY22-25

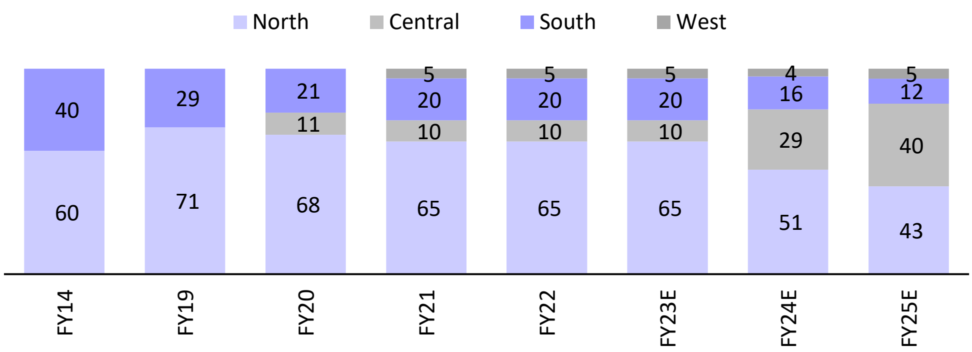


Sources: MOFSL, company reports

Strengthening presence in North and Central India

- JKCE diversified its presence in the Southern region after the commissioning of a greenfield plant in Mudhol, Karnataka, in Sep-09. However, due to capacity overhang in the southern region, plant utilization remains low as compared to JKCE's plants in other regions. Also, cement prices in the southern region have remained volatile due to lower utilizations.
- JKCE improved its capacity and sales volume mix in the North and Central India in the last few years. Its capacity-mix in the Southern region has reduced to 20% in FY22 from 40% in FY14 and will further decline to 12% by FY25E.

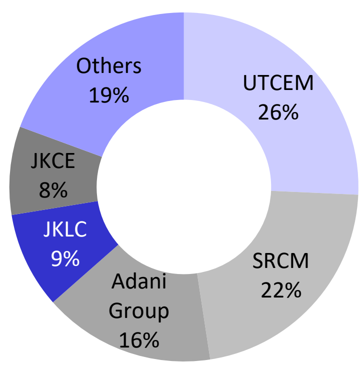
Exhibit 15: Capacity-mix improves in the North and Central India



Sources: Company reports, MOFSL

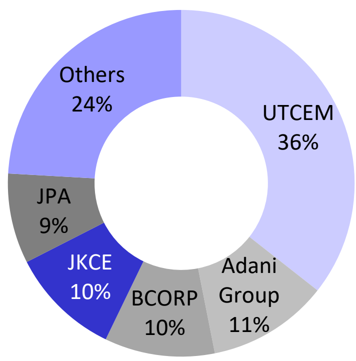
- JKCE in Phase I expansion added 4.2mtpa grey cement capacity, out of which, 50% (2mtpa) was added at its plants in the North region. This expansion helped it to hold its position among the top five players (in terms of installed capacity) in the Northern region.
- Whereas in its Phase II expansion, the company is adding ~10mtpa over the next three years, out of which, 80% (8mtpa) is being added in Central India. These expansions will help JKCE to position itself among the top five cement players (in terms of installed capacity) in Central India as well.

Exhibit 16: Top five players' capacity* share in North…



Sources: Company reports, MOFSL, Note: Installed grey cement capacity

Exhibit 17: …and Central regions in FY25E



Source: Company reports, MOFSL

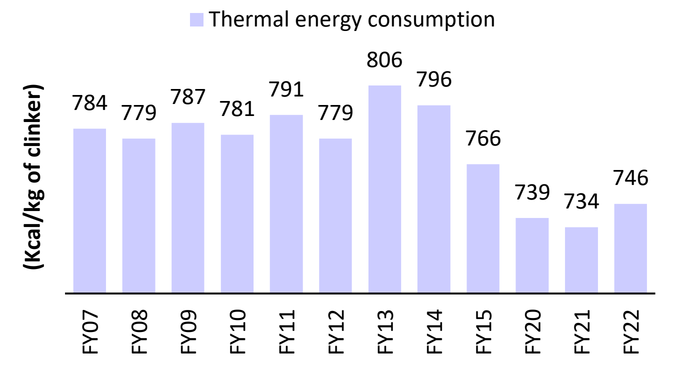
- High capacity utilizations (in the range of 77-83% in FY22) and higher consolidation (~78% of capacity share is held by the top five players) in North and Central India should offer better pricing power in these regions.

- The company is expanding its reach in new markets of UP and MP by opening dealership network and strong campaigning (Maati Ka Laal) well before the commissioning of its plants. We believe these initiatives will help the company in faster ramp-up of capacities and gain volumes.
- These new units will be eligible for incentives in MP (75% of net state goods and services tax-SGST reimbursement for seven years) and UP (200% of eligible investment - INR2.5bn; maximum ceiling: 3x eligible investment, 70% of SGST reimbursement for 12 years with a ceiling of 20% of investments every year).

Cost savings led by higher share of new generation kilns and GUs

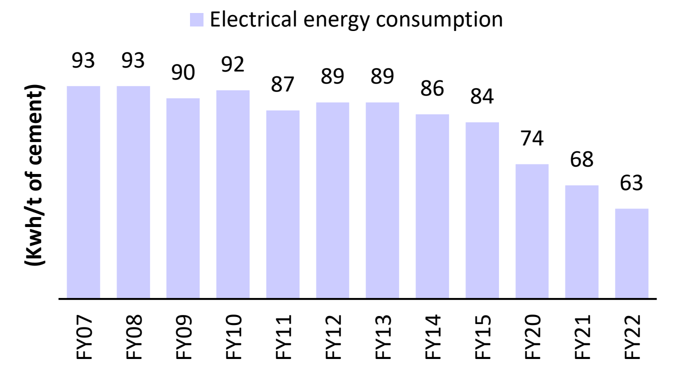
- JKCE's new kilns are more efficient than the old kilns, leading to lower energy consumption. The heat rate of the new kilns is 10-15% lower than that of the old kilns. Besides that, modern plants consume 15-20% lower electricity than older plants. Out of its total capacity, 32% of the kilns were commissioned before 2004, while the rest after FY09.
- The company also upgraded the kiln III at Nimbahera, Rajasthan, in Sep'21, helping to increase its clinker capacity by 30% (from 5,000tpd to 6,500tpd) and lower energy consumption.
- The company's kiln heat rate has reduced ~5% while its power consumption has declined 31% from the FY09 levels. We believe after commissioning of its new plant at Panna, MP, the share of modern kilns will increase to +81% (v/s 57% in FY19) and would further help to reduce energy consumption.

Exhibit 18: New generation kilns drive decline in heat rate…



Sources: Company reports, MOFSL

Exhibit 19: …also power consumption/t of cement produce



Sources: Company reports, MOFSL

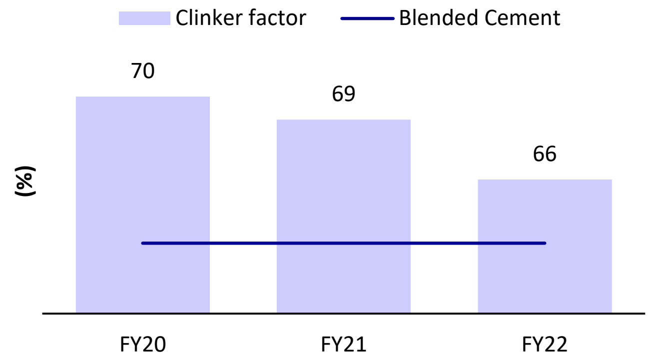
Higher share of split grinding units help to control freight costs

- JKCE depends heavily on its split grinding units to cater to its markets efficiently and control freight costs.
- Grinding Units presence in Western UP/Gujarat/Haryana has resulted in savings in its outbound freight cost as now only to 60-65% of clinker needs to be transferred as against supply of 100% cement from Integrated Units earlier.
- Further, GUs are being located near the Power Plant site, hence, it helps in saving inbound freight on fly ash.
- In the Central region too, over 75% of its installed capacity will comprise split grinding units.

Focused on sustainable growth and further cost reduction

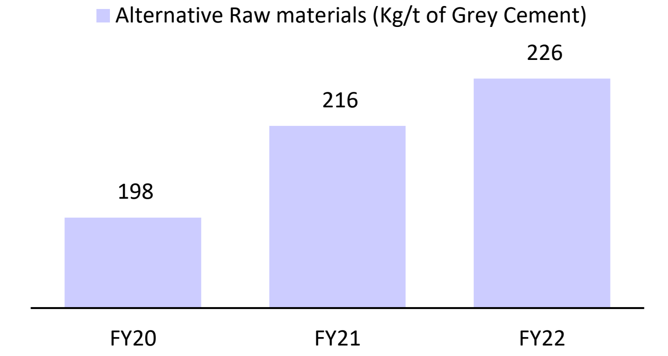
- JKCE lays emphasis on maximizing the production of blended cement, and in FY22, ~62% of its revenue was from blended cement. Its blended cement share in total volume remained in the same range over the past few years, however, clinker factor has been reduced, driven by increased usage of alternative raw materials (ARM).

Exhibit 20: Improvement in clinker factor…



Sources: Company reports, MOFSL

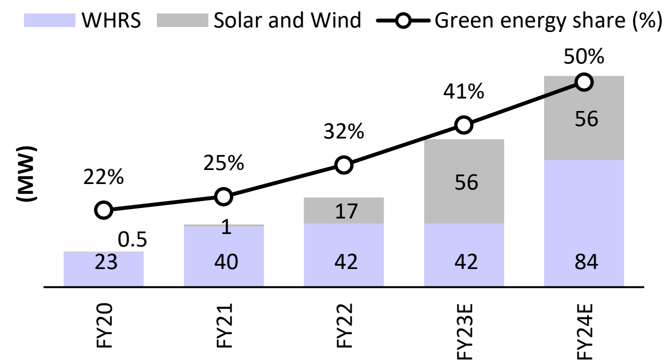
Exhibit 21: … driven by increased usage of ARM



Sources: Company reports, MOFSL

- The company is also increasing green energy share in total power consumption by adding WHRS, Solar, and Wind power plants. It plans to double its WHRS capacity to 84.3MW by FY24E and treble its Solar and Wind power capacity (including group captive) to 55.7MW by FY23E. It targets to increase green energy share in total power consumption to 75% by FY30 v/s 32% in FY22.

Exhibit 22: Green energy share to increase further…



Sources: Company reports, MOFSL

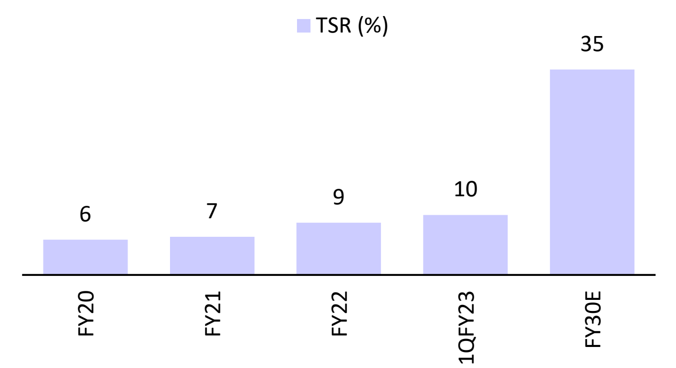
Exhibit 23: …to aid INR105/t in cost reduction

Particulars	WHRS	Solar Power
Incremental capacity (MW)	42	39
PLF assumed (%)	75%	23%
Power generation (m kwh)	249.5	76.5
Cost savings (INR/kwh)	5.3	3.5
Total savings (INR m)	1,310	268
Cost reduction (INR/t)	87	18

Sources: Company reports, MOFSL; Note: Cost reduction is estimated at after stabilization of plants

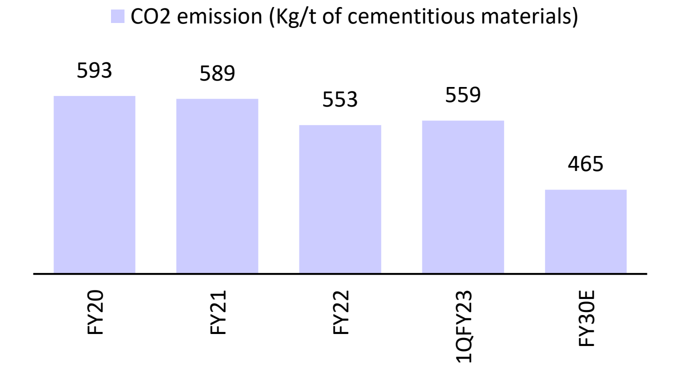
- The company increased usage of alternative fuels (AFR) such as agro-waste, carbon black, fibre mass, plastic waste, liquid mixed waste and solid mixed waste, which are absorbed in kilns and substitutes fossil fuel to some extent. It has achieved thermal substitution rate of 8.9% at the company level (TSR of 18% at Muddapur, Karnataka plant) in FY22. This also aided cost savings. The management highlighted cost savings of INR774m in FY22 v/s INR219m in FY21. It targets to achieve 35% TSR by FY30E vs 10.2% till 1QFY23 by partial replacement of Kiln fossil fuel with Biomass and AFR.
- Higher blended cement ratio, green power and AFR will help it to reduce CO_2 emissions. JKCE aims to reduce specific direct and indirect net CO_2 emissions ~22% by FY30E (FY20 being the base years).

Exhibit 24: Targets to achieve TSR of 35% by FY30E



Sources: Company reports, MOFSL

Exhibit 25: CO2 emissions to be reduced to 465kg/t by FY30E



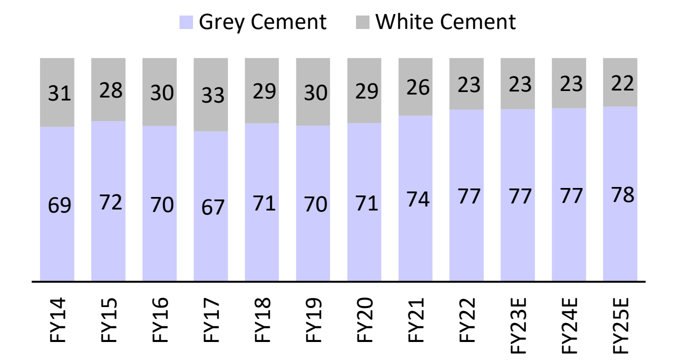
Sources: Company reports, MOFSL

Among the leading player in white cement and wall putty

JKCE is among the largest white cement and wall putty manufacturers in India. Its total white cement capacity stood at 1.5mtpa (including 0.6mtpa in Fujairah, UAE) v/s 0.6mtpa in FY12 (exhibiting a 9% CAGR over FY12-22), whereas its wall putty capacity stood at 1.3mtpa v/s 0.3mtpa in FY12 (exhibiting a ~16% CAGR over FY12-22).

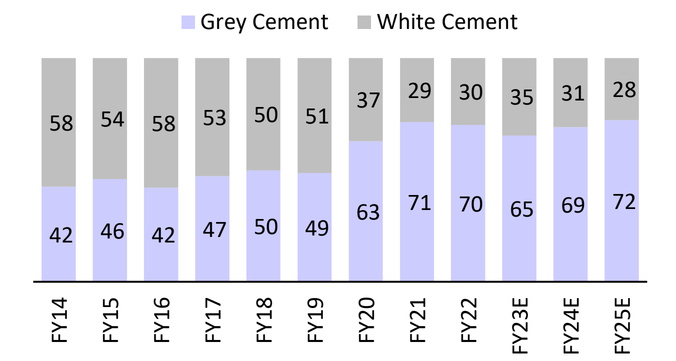
- The white cement and putty business over FY14-19 (before the profitability of its grey cement business improved), contributed to 28-32% of total revenues, while its contribution to EBITDA was 50-62%. Sales volume of white cement and putty have registered a CAGR of 10% over FY14-19, while the EBITDA CAGR was 14% over the same period (segmental break-up of EBITDA is not available after FY18). Realization of white cement and putty exhibited a ~2% CAGR over FY14-19.
- However, over the past few years, due to increased competition and higher costs, this segment saw moderate growth. Volume in this segment registered a CAGR of 5% over FY19-22, while EBITDA CAGR was ~3% (estimated EBITDA). Realizations of white cement and putty remained flat over FY19-22.
- We expect sales volume/EBITDA of the white cement and putty segment to exhibit a CAGR of 7.6%/9.8% over FY22-25E.

Exhibit 26: Decline in White cement's contribution to revenues



Sources: Company reports, MOFSL

Exhibit 27: EBITDA contribution from grey cement to improve



Sources: Company reports, MOFSL; Note: white cement EBITDA break-up is not available from FY18 onwards

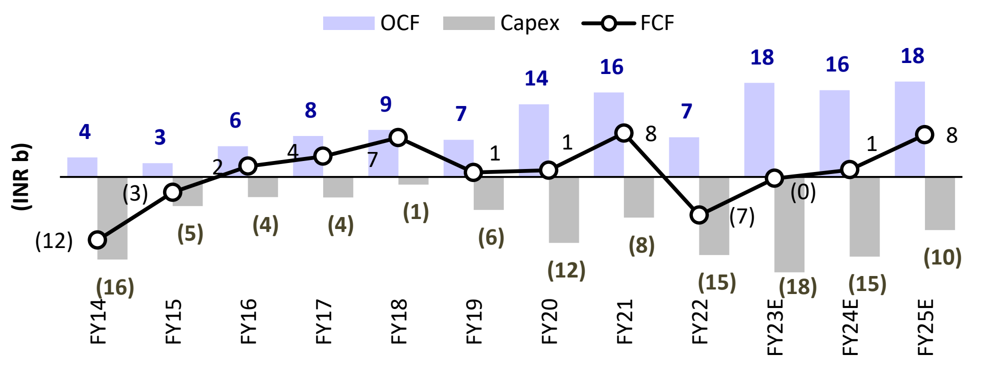
Wall putty offers growth opportunities despite rising competition

- Wall putty has a market size of ~3.3mtpa, with UTCEM and JKCE having a market share of 50%+. Paints manufacturers and a few unorganized players have entered the wall putty business in the last few years. They are dependent either on domestic manufacturers or imports for their white cement requirements. Despite the entry of new players in wall putty manufacturing, JKCE witnessed double-digit volume growth before the COVID-19 disruptions.
- The demand for wall putty continues to grow due to its longer life span, high adhesiveness, and water resistance characteristics. Wall putty is used for interior as well as exterior applications. Home improvement activities and a decrease in the repainting cycle should improve the demand for wall putty.
- To maintain/gain market share, JKCE launched value-added products in its white cement portfolio - WallMaxX, GypsoMaxX, ShieldMaxX, TileMaxX, WhiteMaxX RepairMaxX, SmoothMaxX, and Wood Amore - over the last few years. JK Cement ShieldMaxX, waterproof wall putty, is manufactured using German technology to improve the durability of paints. JK Cement GypsoMaxX is a premium gypsum plaster made from natural gypsum. It is suitable for application on internal surfaces, including walls and ceilings.
- In FY22, the company has started tolled operations of wall putty at two new locations – 1) Siliguri, West Bengal; and 2) Guntur, Andhra Pradesh. These new ventures help the company to explore opportunities in the untapped markets and increase its brand visibility.

JKCE's CFO should improve and net debt to peak out by FY24E

- JKCE is expected to incur INR43b on cumulative capex over FY23-25. This includes: 1) INR16b for remaining capex of Panna expansion including Hamirpur, Uttar Pradesh (GU); 2) INR12b for 6mtpa GU expansion in north and central India; 3) INR9b (INR3b per annum) toward sustenance capex; and 4) balance INR6b toward other initiatives such as renewable energy projects (WHRS and Solar), increasing AFR and some portions toward the company's new venture in Paint business.
- Project cost for adding 6mtpa grinding unit (mix of greenfield and brownfield expansions) is estimated ~INR12b, which translates into capex/t of less than USD30. We believe JKCE has been more efficient on its capex than its peer average.
- Also, clinker requirement for these (~6mtpa) grinding capacities will be met through surplus clinker capacity at its integrated plants in North and Central India (Panna, MP expansion is under implementation). As per the management rated capacity of Panna, MP plant, is 8,000tpd, which can be enhanced to 10,000tpd at a minimal capex of INR2-2.5b.
- We estimate JKCE to generate cumulative consolidated OCF of INR52b over FY23-25E. JKCE's OCF scale will not be enough to support total outflow towards capex plan (phase II expansion) and debt repayment obligation including finance cost entirely, and hence, it requires borrowing to partially support its outgo.

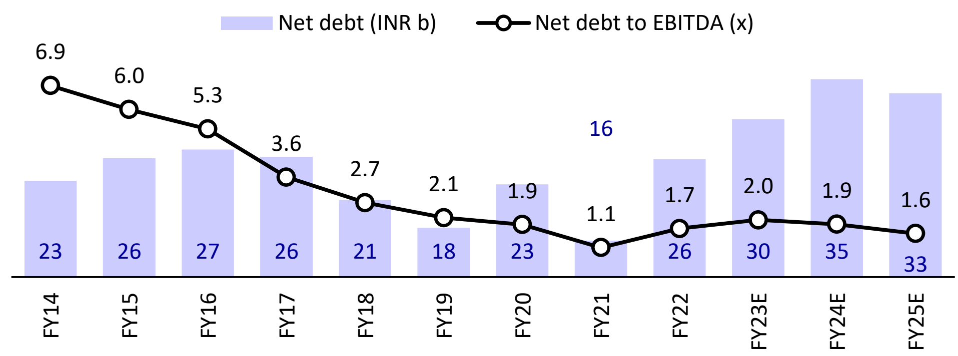
Exhibit 28: JKCE consolidated OCF to improve, will partly support its expansion plans



Sources: MOFSL, company reports

- The company's net debt is estimated to peak out by FY24E (net debt at INR35b and net debt to EBITDA at 2x) and deleveraging of balance sheet will start from FY25E onwards. Further, we expect return ratios to improve as soon as low capex expansion starts yielding benefits.

Exhibit 29: JKCE's consolidated net debt to peak out in FY24E

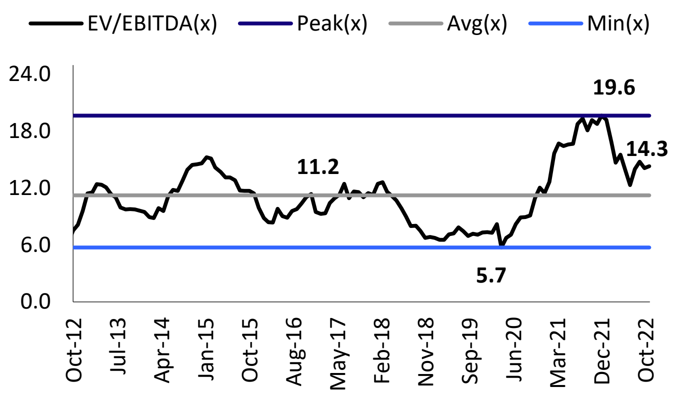


Sources: MOFSL, company reports

Upgrade to Buy on improving growth outlook

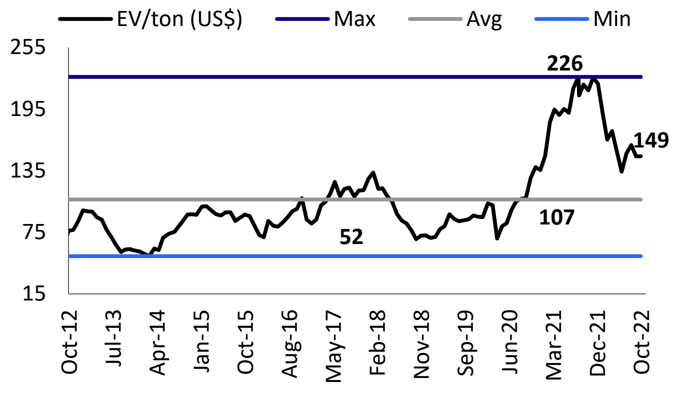
- JKCE is set to increase grey cement capacity to ~25mtpa by FY25. Over FY19-22, despite Covid headwinds, JKCE has reported industry-leading grey cement volume CAGR of ~12%, backed by capacity additions and diligent efforts toward brand visibility. We estimate JKCE's grey cement volume CAGR to be ~11% over FY22-25E.
- Earlier, we had downgraded the stock to Neutral from Buy in Nov-21, considering rich valuations and looming concerns of input cost pressures.
- JKCE now trades at 12.8x/10.8x FY24/FY25 EV/EBITDA and EV/t of USD134/ USD103 FY24/25E. We estimate further upside will be driven by 1) EBITDA growth (12% CAGR over FY22-25E); 2) improvement in profitability of grey cement business (estimate blended EBITDA/t of INR1,075/INR1,150 FY24E/FY25E); and 3) higher OCF, which will support expansion as well as deleveraging of balance sheet.
- We value JKCE at 13.5x Sep'FY24E EV/EBITDA (premium to its five year average one year forward EV/EBITDA of 12.5x) to arrive at our TP of INR3,170, an upside of 17% from its current levels. We upgrade the stock to **Buy** from Neutral.

Exhibit 30: One-year forward EV/EBITDA (x) trend



Sources: MOFSL, company reports

Exhibit 31: One-year forward EV/t (USD) trend



Sources: MOFSL, company reports

Financials and Valuations (Consolidated)

Income Statement								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	**48,535**	**52,587**	**58,016**	**66,061**	**79,908**	**92,133**	**1,01,476**	**1,11,650**
Change (%)	20.7	8.3	10.3	13.9	21.0	15.3	10.1	10.0
EBITDA	**7,875**	**8,345**	**12,134**	**15,387**	**14,824**	**14,867**	**18,529**	**21,493**
Margin (%)	16.2	15.9	20.9	23.3	18.6	16.1	18.3	19.3
Depreciation	2,313	2,413	2,880	3,062	3,425	3,421	4,457	4,755
EBIT	**5,561**	**5,932**	**9,255**	**12,325**	**11,399**	**11,446**	**14,072**	**16,738**
Int. and Finance Charges	2,841	2,611	2,764	2,528	2,697	3,041	4,256	4,375
Other Income - Rec.	1,269	804	853	1,130	1,429	1,333	1,437	1,546
PBT bef. EO Exp.	**3,989**	**4,124**	**7,344**	**10,927**	**10,131**	**9,738**	**11,253**	**13,909**
EO Expense/(Income)	157	0	0	0	0	155	0	0
PBT after EO Exp.	**3,832**	**4,124**	**7,344**	**10,927**	**10,131**	**9,583**	**11,253**	**13,909**
Current Tax	941	1,037	1,593	3,296	2,429	2,585	4,276	5,299
Deferred Tax	35	451	917	600	908	827	0	0
Tax Rate (%)	25.5	36.1	34.2	35.7	32.9	35.6	38.0	38.1
Reported PAT	**2,856**	**2,636**	**4,834**	**7,031**	**6,794**	**6,171**	**6,977**	**8,611**
PAT Adj. for EO items	**2,973**	**2,636**	**4,834**	**7,031**	**6,794**	**6,271**	**6,977**	**8,611**
Change (%)	62.0	-11.3	83.4	45.5	-3.4	-7.7	11.3	23.4
Margin (%)	6.1	5.0	8.3	10.6	8.5	6.8	6.9	7.7
Less: Minority Interest	-39.9	-67.1	-90.0	-66.2	-77.0	0.0	0.0	0.0
Net Profit	**3,013**	**2,703**	**4,924**	**7,317**	**6,729**	**6,271**	**6,977**	**8,611**

Balance Sheet								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	699	773	773	773	773	773	773	773
Total Reserves	19,049	26,249	29,504	36,595	42,476	47,333	52,611	59,289
Net Worth	**19,749**	**27,022**	**30,277**	**37,367**	**43,249**	**48,106**	**53,383**	**60,062**
Deferred Liabilities	2,670	3,123	4,173	5,930	7,383	8,210	8,210	8,210
Minority Interest	0	-72	-203	-257	-343	-343	-343	-343
Total Loans	27,306	26,779	32,840	34,017	38,549	42,549	47,049	45,049
Capital Employed	**49,724**	**56,852**	**67,086**	**77,057**	**88,838**	**98,522**	**1,08,299**	**1,12,978**
Gross Block	59,334	62,681	75,780	82,126	91,614	95,335	1,26,935	1,34,935
Less: Accum. Deprn.	14,900	17,313	20,235	22,752	26,177	29,598	34,055	38,810
Net Fixed Assets	**44,433**	**45,367**	**55,545**	**59,374**	**65,437**	**65,737**	**92,880**	**96,125**
Capital WIP	1,043	5,618	5,295	5,093	10,321	24,600	8,000	10,000
Total Investments	**1,189**	**4,383**	**458**	**1,422**	**2,157**	**2,157**	**2,157**	**2,157**
Curr. Assets, Loans and Adv.	**17,877**	**18,810**	**24,122**	**32,831**	**36,115**	**32,684**	**33,233**	**33,700**
Inventory	5,898	6,365	6,904	7,566	12,087	9,702	10,057	10,089
Account Receivables	2,358	2,606	2,677	3,615	4,268	4,179	4,307	4,712
Cash and Bank Balance	5,595	5,115	9,649	16,416	10,793	10,135	10,001	9,633
Loans and Advances	4,026	4,722	4,892	5,233	8,967	8,667	8,867	9,267
Curr. Liability and Prov.	**14,818**	**17,325**	**18,334**	**21,663**	**25,192**	**26,656**	**27,971**	**29,004**
Account Payables	14,316	16,809	16,725	20,276	23,803	25,204	26,478	27,470
Provisions	502	516	1,609	1,388	1,389	1,452	1,493	1,534
Net Current Assets	**3,059**	**1,484**	**5,788**	**11,167**	**10,923**	**6,028**	**5,262**	**4,697**
Appl. of Funds	**49,724**	**56,852**	**67,086**	**77,057**	**88,838**	**98,522**	**1,08,299**	**1,12,978**

E: MOFSL estimates

Financials and Valuations (Consolidated)

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)*								
EPS	**42.5**	**34.1**	**62.6**	**91.0**	**87.9**	**81.2**	**90.3**	**111.4**
Cash EPS	75.6	65.3	99.8	130.6	132.3	125.4	148.0	173.0
BV/Share	282.4	349.7	391.8	483.6	559.7	622.6	690.9	777.3
DPS	9.0	10.0	17.5	15.0	15.0	17.0	22.0	25.0
Payout (%)	29.5	35.3	33.7	16.5	17.1	21.3	24.4	22.4
Valuation (x)*								
P/E		79.5	43.4	29.8	30.8	33.4	30.0	24.3
Cash P/E		41.5	27.2	20.8	20.5	21.6	18.3	15.7
P/BV		7.8	6.9	5.6	4.8	4.4	3.9	3.5
EV/Sales		4.2	3.9	3.3	2.8	2.3	2.3	2.1
EV/EBITDA		26.6	18.7	14.3	15.2	14.5	12.8	10.8
EV/t (USD)		214	171	157	156	150	134	103
Dividend Yield (%)		0.4	0.6	0.6	0.6	0.6	0.8	0.9
Return Ratios (%)								
RoIC	9.6	9.1	13.0	15.0	12.8	11.6	11.7	11.6
RoE	16.4	11.6	17.2	21.6	16.7	13.7	13.7	15.2
RoCE	10.7	8.5	11.4	12.9	11.2	9.5	10.1	11.0
Working Capital Ratios								
Asset Turnover (x)	1.0	0.9	0.9	0.9	0.9	0.9	0.9	1.0
Inventory (Days)	44.4	44.2	43.4	41.8	55.2	38.4	36.2	33.0
Debtor (Days)	17	18	17	20	19	17	15	15
Creditor (Days)	108	117	105	112	109	100	95	90
Working Capital Turnover (Days)	-19	-25	-24	-29	1	-16	-17	-16
Leverage Ratio (x)								
Current Ratio	1.2	1.1	1.3	1.5	1.4	1.2	1.2	1.2
Debt/Equity ratio	1.4	1.0	1.1	0.9	0.9	0.9	0.9	0.8

Cash Flow Statement (INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	3,832	4,124	7,344	10,927	10,131	9,738	11,253	13,909
Depreciation	2,313	2,413	2,880	3,062	3,425	3,421	4,457	4,755
Interest and Finance Charges	2,348	2,209	1,975	1,666	2,697	3,041	4,256	4,375
Direct Taxes Paid	-996	-977	-1,530	-1,959	-2,429	-2,585	-4,276	-5,299
(Inc.)/Dec. in WC	1,193	-778	2,819	1,715	-5,379	4,238	631	197
CF from Operations	**8,691**	**6,991**	**13,488**	**15,411**	**8,445**	**17,852**	**16,322**	**17,938**
Others	140.7	5	179.2	490	-967	-155	0	0
CF from Operations incl. EO	**8831.2**	**6996.1**	**13,668**	**15,901**	**7,478**	**17,697**	**16,322**	**17,938**
(Inc.)/Dec. in FA	-1,443	-6,191	-12,428	-7,678	-14,716	-18,000	-15,000	-10,000
Free Cash Flow	**7,388**	**805**	**1,240**	**8,223**	**-7,238**	**-303**	**1,322**	**7,938**
(Pur.)/Sale of Investments	-369	-3,193	-2,622	-11,747	-734	0	0	0
Others	1,642	182	6,998	11,665	2,234	0	0	0
CF from Investments	**-170**	**-9,202**	**-8,052**	**-7,760**	**-13,216**	**-18,000**	**-15,000**	**-10,000**
Issue of Shares	0	5,043	0	0	0	0	0	0
Inc./(Dec.) in Debt	-4,010	328	3,133	1,120	4,532	4,000	4,500	-2,000
Interest Paid	-2,789	-2,798	-2,507	-2,427	-2,697	-3,041	-4,256	-4,375
Dividend Paid	-673	-843	-1,630	0	-1,159	-1,314	-1,700	-1,932
Others	54	-3	-77	-68	-562	0	0	0
CF from Fin. Activity	**-7,419**	**1,727**	**-1,081**	**-1,375**	**114**	**-355**	**-1,456**	**-8,306**
Inc./Dec. in Cash	**1,242**	**-479**	**4,534**	**6,767**	**-5,624**	**-657**	**-134**	**-369**
Opening Balance	4,353	5,595	5,116	9,650	16,416	10,793	10,135	10,001
Closing Balance	**5,595**	**5,116**	**9,650**	**16,416**	**10,793**	**10,135**	**10,001**	**9,633**

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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