MOTILAL OSWAL
FINANCIAL SERVICES

6 June 2023

Update | Sector: Cement

JK Lakshmi Cement

BSE SENSEX	S&P CNX
62,793	18,599

Stock Info

Bloomberg	JKLC IN
Equity Shares (m)	118
M.Cap.(INRb)/(USDb)	86 / 1
52-Week Range (INR)	897 / 382
1, 6, 12 Rel. Per (%)	-8/-9/65
12M Avg Val (INR M)	308

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	64.5	70.4	78.6
EBITDA	8.4	10.6	12.9
Adj. PAT	3.6	5.2	6.4
EBITDA Margin (%)	13.0	15.1	16.5
Adj. EPS (INR)	30.5	44.2	54.3
EPS Gr. (%)	-15.2	45.0	23.0
BV/Sh. (INR)	238	277	326
Ratios			
Net D:E	0.4	0.4	0.1
RoE (%)	13.5	17.1	18.0
RoCE (%)	10.2	13.0	14.9
Payout (%)	13.3	11.5	11.1
Valuations			
P/E (x)	24.1	16.6	13.5
P/BV (x)	3.1	2.6	2.3
EV/EBITDA(x)	9.8	7.8	6.5
EV/ton (USD)	72	73	63
Div. Yield (%)	0.5	0.7	0.8
FCF Yield (%)	-1.1	0.3	10.1

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	46.3	46.3	46.3
DII	28.0	25.6	25.9
FII	11.7	13.8	12.3
Others	14.1	14.3	15.5

FII Includes depository receipts

CMP: INR731 TP: INR870 (+19%) BUY

Better geo-mix to drive volume growth and earnings

A cost-efficient player, focused on increasing profitability

- JK Lakshmi Cement (JKLC) is among the least cost producers in the industry, backed by lower energy consumption, higher green power share (WHRS and Solar), and efficient management of the logistics. Given the early cost-cutting attempts, the company's cost curve places it higher than its peers.
- Despite lower cost, JKLC's profitability was significantly lower than peers' average, mainly due to weak realizations. However, JKLC has made significant progress, led by the following: 1) increasing volume share in Gujarat market to 35% in FY23 from 29% in FY18; 2) The share of trade sale has also grown to 55%; 3) The company has achieved an increase in the share of premium products (stood at ~26% of trade sales in 4QFY23 v/s ~15% in FY20-end). As a result, EBITDA/t gap v/s peers' average narrowed to INR163/t in FY23 from INR467/429 per tonne in FY17/FY18.
- JKLC is currently expanding capacity in its subsidiary, Udaipur Cement Works (UCWL). It is a brownfield expansion with a clinker/cement capacity of 1.5mtpa/2.5mtpa in Udaipur, Rajasthan (North) at an estimated capex of INR16.5b. It spent INR8.5b till Mar'23 and expects clinker/cement capacity to be commissioned by 3QFY24/2QFY25. We believe this capacity expansion to drive better growth for the company.
- Over FY23-25, we estimate a 24% EBITDA CAGR (consolidated), driven by 9% volume growth and 15% growth in EBITDA/t. We estimate a cumulative OCF/FCF (consolidated) of INR21b/INR9b over FY24-25 (FCF generation primarily led by higher FCF generation at standalone). Its consolidated net debt is estimated to decline to INR5b by FY25 from INR10b as of Mar'23 (net debt is estimated to peak-out in FY24).
- We believe JKLC is trading at an attractive valuation of 6.5x FY25E EV/EBITDA and USD63/t (at a significant discount to the replacement cost). **While we maintain our standalone estimates, we incorporate consolidated numbers in this note, given the expansion planned in its subsidiary. We value JKLC at 8.5x FY25E EV/EBITDA to arrive at our TP of INR870 and reiterate our BUY rating on the stock.**

Strategic expansions to aid volume growth

- JKLC is expanding capacity in its 72.54% subsidiary, UCWL. It is adding 1.5mtpa clinker and 2.5mtpa grinding capacity. It has spent INR8.5b until Mar'23 (INR6.3b incurred in FY23). The clinker line is likely to be commissioned ahead of schedule in 3QFY24 while the grinding capacity is likely to be operational in 2QFY25.
- To mark its presence in central India, JKLC has entered into a long-term supply agreement with Kanodia cement, equipped with a grinding unit of 1.5mtpa in Amethi, Uttar Pradesh. Apart from that, the company has an additional grinding facility (on a rented basis), and has a monthly cement production capacity of 15-20K tonne. The management highlighted post completion of the ongoing expansion at UCWL, the company will use this facility to ramp-up utilization of new clinker capacity.

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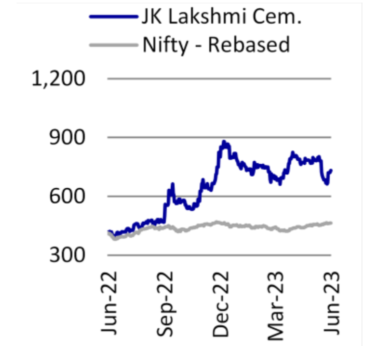
Mudit Agarwal - Research analyst (Mudit.Agarwal@MotilalOswal.com)

Stock performance (one-year)



- It intends to reach a grinding capacity of 30mtpa by FY30 (from 15.4mtpa as of now). It has acquired limestone mining leases in Gujarat and Rajasthan, which we believe will play an important role in its growth plan. Further, it has significant proven reserves at operational limestone mines in Rajasthan (North), allowing for brownfield expansions.

Cost-efficient player, focusing on sustainable growth

- JKLC is among the most cost-efficient players in the industry with - 1) low energy consumption (both electrical as well as thermal); 2) higher share of captive power; and 3) lower freight cost through digitization in supply chain & distribution and optimization of lead distance.
- The company has invested heavily in renewable power (WHRS, Solar, and wind). Currently, the company's renewable power share stood at ~37% (at consolidated), which it targets to increase to ~50% by FY25 and ~80% by FY30. It recently joined RE100 and EP100 climate initiatives to ensure 100% renewable power consumption by FY40.
- JKLC proposes to issue Green Bonds of INR2b to fund its green projects. Green projects comprise: 1) raising WHRS capacity by 3.5-4MW via debottlenecking at Sirohi plant; 2) increasing TSR % from 4% to 16% (initial target of 10% by Dec'23 and 16% in next year), and 3) a tie up with a private player under PPA for the solar power capacity of 40MW/7MW for Durg/Sirohi plants.

Healthy operating cash flows aid deleveraging of balance sheet

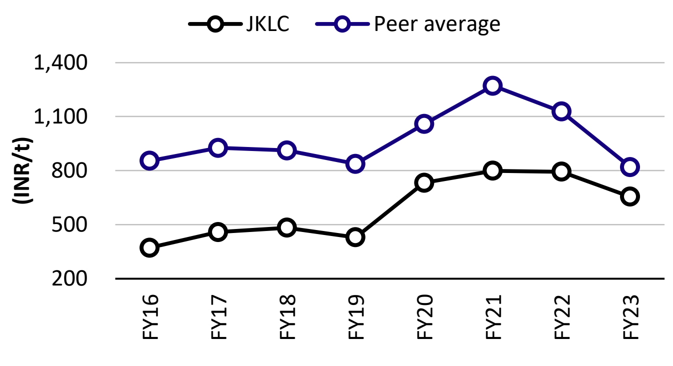
- Over FY19-23, JKLC generated healthy FCF (cumulative standalone FCF stood at INR24.4b), which helped it to deleverage its balance sheet. At standalone, JKLC became net cash positive in FY23 and we estimate JKLC to generate cumulative OCF/FCF of INR17b/INR14b over FY24-25. At a consolidated level, we estimate a cumulative OCF/FCF of INR21b/INR9b over FY24-25. Its consolidated net debt is estimated to decline to INR5b by FY25 from INR10b as of Mar'23. Net-debt to EBITDA (consolidated) should decline to 0.4x by FY25E from 1.2x in FY23.
- The company aims to reach 30mtpa by FY30 v/s 18mtpa by FY25. The management in the recent investors' call clarified that the company will finalize its brownfield expansion plan at Durg, Chhattisgarh, in FY24E (awaiting approval for railway siding) and further expansion in UCWL in the next financial year.
- Apart from that, the company has started land acquisitions for Greenfield opportunities at Nagaur (North) and Kutch (West). We believe, given the scale of expansion, it will require borrowings to partially support its capex.

Inexpensive valuation; reiterate BUY

- JKLC is expected to focus more on - 1) geo-mix optimization, 2) increasing share of trade sales and premium products, 3) better brand visibility, 4) sustainable growth; and 5) digitization and automation to increase yield value per tonne. It aims to improve EBITDA/t by INR300 through topline growth and efficiency measures in the next 18 months. Profitability improvement would be a mix of top-line growth through better geo-mix, trade sales (INR200/t), and cost savings in manufacturing and logistics (saving of INR50/t each).
- We believe JKLC is trading at an attractive valuation of 6.5x FY25E EV/EBITDA and USD63/t. **While we maintain our standalone estimates, we incorporate consolidated numbers in this note, given the expansion planned in its subsidiary. We value JKLC at 8.5x FY25E EV/EBITDA to arrive at our TP of INR870 and reiterate our BUY rating on the stock.**

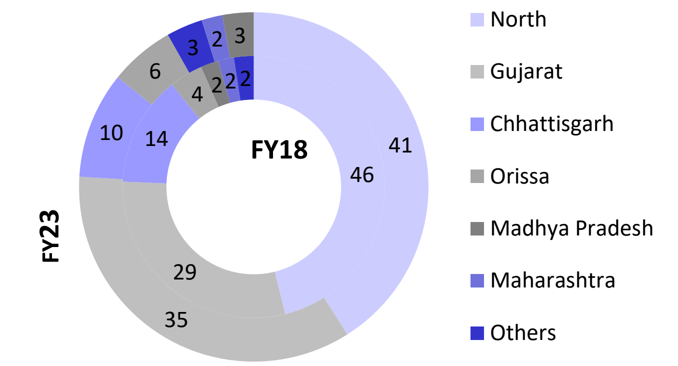
Story in charts

Exhibit 1: JKLC's EBITDA/t gap narrowed v/s peers average



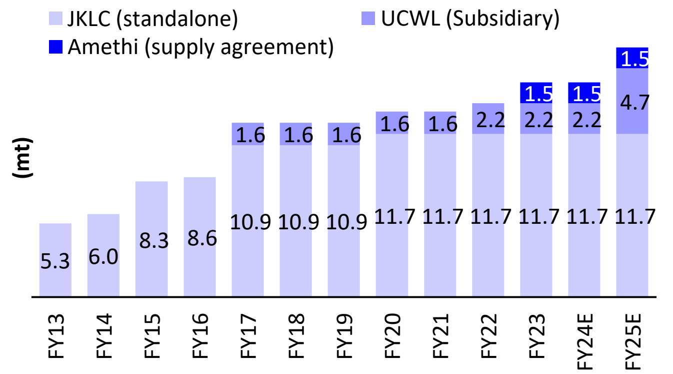
Sources: MOFSL, company reports

Exhibit 2: JKLC's regional volume mix FY18 v/s FY23



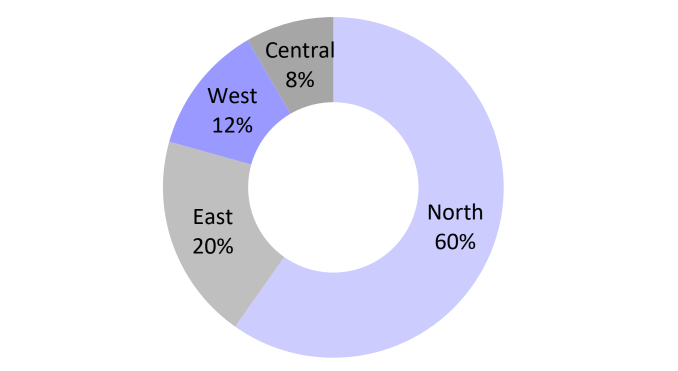
Sources: MOFSL, company reports

Exhibit 3: JKLC capacity expansion



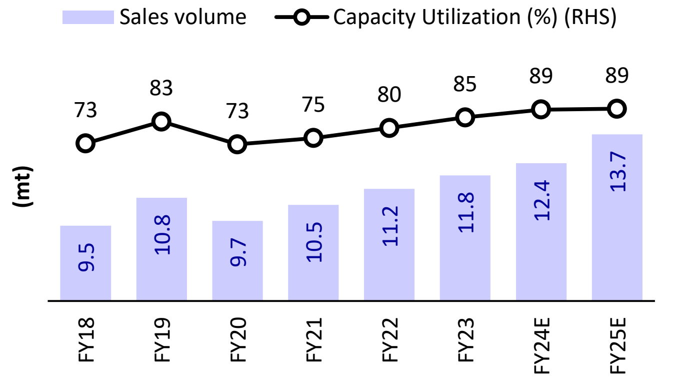
Sources: MOFSL, company reports

Exhibit 4: JKLC regional capacity mix by FY25E



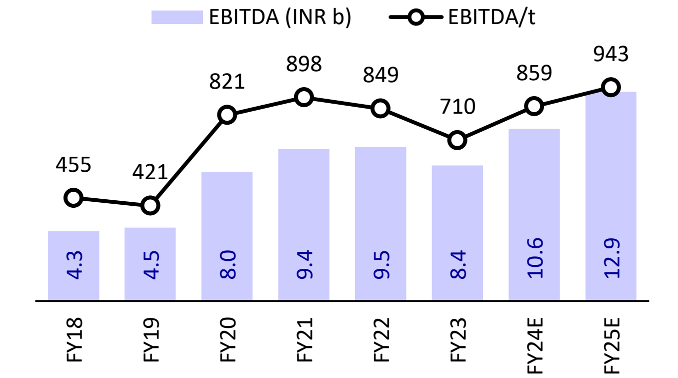
Sources: MOFSL, company reports

Exhibit 5: JKLC capacity utilization and volume trend



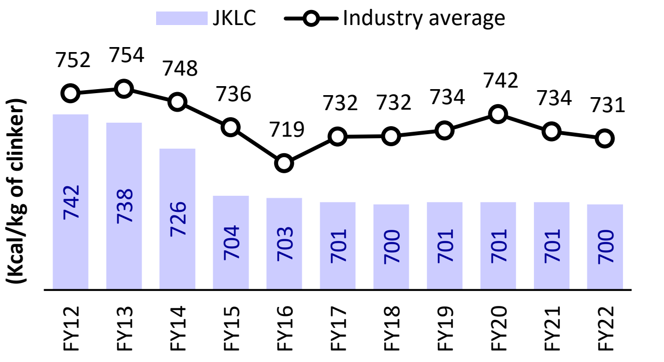
Sources: Company reports, MOFSL; Note: 1) volume and utilization are on consolidated, 2) Cement utilization on clinker backed capacity

Exhibit 6: Estimate EBITDA CAGR of 24% over FY23-25E



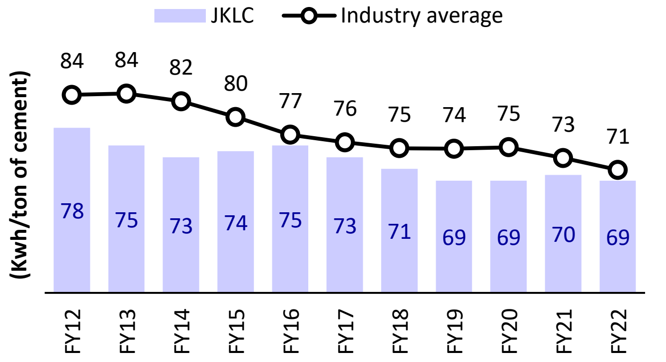
Sources: Company reports, MOFSL; Note: EBITDA and EBITDA/t are consolidated

Exhibit 7: JKLC's heat rate is below the industry average…



Sources: Company reports, MOFSL

Exhibit 8: …so the power consumption/t of cement



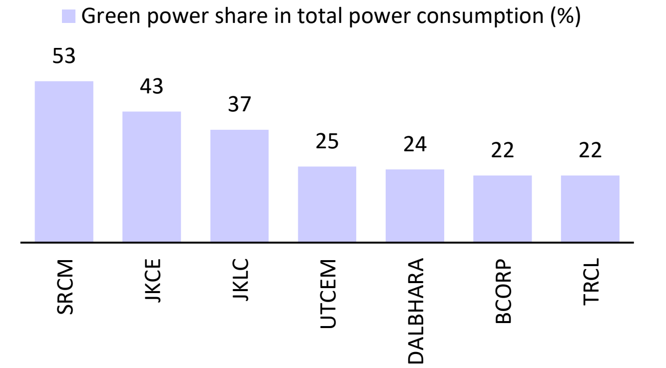
Sources: Company reports, MOFSL

Exhibit 9: Captive power plants capacity of JKLC and UCWL

(in MW)	JKLC	UCWL	Consolidated
TPP	74	-	74
WHRS	36	7	43
Solar	35	15	50
Wind	4	-	4
Total	**149**	**22**	**171**
Renewable power share	**35%**	**48%**	**37%**

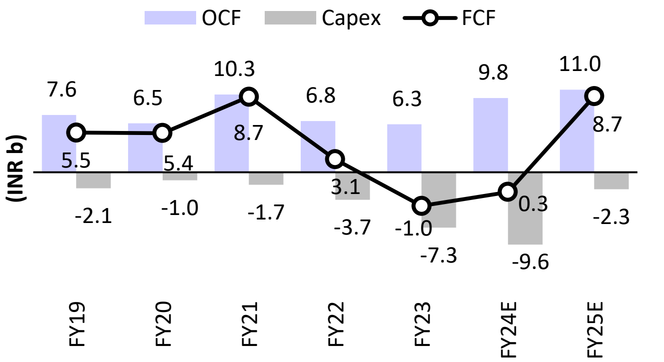
Sources: Company reports, MOFSL

Exhibit 10: Green power % of leading cement players in FY23



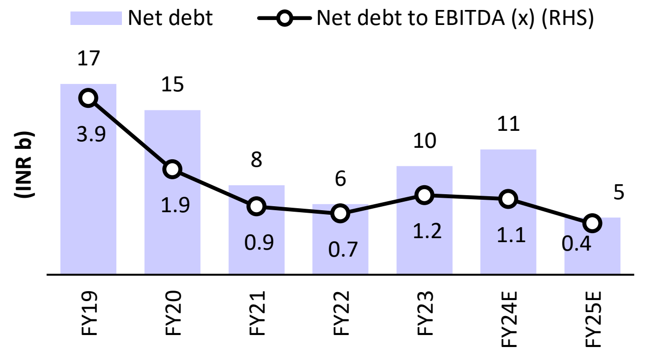
Sources: Company reports, MOFSL

Exhibit 11: OCF should improve; support its growth plans



Sources: MOFSL, Company reports; Note: OCF, Capex and FCF on consolidated

Exhibit 12: Consolidated net debt should peak out in FY24

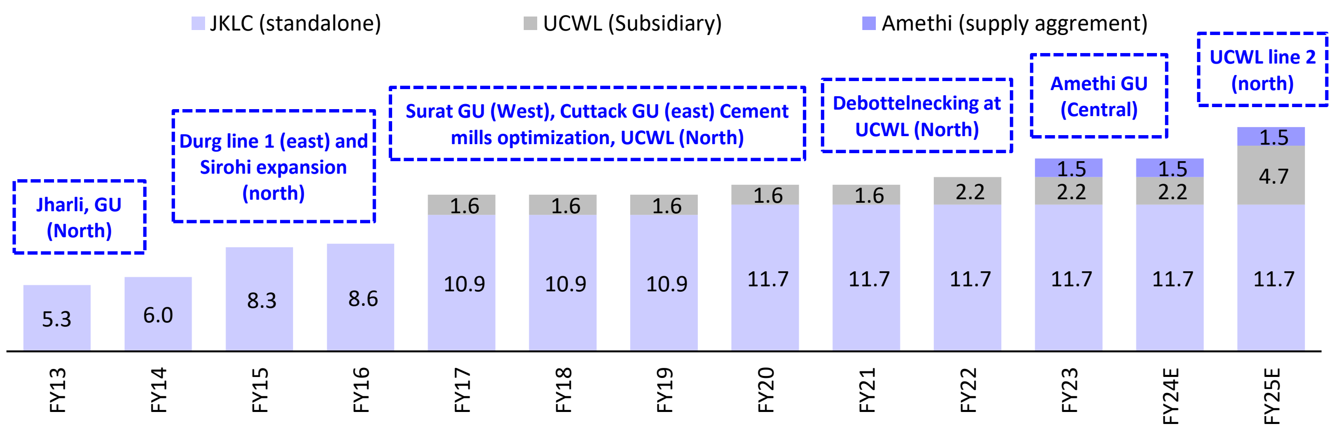


Sources: MOFSL, Company reports

Strategic expansions to aid volume growth

- JKLC is expanding capacity in its 72.54% subsidiary, Udaipur Cement Works (UCWL). It is adding 1.5mtpa clinker and 2.5mtpa grinding capacity at existing location (Udaipur, Rajasthan). An estimated capex for this expansion is INR16.5b (including 10MW of WHRS and railway siding) and up until Mar'23, it had spent INR8.5b. The clinker line is likely to be commissioned ahead of schedule in 3QFY24, while grinding capacity is estimated to be operational in 2QFY25.
- Capex for this expansion will be funded through a mix of debt (67%) and equity (33%). The board of UCWL has given approval to raise funds through - 1) term loan/NCDs on private placement basis up to INR11b; and 2) rights issue of INR4.5b. Board meeting of UCWL is scheduled to be held on 8th Jun'23 to decide right entitlement ratio, issue price, record date, timing and other terms, and conditions related with the Rights issue.
- JKLC consolidated clinker/grinding capacity stood at 8.4mtpa/13.9mtpa. Post completion of ongoing expansion, JKLC's consolidated clinker/grinding capacity will increase to 10mtpa/ 16.4mtpa.
- To mark its presence in Central India (primarily in eastern and central Uttar Pradesh), JKLC has entered into a long-term supply agreement with Kanodia cement, equipped with a grinding capacity of 1.5mtpa in Amethi, Uttar Pradesh.
- Further, the company has an additional grinding facility (on a rented basis), and has a monthly cement production capacity of 15-20K tonne. The company utilizes this facility depending on the availability of clinker and the demand scenario. Post completion of the ongoing expansion at UCWL, the company will use this facility on a regular basis to ramp up utilization of new clinker capacity.

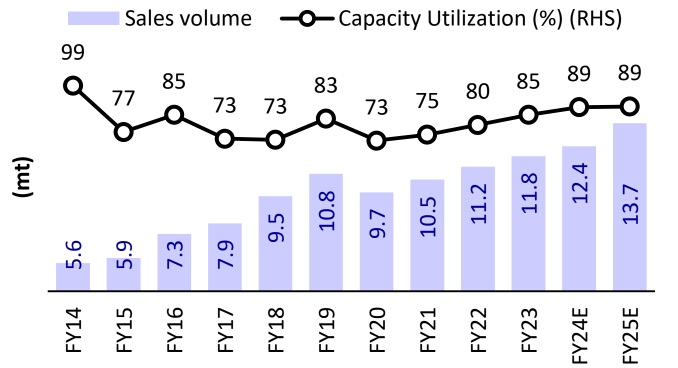
Exhibit 13: Expansion plans of JKLC and UCWL (subsidiary)



Sources: MOFSL, company reports

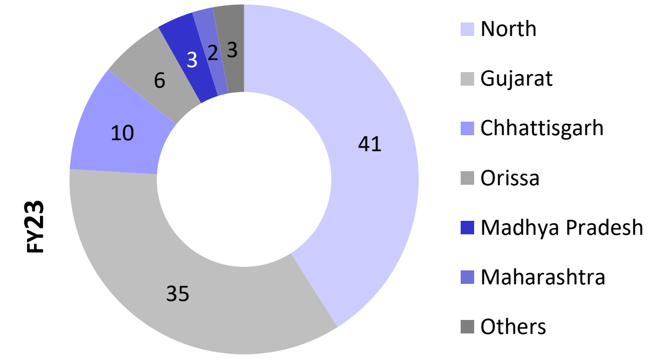
- JKLC has significant presence in north and west regions, which accounts for ~78% of its total volume and where its capacity utilizations remain better than the industry (~80% v/s 64% for the Industry in the last five years). The second largest market for the company is East India (primarily Chhattisgarh and Orissa), which accounts for ~16% of its total volume. Even in the Eastern region, the company's capacity utilizations rate is higher than the industry's (~82% v/s 65% for the industry in the last five years). JKLC's consolidated volume CAGR stood at 8.4% over FY13-23. We estimate JKLC's volume CAGR of ~8% over FY23-25 and average utilization of ~90%.

Exhibit 14: JKLC's consolidated volume and capacity utilization trend



Sources: Company reports, MOFSL; Note – sales volumes are net of inter-unit transfer

Exhibit 15: JKLC's market mix in FY23 – North-West contributed ~78% in total volume

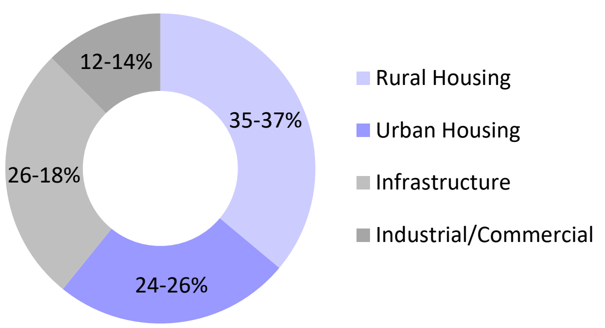


Source: Company reports, MOFSL

Key demand drivers

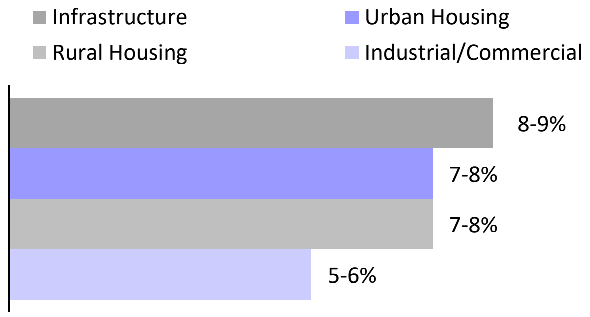
- **Infrastructure:** Government thrust on infrastructure development will continue to lead better demand growth. Key infrastructure projects currently underway include dedicated freight corridors, high speed rail corridors, metro rail networks in many Tier II cities, mass rapid transit systems (MRTS), road projects of national importance, such as Bharatmala, inland water ways, high speed communication networks, airports, smart cities, and gas grids.
- **Housing and urbanization:** Post-pandemic, there has been a notable surge in demand for real estate and urban housing. This can be attributed to several factors including the need for larger spaces due to the prevalence of remote work, stabilized incomes, higher savings, and a preference for owning home. The housing segment is expected to revive over the next five years, backed by real estate pickup, the central government's push toward the 'Housing for All' scheme and sustained demand from individual house builders (IHBs).
- **Industrial & Commercial Segment**: In the medium term, cement demand from this segment is expected to grow, driven by the spillover of deferred capex and the low-base effect. Additionally, brownfield capacity expansions by cement, steel, and auto components manufacturers are expected to contribute to this growth. The healthy utilization of large players will further stimulate more capex announcements and the timely implementation of production-linked incentive (PLI) schemes are likely to drive this growth.

Exhibit 16: Segmental mix in cement demand



Sources: Company reports, MOFSL

Exhibit 17: Segmental demand CAGR over FY22-27E



Source: Company reports, MOFSL

JKLC's brownfield and greenfield opportunities for expansion

- JKLC has sufficient proven reserves at operational limestone mines in Rajasthan, which is estimated to support operations for the next 45-65 years. Currently, it is expanding capacity in its subsidiary, UCWL (brownfield expansion of 1.5mtpa clinker and 2.5mtpa grinding capacity). We believe it can add one more clinker line of 1.5mtpa to its existing plant of UCWL.
- In Chhattisgarh, limestone reserves is estimated to last for approx 30 years. However, the company can acquire limestone reserves under auctions and extend the life of the plant.

Exhibit 18: Estimated useful life of existing operational mines

Company	Region	Location	Proven reserves (mt)	Clinker capacity (mtpa)*	Conversion Ratio (x)	Estimated life (years)
JKLC	North	Sirohi, Rajasthan	317	5.4	1.47	45
UCWL	North	Udaipur, Rajasthan	235	3.0	1.47	65
JKLC	East	Durg, Chhattisgarh	64	1.8	1.47	30

Source: IBM, MOFSL, Company; Note: *1) UCWL clinker capacity is including the ongoing expansion of 1.5mtpa which is likely to commission by Mar'24, 2) estimated clinker capacity utilization of 85%

- JKLC intends to increase total grinding capacity to 30mtpa by FY30. The management in the recent investors' call clarified that it will finalize its brownfield expansion plan at Durg, Chhattisgarh in FY24E (awaiting approval for railway siding) and further expansion in UCWL in the next financial year.
- Also, the company has acquired limestone mining leases and started land acquisitions in Gujarat and Rajasthan, which we believe will play an important role in its growth plans.

Exhibit 19: Limestone blocks acquired under auction

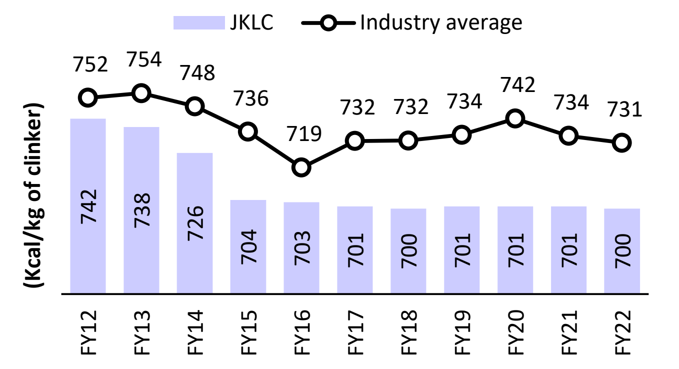
Company	Region	Location	Area/block	Date of announcement of Preferred Bidder	Reserves (mt)	Final bid (%) of IBM price
JKLC	North	Nagaur, Rajasthan	Block 4G I-A	12th Apr'22	182	45.32
JKLC	North	Nagaur, Rajasthan	Block 4G II-A	2nd Feb'21	207	26.67
JKLC	West	Kutch, Gujarat	Mudhvay Sub-Block-A	17th Feb'21	264	7.01

Source: MOSL, Company

Cost-efficient player, focusing on sustainable growth

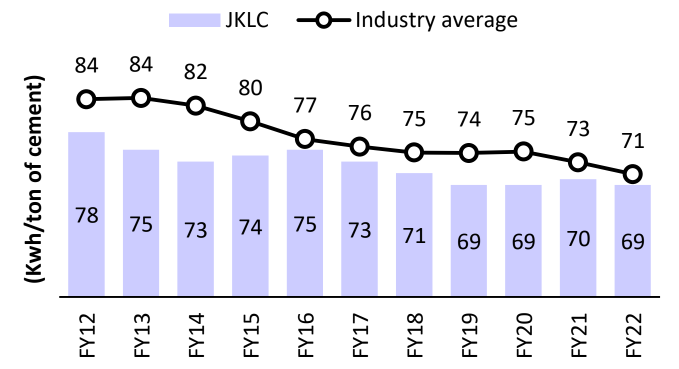
- JKLC is among the most cost-efficient players in the industry with - 1) low energy consumption (its power consumption/t of cement stood at 69Kwh v/s industry average of 71Kwh and fuel consumption/kg of clinker stood at 700Kcal v/s industry average of 731Kcal); 2) higher share of captive power (meet over 85% of power requirement from captive sources, i.e., TPP, WHRS, Solar, and wind); and 3) lower freight cost through digitization in supply chain & distribution and optimization of lead distance.

Exhibit 20: JKLC's heat rate is below the industry average…



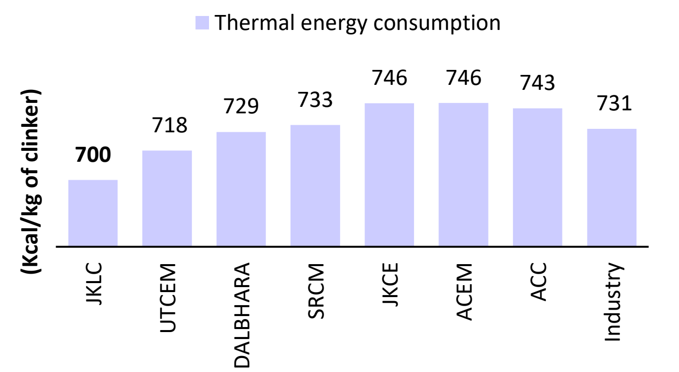
Sources: Company reports, MOFSL

Exhibit 21: …so the power consumption/t of cement



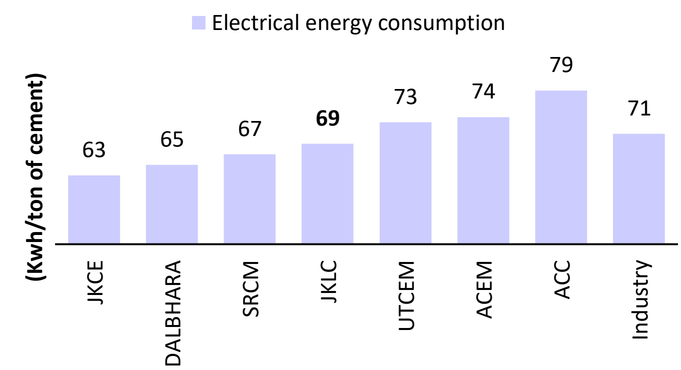
Sources: Company reports, MOFSL

Exhibit 22: Leading cement player's heat consumption…



Sources: Company reports, MOFSL

Exhibit 23: …and power consumption in FY22



Sources: Company reports, MOFSL

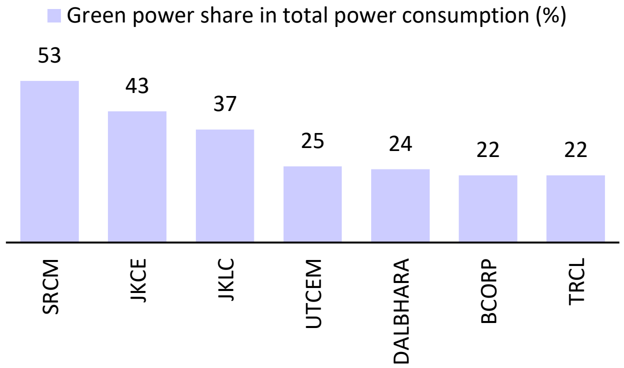
- JKLC has invested heavily in renewable power (WHRS, Solar, and wind). Currently, its renewable power share stood at ~37% (at consolidated), which it targets to increase to ~50% by FY25 and ~80% by FY30. Recently, it has entered into a partnership with Amplus Solar to set up a 40MW solar power plant for its Durg, Chhattisgarh plant, which is expected to meet ~80% of the power requirement for the plant. The plant should be commissioned by Mar'24 and cost per unit would be INR5.50/unit.
- It also joined RE100 and EP100 climate initiatives to ensure 100% renewable power consumption by FY40. It will increase renewable power share by improving the efficiency of WHR and setting up captive solar power plants at various locations.
- The company has started adding green trucks (CNG/LNG/Electric) to its fleet to reduce carbon footprint. It has deployed 38 CNG trucks in Delhi-NCR and 10 LNG trucks in Gujarat.
- The company is also working continuously to increase the use of Alternative fuels and raw materials, and reduce water consumption and carbon emission.
- In FY23, JKLC achieved thermal substitution rate (TSR %) of 4.1% and it targets to increase it to 20% by FY30. JKLC to increase TSR % setting up a biomass handling unit for substituting coal with alternative fuel in Pyro-Process with renewable fuel such as biomass. It has already ordered pre- and co-processing facilities.
- Further, JKLC achieved water positivity rate of 4x and it aims to grow 5x water positive by FY25. It reduced carbon emissions by 5.2% over FY20-23 to 554kg/ton of cement equivalent.

Exhibit 24: Captive power plants capacity of JKLC and UCWL

(in MW)	JKLC	UCWL	Consolidated
TPP	74	-	74
WHRS	36	7	43
Solar	35	15	50
Wind	4	-	4
Total	**149**	**22**	**171**
Renewable power share	**35%**	**48%**	**37%**

Sources: Company reports, MOFSL

Exhibit 25: Green power % of leading cement players in FY23

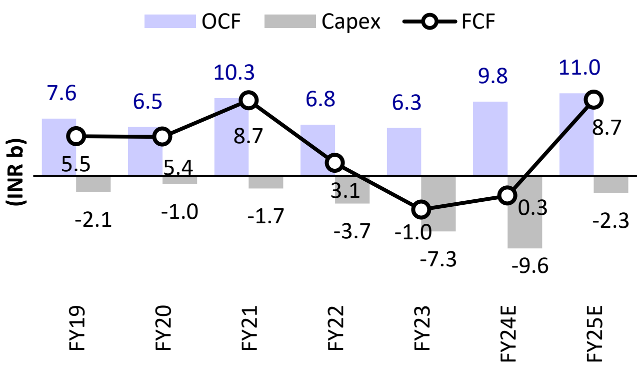


Sources: Company reports, MOFSL

Healthy operating cash-flows aid deleveraging of balance-sheet

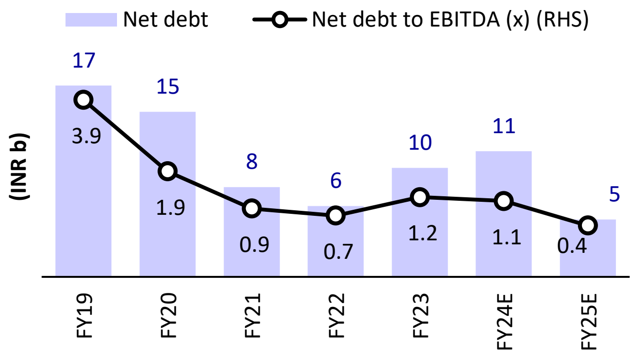
- JKLC is expanding capacity in its subsidiary, UCWL though brownfield expansion. It is adding 1.5mtpa clinker and 2.5mtpa grinding capacity along with railway siding and WHRS at Udaipur Rajasthan, at an estimated capex of INR16.5b. The expansion will be funded through a mix of debt (67%) and equity (33%).
- The company aims to reach 30mtpa by FY30 as compared 18mtpa by FY25E (included ongoing expansion in UCWL, which is likely to complete by 2QFY25). The management has not guided for future capex (except for ongoing expansion in UCWL). We believe, given the scale of expansion, it will require borrowings to partially support its capex.
- Over FY19-23, JKLC generated healthy FCF (cumulative standalone FCF stood at INR24.4b), which helped it to deleverage its balance sheet. At standalone, JKLC became net cash positive in FY23 and we estimate JKLC to generate cumulative OCF/FCF of INR17b/INR14b over FY24-25. At a consolidated level, we estimate cumulative OCF/FCF of INR21b/INR9b over FY24-25. Its consolidated net debt is estimated to decline to INR5b v/s INR10b as of Mar'23 (net-debt should peak out in FY24E). Net-debt to EBITDA (consolidated) should decline to 0.4x by FY25E from 1.2x in FY23.
- JKLC aspires to increase grinding capacity to 30mtpa by FY30; however, till date it has provided a roadmap to reach 18mtpa by FY25E. Based on the current capex guidance, we did not see material risk to its leverage position.

Exhibit 26: JKLC's consolidated OCF, capex, and FCF trend



Sources: Company reports, MOFSL

Exhibit 27: Consolidated net debt should peak out in FY24E

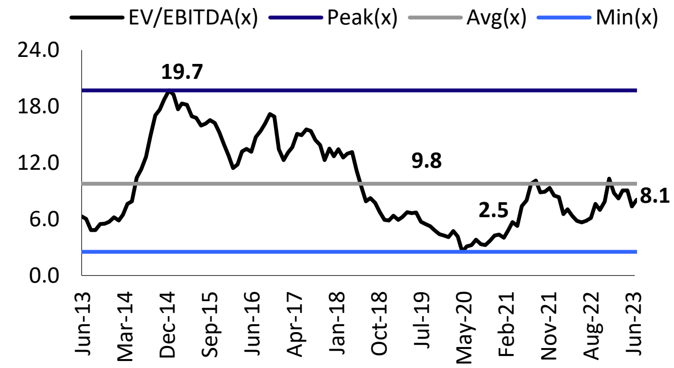


Sources: Company reports, MOFSL

Inexpensive valuation; reiterate BUY

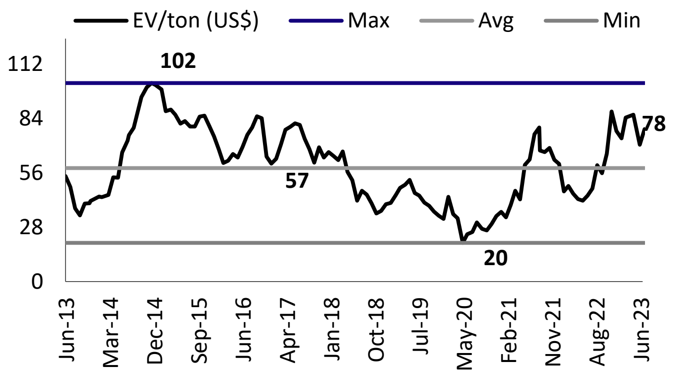
- JKLC is expected to focus more on - 1) geo-mix optimization, 2) increasing share of trade sales and premium products, 3) better brand visibility, 4) sustainable growth; and 5) digitization and automation to increase yield value per tonne. It aims to improve EBITDA/t by INR300 through topline growth and efficiency measures in the next 18 months. Profitability improvement would be a mix of top-line growth through better geo-mix, trade sales (INR200/t), and cost savings in manufacturing and logistics (saving of INR50/t each).
- We believe JKLC is trading at an attractive valuation of 6.5x FY25E EV/EBITDA and USD63/t (at a significant discount to the replacement cost). While **we maintain our standalone estimates, we incorporate consolidated numbers in this note, given the major expansion planned in its subsidiary. We value JKLC at 8.5x FY25E EV/EBITDA to arrive at our TP of INR870 and reiterate our BUY rating on the stock.**

Exhibit 28: One-year forward EV/EBITDA (x) trend



Sources: MOFSL, company reports

Exhibit 29: 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**	**FY23**	**FY24E**	**FY25E**
Net Sales	**37,484**	**43,163**	**43,641**	**47,274**	**54,199**	**64,515**	**70,363**	**78,602**
Change (%)	28.3	15.2	1.1	8.3	14.6	19.0	9.1	11.7
EBITDA	**4,318**	**4,536**	**7,981**	**9,386**	**9,507**	**8,387**	**10,633**	**12,932**
Margin (%)	11.5	10.5	18.3	19.9	17.5	13.0	15.1	16.5
Depreciation	2,073	2,110	2,198	2,253	2,235	2,283	2,684	3,123
EBIT	**2,245**	**2,426**	**5,782**	**7,133**	**7,272**	**6,104**	**7,949**	**9,810**
Int. and Finance Charges	2,637	2,528	2,250	1,920	1,422	1,334	1,199	1,762
Other Income – Rec.	690	554	460	726	683	575	581	601
PBT bef. EO Exp.	**298**	**452**	**3,993**	**5,939**	**6,534**	**5,345**	**7,331**	**8,649**
EO Expense/(Income)	-27	-37	302	379	270	0	0	0
PBT after EO Exp.	**325**	**489**	**3,690**	**5,561**	**6,264**	**5,345**	**7,331**	**8,649**
Total Tax	-109	82	1,161	1,349	1,488	1,654	1,851	2,180
Tax Rate (%)	-33.4	16.8	31.4	24.3	23.7	30.9	25.3	25.2
Reported PAT	**434**	**407**	**2,530**	**4,211**	**4,776**	**3,691**	**5,480**	**6,468**
Less: Minority Interest	-119	-106	49	157	140	105	281	74
PAT Adj. for EO items and MI	**525**	**476**	**2,686**	**4,311**	**4,229**	**3,586**	**5,199**	**6,394**
Change (%)	-38.7	-9.5	464.9	60.5	-1.9	-15.2	45.0	23.0
Margin (%)	1.4	1.1	6.2	9.1	7.8	5.6	7.4	8.1

Balance Sheet								(INR m)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Equity Share Capital	589	589	589	589	589	589	589	589
Total Reserves	13,847	14,257	16,281	20,357	24,463	27,450	32,061	37,749
Net Worth	**14,435**	**14,846**	**16,869**	**20,946**	**25,052**	**28,039**	**32,649**	**38,337**
Minority Interest	13	(76)	(29)	128	267	370	651	725
Deferred Liabilities	(740)	(931)	(390)	68	531	1,327	1,327	1,327
Total Loans	25,465	21,348	19,871	16,531	18,565	18,463	18,915	14,715
Capital Employed	**39,173**	**35,187**	**36,322**	**37,672**	**44,415**	**48,199**	**53,542**	**55,104**
Gross Block	40,985	41,337	44,722	44,138	47,469	49,667	58,566	68,316
Less: Accum. Deprn.	5,443	7,557	9,598	11,748	13,992	16,275	18,980	22,125
Net Fixed Assets	**35,542**	**33,780**	**35,124**	**32,390**	**33,477**	**33,392**	**39,585**	**46,191**
Capital WIP	2,263	4,166	1,662	2,738	2,425	8,902	9,589	2,089
Total Investments	**4,735**	**3,780**	**4,583**	**5,922**	**7,677**	**6,421**	**6,421**	**6,421**
Goodwill	705	723	723	723	723	723	723	723
Curr. Assets, Loans, and Adv.	**7,026**	**7,277**	**9,146**	**11,090**	**14,959**	**15,971**	**14,162**	**17,161**
Inventory	3,556	3,522	4,806	3,662	5,810	8,416	7,373	8,014
Account Receivables	1,015	1,098	959	545	352	654	732	809
Cash and Bank Balance	125	194	328	3,719	5,729	3,390	2,309	4,344
Loans and Advances	2,330	2,462	3,054	3,164	3,068	3,511	3,748	3,994
Curr. Liability and Prov.	**11,098**	**14,539**	**14,917**	**15,190**	**14,847**	**17,210**	**16,939**	**17,480**
Account Payables	3,288	5,448	5,102	4,368	3,660	5,860	5,589	6,131
Other Liabilities	7,577	8,901	9,610	10,609	10,894	11,098	11,098	11,098
Provisions	233	190	205	212	293	252	252	252
Net Current Assets	**(4,073)**	**(7,262)**	**(5,770)**	**(4,100)**	**112**	**(1,239)**	**(2,776)**	**(320)**
Appl. of Funds	**39,173**	**35,187**	**36,322**	**37,672**	**44,415**	**48,199**	**53,542**	**55,104**

Source: Company, MOFSL estimates

Financials and valuations (Consolidated)

Ratios								
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Basic (INR)								
EPS	**4.5**	**4.0**	**22.8**	**36.6**	**35.9**	**30.5**	**44.2**	**54.3**
Cash EPS	22.1	22.0	41.5	55.8	54.9	49.9	67.0	80.9
BV/Share	122.6	126.1	143.3	178.0	212.8	238.2	277.4	325.7
DPS	0.7	0.7	3.1	3.8	5.0	3.8	5.0	6.0
Payout (%)	11.2	13.4	19.6	12.1	13.8	13.3	11.5	11.1
Valuation (x)								
P/E			32.1	20.0	20.4	24.1	16.6	13.5
Cash P/E			17.7	13.1	13.4	14.7	10.9	9.1
P/BV			5.1	4.1	3.4	3.1	2.6	2.3
EV/Sales			2.3	1.9	1.7	1.4	1.3	1.1
EV/EBITDA			11.8	9.2	8.9	9.8	7.8	6.5
EV/t (USD)			86	78	75	72	73	63
Dividend Yield (%)			0.4	0.5	0.7	0.5	0.7	0.8
Return Ratios (%)								
RoE	7.3	3.2	16.9	22.8	18.4	13.5	17.1	18.0
RoCE	19.6	6.5	11.7	16.0	15.0	10.2	13.0	14.9
RoIC	18.1	5.9	12.2	17.2	17.4	11.6	14.8	17.8
Working Capital Ratios								
Asset Turnover (x)	1.0	1.2	1.2	1.3	1.2	1.3	1.3	1.4
Inventory (Days)	34.6	29.8	40.2	28.3	39.1	47.6	38.2	37.2
Debtor (Days)	11	10	9	5	3	4	4	4
Creditor (Days)	32	46	43	34	25	33	29	28
Leverage Ratio (x)								
Current Ratio	0.6	0.5	0.6	0.7	1.0	0.9	0.8	1.0
Interest Coverage Ratio	0.9	1.0	2.6	3.7	5.1	4.6	6.6	6
Debt/Equity ratio	1.8	1.4	1.2	0.8	0.7	0.7	0.6	0.4

Cash Flow Statement								(INR m)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
OP/(Loss) before Tax	298	452	3,993	5,939	6,534	5,345	7,331	8,648
Depreciation	2,073	2,110	2,198	2,253	2,235	2,283	2,706	3,145
Interest and Finance Charges	2,637	2,528	2,250	1,920	1,422	1,334	1,199	1,762
Direct Taxes Paid	(393)	(185)	(761)	(871)	(888)	(909)	(1,851)	(2,180)
(Inc.)/Dec. in WC	749	3,029	(483)	2,060	(1,526)	(1,135)	457	(422)
CF from Operations	**5,363**	**7,934**	**7,196**	**11,301**	**7,776**	**6,918**	**9,841**	**10,952**
Others	(431)	(332)	(701)	(983)	(976)	(576)	-	-
CF from Operations incl. EO	**4,932**	**7,602**	**6,495**	**10,318**	**6,800**	**6,342**	**9,841**	**10,952**
(Inc.)/Dec. in FA	(1,749)	(2,109)	(1,047)	(1,661)	(3,661)	(7,320)	(9,586)	(2,250)
Free Cash Flow	**3,183**	**5,493**	**5,449**	**8,658**	**3,138**	**(978)**	**255**	**8,702**
(Pur.)/Sale of Investments	1,047	1,337	(951)	(2,678)	(3,264)	4,070	-	-
Others	-	-	-	-	274	255	-	-
CF from Investments	**(702)**	**(771)**	**(1,997)**	**(4,339)**	**(6,651)**	**(2,995)**	**(9,586)**	**(2,250)**
Issue of Shares	-	-	-	-	-	-	-	-
Inc./(Dec.) in Debt	(1,403)	(3,976)	(1,552)	(3,392)	2,042	(431)	452	(4,200)
Interest Paid	(2,702)	(2,674)	(2,489)	(2,130)	(1,401)	(1,505)	(1,199)	(1,762)
Dividend Paid	(103)	(111)	(455)	(5)	(443)	(587)	(589)	(706)
Others	-	-	-	-	(90)	(136)	-	-
CF from Fin. Activity	**(4,208)**	**(6,761)**	**(4,496)**	**(5,526)**	**108**	**(2,658)**	**(1,336)**	**(6,668)**
Inc./Dec. in Cash	**23**	**70**	**2**	**453**	**257**	**689**	**(1,080)**	**2,034**
Opening Balance	102	125	29	30	5,472	5,729	3,390	2,309
Closing Balance	**125**	**194**	**30**	**484**	**5,729**	**6,418**	**2,309**	**4,344**

Source: Company, MOFSL estimates

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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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