

## Disappointing quarter, expensive valuations

JK Lakshmi Cement (JKLC)'s standalone Q4FY17 results disappointed as EBITDA/PAT declined 16%/20% YoY driven by high cost inflation amid modest price recovery. As JKLC is operating at peak clinker utilisation in the north, we expect its volume to increase at a 4% CAGR during FY17-19E driven by higher sales in the eastern region. JKLC's east profitability will remain lower than its northern operations owing to cost headwinds (till H2FY19) and higher competition in the east. We estimate a slower pace of debt reduction during FY18/19 and an increase thereafter as JKLC enters its next phase of expansion towards 20mn MT capacity over the next three to five years. Amid subdued return ratios and free cashflow, valuations are expensive at 15x/12x FY18/19 EBITDA. Retain Sell with a revised TP of Rs360.

- Q4FY17: East ramp-up continues to drive volume growth, cost inflation drags profitability:** Production ramp-up at its eastern plant (+17% YoY) led to 6% YoY volume growth while north volume rose a modest 3% driven by higher sales to the western region. Clinker sales' share rose to 13% vs. 9% YoY and 10% QoQ. Weak pricing primarily in the Gujarat market and higher clinker sales dragged NSR down by 4% QoQ (vs. our est. of a 1% increase), thus moderating YoY NSR increase to 3.5%. Unitary opex rose 7% YoY (in-line with our est.) driven by a surge in petcoke and diesel prices. Lead distance rationalisation and lower employee cost moderated cost inflation. Higher total cost inflation dragged down unitary EBITDA to Rs313/MT (down 21% YoY and 31% QoQ) vs. our estimates of Rs485/MT. Thus, total EBITDA/PAT declined 16%/20% YoY.
- Clinker shortfall in the north can moderate volume growth:** We expect JKLC to deliver 4% volume CAGR (standalone) during FY17-19E – as we estimate 12% volume CAGR from the east plant and a modest 2% volume CAGR from its north-based plants. JKLC operated at ~98-100% clinker utilisation in the north during FY16/17 which led to a 2% volume CAGR in north during FY15-17E. As JKLC is not augmenting its clinker capacity in the north during FY17-18E, JKLC's standalone volume growth in the north will suffer in subsequent years. Clinker availability from its subsidiary Udaipur Works (1.25mn MT clinker/1.6mnMT grinding capacity) should be limited if Udaipur operates its plant at an optimum rate. Higher competition in the east and lack of low cost power at the east plant until late FY19 would moderate JKLC's profitability expansion during FY18-19.
- Capex rate to surge beyond FY19:** JKLC incurred Rs2bn capex in FY17 and guided for ~Rs2-2.5bn for FY18/19 towards - conveyor belt at Durg (by end of Q2FY18), 7MW WHRS (in H2FY18) and 20MW CPP (by H2FY19), Odisha grinding unit and annual maintenance. These projects will potentially reduce opex for the east operations by ~Rs200/MT by end of FY19. While the management suggested no major capex over the next 18 months, they remained firm on expanding total capacity by ~60% over the next 3-5 years, mostly brownfield, at all its plant locations. In our view, this will accelerate the capex rate from late FY19/early FY20, which will have to be funded through additional borrowings.
- Valuation and view:** We trim our FY18 EBITDA estimate by 6% on earnings disappointment in Q4FY17. We maintain our FY19E EBITDA estimates. We factor in Rs2.5bn capex outgo in FY18 and higher capex of Rs4bn in FY19 (this can accelerate further on JKLC's 3-5 years expansion plans). We forecast a modest ~Rs2bn standalone net debt reduction during FY17-19 and future expansion plans can lead to debt increasing thereafter. We maintain SELL with a revised TP of Rs360 - valuing JKLC at 8x FY19E standalone EBITDA and its 75% holding in Udaipur works at 25% disc to current Mcap (13% contribution to the SOTP valuations), leading to a TP of Rs360 (earlier Rs340). Modest return ratio expansions and lower free cash flow outlook should prevent valuation rerating. Key upside risks: sharp reduction in fuel/diesel prices, strong cement pricing uptick in the northern half of India.

Y/E Mar (Rsmn)	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Q4FY17E	Variance %
Net Sales	8,067	7,351	9.7	6,709	20.2	8,383	(3.8)
Op. cost	7,352	6,498	13.1	5,882	25.0	7,291	0.8
EBITDA	716	853	(16.1)	827	(13.4)	1,092	(34.5)
EBITDA margin (%)	8.9	11.6	(27.3)	12.3	(34.5)	13.0	(41.5)
Other Income	263	125	110.7	152	73.1	250	5.2
Interest	466	503	(7.3)	486	(4.1)	480	(2.9)
Depreciation	457	401	13.9	443	3.1	450	1.5
Taxes paid	(151)	(185)		(27)		62	
Adjusted PAT	206	259	(20.2)	76	171.7	350	(41.0)

Source: Company, Centrum Research Estimate, Standalone Financials

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	APAT	YoY (%)	DEPS Rs.	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY15	23,070	12.2	3,494	15.1	1,676	51.0	14.2	12.8	7.5	21.1	14.8
FY16	26,198	13.6	2,701	10.3	170	(89.9)	1.4	1.3	3.7	232.6	20.8
FY17P	29,103	11.1	3,654	12.6	822	383.3	7.0	6.0	7.8	57.5	17.5
FY18E	31,503	8.2	4,694	14.9	1,375	67.4	11.7	9.4	7.5	41.0	15.3
FY19E	34,831	10.6	5,917	17.0	2,350	70.8	20.0	14.5	9.6	24.0	12.1

Source: Company, Centrum Research Estimates, Standalone Financials

Target Price	Rs360	Key Data	
CMP*	Rs479	Bloomberg Code	JKLC IN
Downside	25%	Curr Shares O/S (mn)	117.7
Previous Target	Rs340	Diluted Shares O/S(mn)	117.7
Previous Rating	Sell	Mkt Cap (Rsbn/USDmn)	56.4/869.1
Price Performance (%)*		52 Wk H / L (Rs)	537/326.8
	1M 6M 1Yr	5 Year H / L (Rs)	537/49.1
JKLC IN	5.8 36.8 39.5	Daily Vol. (3M NSE Avg.)	143340
NIFTY	3.6 16.8 19.8		

\*as on 18 May 2017; Source: Bloomberg, Centrum Research

### Shareholding pattern (%)\*

	Mar-17	Dec-16	Sep-16	Jun-16
Promoter	45.9	45.9	45.9	45.9
Fils	10.3	11.2	12.2	12.8
Dom. Inst.	23.2	22.1	21.0	19.8
Public & Others	20.6	20.8	20.9	21.5

Source: BSE, \*as on 18 May 2017

### Operational performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Sales vol (mn MT)	2.3	2.2	6.0	1.8	25.2
<b>Rs/ MT trends</b>					
NSR	3,525	3,405	3.5	3,670	(4.0)
Raw materials	996	871	14.3	837	19.1
Power & fuel	735	658	11.7	826	(11.0)
Freight	922	905	1.9	928	(0.6)
Employee	213	226	(5.8)	296	(28.0)
Other Exp	346	349	(0.9)	331	4.5
Opex	3,212	3,010	6.7	3,218	(0.2)
EBITDA	313	395	(20.8)	452	(30.8)

Source: Company, Centrum Research

### Earning Revisions

Particulars (Rs bn)	FY18E			FY19E		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	31.5	32.2	(2.1)	34.8	35.3	(1.2)
EBITDA	4.7	5.0	(5.5)	5.9	5.9	(0.3)
Ebitda margin (%)	14.9	15.4		17.0	16.8	
Adj PAT	1.4	1.6	(13.1)	2.3	2.4	(0.1)

Source: Centrum Research Estimates

### Centrum vs. Bloomberg Consensus\*

Particulars (Rs bn)	FY18E			FY19E		
	Centrum	BGG	Var (%)	Centrum	BGG	Var (%)
Net Sales	31.5	34.4	(8.4)	34.8	39.5	(11.8)
EBITDA	4.7	5.4	(13.2)	5.9	7.0	(15.8)
PAT	1.4	1.8	(22.8)	2.3	3.0	(22.4)

Bloomberg Consensus*				Centrum Target Price (Rs)	Variance (%)
BUY	SELL	HOLD	Target Price (Rs)		
19	4	3	360	503	(28.4)

\*as on 18 May 2017; Source: Bloomberg, Centrum Research Estimates

Rajesh Kumar Ravi, rajesh.ravi@centrum.co.in; 91 22 4215 9643

Vinay Menon, vinay.menon@centrum.co.in; 91 22 4215 9141

## Con-call highlights

### Operational update

- Total sales volume rose 6% YoY to 2.29mn MT. Clinker sales accounted for 13% of total sales volume vs 9% YoY and 10% QoQ. In FY17, total sales volume rose 9% YoY to 8mn MT.
- Sales from the north plant rose 3% YoY (+25% QoQ) in Q4FY17 and 1% YoY in FY17. Clinker plant operated at 98% utilisation in the north in FY17 and at 104% in Q4FY17.
- Sales from the east plant rose 17% YoY (+28% QoQ) in Q4FY17 and rose 48% YoY in FY17 driven by production ramp-up. Clinker plant operated at 91%/76% utilisation during Q4FY17/FY17. Buoyed by price improvement in the east and higher utilisation, the east plant delivered positive EBITDA in Q4, though not enough to cover capital charges.
- JKLC's sales mix stands as follows. In the north – 50% trade, 50% non-trade. In the east: 80% trade, 20% non-trade. In the north, JKLC sells ~54% PPC and 46% OPC. In the eastern region, it sold about 25% OPC, 65% PPC and ~10% slag cement.
- JKLC's landed petcoke prices in Q4FY17 rose 7% QoQ to Rs6,000/MT. Petcoke prices have further increased in Q1FY18 by 5% to Rs6,300/MT.

### Capex /debt update – standalone

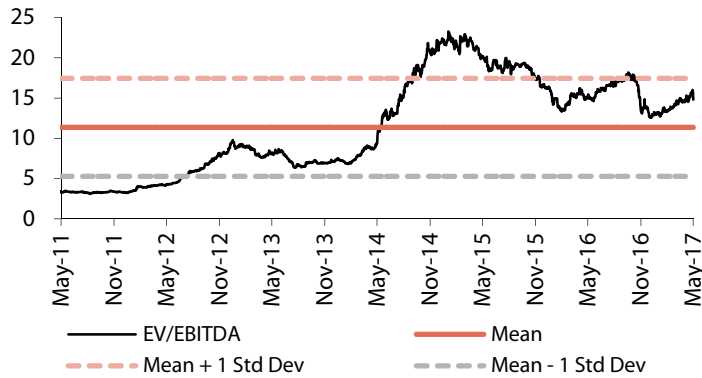
- JKLC completed its Durg grinding capacity expansion by 0.9mnMT to 2.7mn MT in March 2017. The company guided that it is working to complete the Cuttack grinding unit in Odisha (0.6mn MT) by FY19. This would entail Rs600mn capex outgo in FY18 and another ~Rs500-600mn in FY19.
- To reduce operating cost at Durg, the company is adding a 7MW WHRS in Durg (expected by Sep-Oct 2017), entailing capex of Rs900mn. Further, JKLC is also planning to set up a 20MW CPP in Durg by Oct'2018 (capex Rs1300mn). The conveyor belt commissioning at durg plant is delayed by six months to Sep-Oct 2017. Maintenance capex of ~Rs500mn each to be spent during FY18/19E.
- Management cited that it will focus on commissioning the ongoing projects in the east over the next 12-18 months. Thereafter it will work towards its brownfield capacity expansion across its plant locations in Rajasthan and Chhattisgarh to increase capacity to 20 mnMT over the next three to five years.
- Standalone gross and net debt currently stands at ~Rs22bn/Rs17bn in FY17 vs Rs19/17bn YoY.

### Udaipur Works capex/debt update

- The subsidiary – Udaipur Works commissioned its 1.25mn MT clinker capacity and also completed grinding expansion by 1mn MT to 1.6mn MT by Mar'2017. The subsidiary is now working on setting up a 3MW of WHRS here. JKLC has also planned to relocate its 18MW of surplus CPP from Sirohi to Udaipur (relocation cost of ~Rs500mn) to make Udaipur Works self-sufficient in terms of power.
- The gross debt on Udaipur Works' book is ~Rs5bn in FY17.

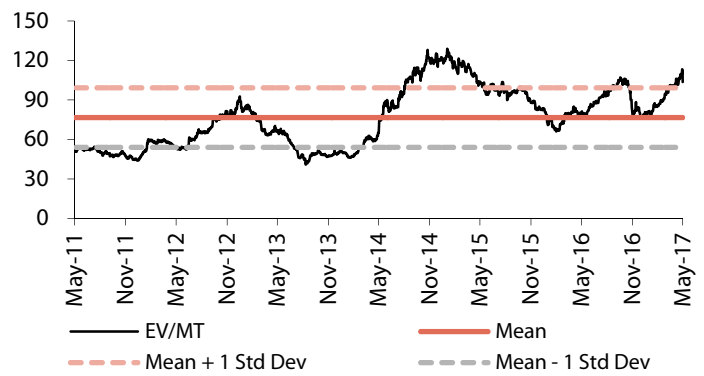
## Valuation and key assumptions

Exhibit 1: 1 yr fwd EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 2: 1 yr fwd EV/MT chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 3: Comparative Valuations

Company	Mkt Cap (Rs bn)	CAGR FY17-19E (%)			EBITDA margin (%)			RoCE (%)			RoE (%)			EV/EBITDA (x)			EV/MT(USD)		
		Rev.	EBITDA	PAT	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
JK Lakshmi	56.4	9.4	27.2	69.1	12.6	14.9	17.0	7.8	7.5	9.6	6.0	9.4	14.5	17.5	15.3	12.1	94	103	102
JK Cement	77.2	11.5	21.1	57.3	18.4	20.2	21.7	8.1	11.1	13.6	13.2	19.9	23.9	10.6	11.2	8.9	85	109	102
Ramco Cements	166.5	14.0	17.9	23.9	30.0	30.5	32.0	12.4	14.7	17.0	20.0	20.7	21.7	12.9	12.5	10.2	154	177	169
Orient Cement	32.1	34.3	77.2	NM	9.5	15.9	16.5	1.4	6.8	7.3	(3.2)	2.2	7.2	24.8	14.1	10.7	85	87	84

Source: Company, Centrum Research Estimates. NM – Not Meaningful

Exhibit 4: Key Operational Assumptions - standalone

Particulars	FY14	FY15	FY16	FY17	FY18E	FY19E
<b>Cement capacity (mn MT)</b>	<b>6.7</b>	<b>8.4</b>	<b>8.4</b>	<b>10.5</b>	<b>10.8</b>	<b>10.8</b>
<b>Sales Volume (mn MT)</b>	<b>5.6</b>	<b>6.0</b>	<b>7.3</b>	<b>7.9</b>	<b>8.2</b>	<b>8.7</b>
YoY change (%)	6.7	5.7	22.9	8.6	2.8	5.8
Utilisation (%)	84.7	71.3	87.7	75.7	75.7	80.1
<b>(Rs/ MT trend)</b>						
<b>NSR</b>	<b>3,653</b>	<b>3,875</b>	<b>3,579</b>	<b>3,661</b>	<b>3,853</b>	<b>4,026</b>
YoY change (%)	(6.2)	6.1	(7.6)	2.3	5.2	4.5
Raw Materials & stock adj	979	983	946	959	960	970
Power & Fuel	750	831	746	713	756	771
Freight & packaging costs	811	867	898	906	933	961
Employee cost	218	245	269	262	270	280
Other expenses	358	362	350	362	360	360
<b>Total Opex</b>	<b>3,116</b>	<b>3,288</b>	<b>3,210</b>	<b>3,201</b>	<b>3,279</b>	<b>3,342</b>
YoY change (%)	1.1	5.5	(2.4)	(0.3)	2.4	1.9
<b>EBITDA per MT</b>	<b>537</b>	<b>587</b>	<b>369</b>	<b>460</b>	<b>574</b>	<b>684</b>
YoY change (%)	(34.0)	9.4	(37.1)	24.6	24.9	19.1

Source: Company, Centrum Research Estimates

**Exhibit 5: Quarterly financials trend**

Y/E Mar (Rs mn)	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
<b>Net Sales</b>	<b>5,908</b>	<b>6,457</b>	<b>6,483</b>	<b>7,351</b>	<b>7,772</b>	<b>6,556</b>	<b>6,709</b>	<b>8,067</b>
Total Expenditure	5,403	5,791	5,805	6,498	6,597	5,619	5,882	7,352
Raw Materials	1,525	1,874	1,646	1,881	2,133	1,678	1,530	2,280
Power and Fuel	1,358	1,312	1,375	1,421	1,313	1,165	1,510	1,682
Employee	488	496	491	489	538	516	542	488
Transport	1,495	1,522	1,604	1,955	1,826	1,568	1,697	2,111
Others	537	587	689	753	788	693	605	791
<b>EBITDA</b>	<b>505</b>	<b>667</b>	<b>678</b>	<b>853</b>	<b>1,175</b>	<b>937</b>	<b>826</b>	<b>716</b>
Depreciation	392	417	419	401	412	412	443	457
EBIT	113	250	259	452	763	525	383	259
Interest	458	478	509	503	463	471	486	466
Other Income	44	60	193	125	104	179	152	263
PBT	(300)	(168)	(57)	74	404	233	49	55
Taxes	(120)	(72)	(52)	(185)	118	(16)	(27)	(151)
Exceptional (expense)/ income	(60)	(53)	(6)	7	1	1	1	(11)
Reported PAT	(241)	(149)	(12)	266	287	250	77	195
<b>Adjusted PAT</b>	<b>(180)</b>	<b>(96)</b>	<b>(6)</b>	<b>259</b>	<b>286</b>	<b>249</b>	<b>76</b>	<b>206</b>
Adj EPS (Rs)	(1.5)	(0.8)	(0.0)	2.2	2.4	2.1	0.6	1.7
<b>YoY Growth (%)</b>								
Sales volume – Cement & Clinker	14.6	19.8	17.3	39.3	27.7	(1.8)	3.9	6.0
NSR - Cement & Clinker	(14.2)	(5.9)	(0.5)	(8.7)	3.0	3.4	(0.4)	3.5
Revenue	(1.6)	12.8	16.6	27.1	31.6	1.5	3.5	9.7
EBITDA	(55.5)	(25.2)	(10.0)	19.4	132.7	40.5	21.9	(16.1)
PBT	n/m	n/m	n/m	(79.9)	n/m	n/m	n/m	(24.9)
Adj PAT	n/m	n/m	n/m	(44.4)	n/m	n/m	n/m	(20.2)
<b>Margins (%)</b>								
EBITDA	8.5	10.3	10.5	11.6	15.1	14.3	12.3	8.9
EBIT	1.9	3.9	4.0	6.1	9.8	8.0	5.7	3.2
PBT	(5.1)	(2.6)	(0.9)	1.0	5.2	3.6	0.7	0.7
Adj PAT	(3.1)	(1.5)	(0.1)	3.5	3.7	3.8	1.1	2.6
<b>Operational Trend</b>								
<b>Cement &amp; clinker Sales Vol (mn MT)</b>	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>	<b>2.2</b>	<b>2.1</b>	<b>1.7</b>	<b>1.8</b>	<b>2.3</b>
Clinker sales vol (% of total)	12.3	12.3	9.4	9.3	16.2	18.6	10.3	13.4
<b>Trends (Rs/mt)</b>								
<b>NSR (1)</b>	<b>3,569</b>	<b>3,692</b>	<b>3,683</b>	<b>3,405</b>	<b>3,678</b>	<b>3,816</b>	<b>3,670</b>	<b>3,525</b>
Raw Materials & stock adj (2)	922	1,071	935	871	1,009	976	837	996
Power & Fuel (3)	821	750	781	658	621	678	826	735
Freight costs (4)	903	870	911	905	864	912	928	922
Employee cost (5)	295	284	279	226	255	301	296	213
Other expense (6)	324	335	392	349	373	403	331	346
<b>Total Opex (7)</b>	<b>3,264</b>	<b>3,311</b>	<b>3,298</b>	<b>3,010</b>	<b>3,122</b>	<b>3,271</b>	<b>3,218</b>	<b>3,212</b>
Input cost (2+3)	1,742	1,821	1,716	1,530	1,631	1,654	1,663	1,731
Variable cost (2+3+4)	2,645	2,692	2,628	2,435	2,495	2,567	2,591	2,654
Fixed cost (5+6)	619	619	670	575	627	704	627	559
<b>EBITDA per MT (1-7)</b>	<b>305</b>	<b>381</b>	<b>385</b>	<b>395</b>	<b>556</b>	<b>545</b>	<b>452</b>	<b>313</b>

Source: Company, Centrum Research

## Financials (Standalone)

### Exhibit 6: Income Statement

Y/E March (Rsmn)	FY15	FY16	FY17	FY18E	FY19E
<b>Revenues</b>	<b>23,070</b>	<b>26,198</b>	<b>29,103</b>	<b>31,503</b>	<b>34,831</b>
Materials cost	5,851	6,926	7,620	7,848	8,392
% of revenues	25.4	26.4	26.2	24.9	24.1
Employee Cost	1,461	1,970	2,084	2,207	2,422
% of revenues	6.3	7.5	7.2	7.0	7.0
Others	12,264	14,601	15,745	16,753	18,101
% of revenues	53.2	55.7	54.1	53.2	52.0
<b>EBITDA</b>	<b>3,494</b>	<b>2,701</b>	<b>3,654</b>	<b>4,694</b>	<b>5,917</b>
EBITDA Margins (%)	15.1	10.3	12.6	14.9	17.0
Depreciation & Amortisation	1,119	1,629	1,724	1,751	1,837
EBIT	2,376	1,072	1,931	2,943	4,079
Interest expenses	907	1,923	1,887	1,924	1,792
<b>PBT from operations</b>	<b>1,469</b>	<b>(851)</b>	<b>44</b>	<b>1,019</b>	<b>2,287</b>
Other Income	282	603	700	700	650
Exceptional loss/(gain)	(720)	(107)	(9)	-	-
PBT	1,031	(355)	735	1,719	2,937
Taxes	75	(418)	(78)	344	587
Effective tax rate (%)	7.2	117.7	(10.6)	20.0	20.0
Net Profit	956	63	813	1,375	2,350
Reported Net Profit	956	63	813	1,375	2,350
<b>Adj Net Profit</b>	<b>1,676</b>	<b>170</b>	<b>822</b>	<b>1,375</b>	<b>2,350</b>

Source: Company, Centrum Research Estimates

### Exhibit 7: Key Ratios

Y/E March	FY15	FY16	FY17P	FY18E	FY19E
<b>Growth ratios (%)</b>					
Revenues	12.2	13.6	11.1	8.2	10.6
EBITDA	15.7	(22.7)	35.3	28.5	26.0
Adj Net Profit	51.0	(89.9)	383.3	67.4	70.8
<b>Margin ratios (%)</b>					
EBITDA Margin	15.1	10.3	12.6	14.9	17.0
PBT from operations Margin	6.4	(3.2)	0.2	3.2	6.6
Adj PAT Margin	7.3	0.6	2.8	4.4	6.7
<b>Return Ratios (%)</b>					
RoE	12.8	1.3	6.0	9.4	14.5
RoCE	7.5	3.7	7.8	7.5	9.6
RoIC	7.4	2.6	6.4	7.0	9.5
<b>Turnover Ratios (days)</b>					
Gross block turnover (x)	0.7	0.6	0.6	0.7	0.7
Debtors	11.2	13.4	11.2	11.5	10.0
Inventory	35.4	33.5	34.8	34.0	35.0
Creditors	34.5	27.7	33.2	27.4	25.6
Cash conversion cycle	12.0	19.3	12.8	18.1	19.5
<b>Solvency Ratio</b>					
Net debt-equity	1.2	1.3	1.2	1.0	0.9
Debt-equity	1.4	1.4	1.6	1.4	1.1
Interest coverage ratio	2.6	0.6	1.0	1.5	2.3
Gross debt/EBITDA	5.4	7.1	6.0	4.4	3.3
Current Ratio	1.0	0.9	0.8	0.8	0.8
<b>Per Share (Rs)</b>					
Adjusted EPS	14.2	1.4	7.0	11.7	20.0
BVPS	113.1	113.3	119.3	129.3	146.9
CEPS	23.7	15.3	21.6	26.6	35.6
DPS	2.0	0.2	0.8	1.5	2.0
Dividend payout %	29.6	56.5	12.7	15.0	11.7
<b>Valuations (x)(Avg Mkt Cap)</b>					
P/E (adjusted)	21.1	232.6	57.5	41.0	24.0
P/BV	2.7	3.0	3.4	3.7	3.3
EV/EBITDA	14.8	20.8	17.5	15.3	12.1
EV/ton (USD \$)	95	104	94	103	102
Dividend yield %	0.7	0.1	0.2	0.3	0.4
5 Yr Avg AOCF/EV yield %	4.2	3.9	3.2	3.0	3.4

Source: Company, Centrum Research Estimates

### Exhibit 8: Balance Sheet

Y/E March (Rsmn)	FY15	FY16	FY17P	FY18E	FY19E
Equity Share Capital	589	589	589	589	589
Reserves & surplus	12,719	12,746	13,446	14,605	16,669
<b>Total Shareholders' Fund</b>	<b>13,308</b>	<b>13,335</b>	<b>14,035</b>	<b>15,193</b>	<b>17,257</b>
Total Debt	18,992	19,179	21,879	20,879	19,779
Def tax liab. (net)	1,284	867	790	790	790
<b>Total Liabilities</b>	<b>33,584</b>	<b>33,380</b>	<b>36,703</b>	<b>36,861</b>	<b>37,826</b>
Gross Block	40,946	44,558	46,700	48,700	50,200
Less:- Accumulated Depreciation	15,121	16,725	18,458	20,220	22,067
Net Block	25,825	27,833	28,242	28,480	28,133
Capital WIP	3,615	2,835	2,051	2,551	5,000
<b>Net Fixed assets</b>	<b>29,440</b>	<b>30,668</b>	<b>30,292</b>	<b>31,031</b>	<b>33,133</b>
Investments	4,228	4,005	8,092.0	8,092	7,592
Inventories	2,235	2,406	2,776	2,935	3,340
Sundry Debtors	705	965	895	993	954
Cash & bank balances	153	118	91	227	226
Loans & Advances	3,390	2,831	3,255	3,742	4,302
Other Assets	1,254	1,427	1,993	1,640	1,765
<b>Total current assets</b>	<b>7,736</b>	<b>7,746</b>	<b>9,011</b>	<b>9,536</b>	<b>10,588</b>
Trade payables	2,183	1,987	2,648	2,363	2,438
Other current liabilities	5,164	6,839	7,758	9,041	10,575
Provisions	473	213	287	394	474
<b>Net current assets</b>	<b>(84)</b>	<b>(1,293)</b>	<b>(1,682)</b>	<b>(2,262)</b>	<b>(2,899)</b>
<b>Total</b>	<b>33,584</b>	<b>33,380</b>	<b>36,703</b>	<b>36,861</b>	<b>37,826</b>

Source: Company, Centrum Research Estimates

### Exhibit 9: Cash Flow

Y/E March (Rsmn)	FY15	FY16	FY17P	FY18E	FY19E
<b>Op profit before WC changes</b>	2,648	2,632	3,647	4,351	5,329
Working capital changes	867	839	303	627	578
<b>Cash from Operations</b>	<b>3,515</b>	<b>3,471</b>	<b>3,950</b>	<b>4,978</b>	<b>5,907</b>
<b>Adj. OCF (OCF-Interest)</b>	<b>1,445</b>	<b>1,297</b>	<b>2,063</b>	<b>3,054</b>	<b>4,115</b>
Net capex	(4,562)	(2,000)	(2,068)	(2,500)	(3,949)
Adj. FCF (AOCF-Capex)	(3,117)	(703)	(5)	554	166
<b>Cash from investing</b>	<b>(4,062)</b>	<b>(1,254)</b>	<b>(4,745)</b>	<b>(1,800)</b>	<b>(2,799)</b>
<b>Cash from financing</b>	<b>335</b>	<b>(2,252)</b>	<b>769</b>	<b>(3,042)</b>	<b>(3,109)</b>
Net change in cash	(211)	(36)	(26)	136	(1)

Source: Company, Centrum Research Estimates



## Appendix A

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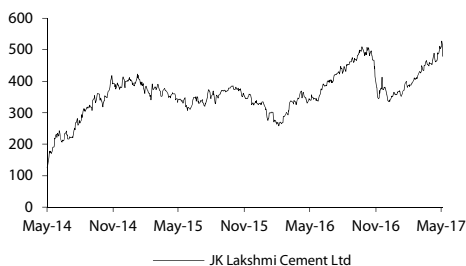
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### JK Lakshmi Cement price chart



Source: Bloomberg, Centrum Research

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Investor Grievance Email ID: [investor.grievances@centrum.co.in](mailto:investor.grievances@centrum.co.in)

#### Compliance Officer Details:

Kavita Ravichandran

(022) 4215 9842; Email ID: [Compliance@centrum.co.in](mailto:Compliance@centrum.co.in)

### Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)

Registered Office Address	Corporate Office & Correspondence Address
Bombay Mutual Building , 2nd Floor, Dr. D. N. Road, Fort, Mumbai - 400 001	Centrum House 6th Floor, CST Road, Near Vidya Nagari Marg, Kalina, Santacruz (E), Mumbai 400 098. Tel: (022) 4215 9000