




Estimate change	
TP change	
Rating change	

Bloomberg	JKCE IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	143.3 / 2.0
52-Week Range (INR)	2001 / 800
1, 6, 12 Rel. Per (%)	5/35/52
12M Avg Val (INR M)	130

### Financial Snapshot (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	58.0	63.8	73.6
EBITDA	12.1	14.5	17.3
Adj. PAT	4.8	5.8	7.7
EBITDA Margin (%)	20.9	22.7	23.5
Adj. EPS (INR)	62.6	74.6	100.0
EPS Gr. (%)	83.4	19.2	34.1
BV/Sh. (INR)	392	454	536

### Ratios

Net D:E	0.7	0.5	0.3
RoE (%)	16.9	17.6	20.2
RoCE (%)	11.4	11.9	14.2
Payout (%)	33.7	16.2	18.1

### Valuations

P/E (x)	29.7	24.9	18.6
P/BV (x)	4.7	4.1	3.5
EV/EBITDA(x)	13.6	11.0	8.9
EV/ton (USD)	139	126	122
Div. Yield (%)	0.9	0.5	0.8
FCF Yield (%)	0.9	7.2	7.3

### Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	58.1	58.1	58.1
DII	23.3	23.3	23.5
FII	14.0	13.5	11.9
Others	4.7	5.2	6.5

FII Includes depository receipts

**CMP: INR1,855 TP: INR2,075 (+12%) Buy**

## Capacity-led volume growth to drive earnings

### Expect 26% EPS CAGR over FY20–22E

- JK Cement (JKCE) continued to gain market share in 2QFY21, with volume growing 26% YoY, led by ~40% capacity expansion. EBITDA grew 62% YoY to INR4.1b and was the highest ever, supported by lower cost. This in turn led to the highest ever EBITDA margin of INR1461/t.
- We raise our FY21E EBITDA by 16%, factoring in lower cost and target price by 15% to INR2,075/share. We reiterate our **Buy** rating on a 26% EPS CAGR over FY20–22E, driven by capacity-led volume growth and better margin.

### EBITDA up 62% YoY on strong volumes and margin

- 2QFY21 revenue/EBITDA/PAT was up 24%/62%/ 105% YoY to INR15.5b/INR4.1b/INR2.2b, 0%/20%/28% above our estimate.
- Volumes were up 26% YoY to 2.81mt (in-line) – Grey Cement (including clinker) was up 28% YoY to 2.45mt and White Cement was up 9% YoY to 0.36mt.
- EBITDA/t rose 29% YoY to INR1,461/t (the highest ever) and was 21% above our estimate, led by lower cost.
- Total cost/t declined 9% YoY to INR4,056/t on operating leverage benefits as fixed costs such as other expenses / employee cost declined 21%/19% YoY on a per ton basis.
- Realization was flattish at INR5,517/t (v/s est. INR5,523/t).
- OCF/FCF stood at INR7.1b/INR4.1b in 1HFY21 (v/s INR2.0b/-INR3.6b in 1HFY20), supported by working capital release of INR1.3b (v/s an increase of INR3.2b in 1HFY20) and lower capex of INR3.0b (v/s INR5.6b in 1HFY20).
- Net debt stood at INR13.7b (v/s INR15.9b in Mar'20), implying net debt/EBITDA of 1.1x (v/s 1.35x in FY20).
- 1HFY21 revenue/EBITDA/PAT stood at INR25.2b/INR6.3b/INR3.0b – -3%/+12%/+15% YoY.

### Panna capex plan in focus; cost efficiencies to kick in from 4QFY21

- 2QFY21 witnessed a price drop of INR5–10/bag QoQ due to the monsoon. 3QFY21 has seen a price hike of INR5–10/bag v/s September-end.
- The company is expected to report savings of INR100/t from 4QFY21 - on account of cost efficiencies from newly commissioned capacities.
- The company achieved sales growth on account of market share gains in North and entry into new markets through the Aligarh grinding unit.
- It has switched to imported coal due to petcoke availability issues and higher prices. Promotional expenses and all other essential overheads have been normalized.
- With the commissioning of the Balasinor grinding unit in Oct'20, the entire 4.2mtpa capacity expansion is complete.

- **Mangrol expansion** – INR15.8b capex has been incurred up to 2QFY21 out of the budgeted INR20.0b. The company expects to spend another INR2.3b for the balance items and save INR1.5b out of the budgeted amount.
- **Nimbahera Line 3 modernization** – INR2.6b has been spent up to 2QFY21 out of the budgeted INR5.0b. INR2.0b is expected to be spent in 2HFY21, and another INR500m would in 2QFY22 at project completion.
- **Panna 3.5–4mtpa capacity plans** – Environmental clearance has been received, and 90% of the factory land has been acquired, with INR1.6b capex to date. Board approval would be sought in early FY22, and the project is expected to be completed within two years post the board approval.
- Standalone gross/net debt stood at INR27.4b/INR13.7b; gross debt is expected to peak at INR30.0b in 4QFY21.

### Valuation and view

- We expect JKCE to deliver an above-industry volume CAGR of 15% over FY20–22E on account of its expansion in North. Expansion has improved its regional mix in favor of North/Central and should help it move down the cost curve by lowering power and fuel and other costs.
- Our TP of INR2,075 is based on FY22E EV/EBITDA of 12x for the White Cement business and 9x for the Grey Cement business. **Maintain Buy.**

### Quarterly performance (standalone)

Y/E March	(INR m)											
	FY20				FY21				FY20	FY21E	FY21	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
Sales Dispatches (mt)	2.31	2.24	2.56	2.67	1.77	2.81	3.12	3.44	9.77	11.14	2.82	0
YoY Change (%)	-0.2	3.7	2.4	-7.3	-23.5	25.5	22.1	29.0	-1.0	14.0	25.9	
Realization (INR/t)	5,750	5,600	5,490	5,538	5,464	5,517	5,384	5,474	5,590	5,458	5,523	0
YoY Change (%)	19.3	9.9	7.7	6.9	-5.0	-1.5	-1.9	-1.2	10.8	-2.4	-1.4	
QoQ Change (%)	11.0	-2.6	-2.0	0.9	-1.3	1.0	-2.4	1.7			1.1	
<b>Net Sales</b>	<b>13,280</b>	<b>12,542</b>	<b>14,042</b>	<b>14,774</b>	<b>9,650</b>	<b>15,507</b>	<b>16,809</b>	<b>18,832</b>	<b>54,638</b>	<b>60,798</b>	<b>15,578</b>	0
YoY Change (%)	19.0	14.0	10.3	-1.0	-27.3	23.6	19.7	27.5	9.7	11.3	24.2	
Total Expenditure	10,245	10,002	11,264	11,312	7,497	11,400	13,093	14,585	42,822	46,575	12,162	-6
<b>EBITDA</b>	<b>3,035</b>	<b>2,540</b>	<b>2,777</b>	<b>3,463</b>	<b>2,153</b>	<b>4,107</b>	<b>3,716</b>	<b>4,247</b>	<b>11,815</b>	<b>14,222</b>	<b>3,416</b>	20
Margins (%)	22.9	20.3	19.8	23.4	22.3	26.5	22.1	22.6	21.6	23.4	21.9	
Depreciation	494	518	556	577	580	597	630	649	2,144	2,455	600	
Interest	534	561	561	572	572	537	540	532	2,229	2,180	550	
Other Income	172	180	237	271	203	287	220	194	859	904	220	
<b>PBT before EO expense</b>	<b>2,179</b>	<b>1,641</b>	<b>1,897</b>	<b>2,585</b>	<b>1,204</b>	<b>3,260</b>	<b>2,766</b>	<b>3,260</b>	<b>8,302</b>	<b>10,491</b>	<b>2,486</b>	31
Extra-Ord expense	0	0	0	1,782	0	0	0	0	1,782	0	0	
<b>PBT</b>	<b>2,179</b>	<b>1,641</b>	<b>1,897</b>	<b>803</b>	<b>1,204</b>	<b>3,260</b>	<b>2,766</b>	<b>3,260</b>	<b>6,520</b>	<b>10,491</b>	<b>2,486</b>	31
Tax	641	553	521	801	427	1,025	830	865	2,516	3,147	746	
Rate (%)	29.4	33.7	27.5	99.7	35.5	31.4	30.0	26.5	38.6	30.0	30.0	
<b>Reported PAT</b>	<b>1,538</b>	<b>1,088</b>	<b>1,376</b>	<b>2</b>	<b>777</b>	<b>2,235</b>	<b>1,936</b>	<b>2,395</b>	<b>4,004</b>	<b>7,344</b>	<b>1,740</b>	28
<b>Adj PAT</b>	<b>1,538</b>	<b>1,088</b>	<b>1,376</b>	<b>1,784</b>	<b>777</b>	<b>2,235</b>	<b>1,936</b>	<b>2,395</b>	<b>5,785</b>	<b>7,344</b>	<b>1,740</b>	28
YoY Change (%)	211.8	68.2	125.8	18.9	-49.5	105.5	40.8	34.3	78.1	26.9	59.9	

E: MOFSL Estimates

## Quarterly performance (Standalone)

(INR m)

Y/E March	FY20				FY21				FY20	FY21E	2QE	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Grey Cement (mt)	1.97	1.91	2.20	2.36	1.59	2.45	2.73	3.03	8.45	9.80	2.44	0
Growth (%)	-3.2	2.1	2.8	-6.6	-19.3	28.4	24.0	28.0	-1.5	16.0	28.0	
% of total Vols	85.3	85.2	86.2	88.6	90.0	87.2	87.5	87.9	86.4	88.0	86.6	
White Cement (mt)	0.34	0.33	0.35	0.30	0.18	0.36	0.39	0.42	1.33	1.34	0.38	-5
Growth (%)	21.4	13.8	0.0	-12.9	-48.0	8.8	10.0	36.6	4.5	1.0	14.0	
% of total Vols	14.7	14.8	13.8	11.4	10.0	12.8	12.5	12.1	13.6	12.0	13.4	

## Per tonne analysis (INR)

<b>Net realization</b>	<b>5,750</b>	<b>5,600</b>	<b>5,490</b>	<b>5,538</b>	<b>5,464</b>	<b>5,517</b>	<b>5,384</b>	<b>5,474</b>	<b>5,590</b>	<b>5,458</b>	<b>5,523</b>	0
RM Cost	790	967	996	776	1,106	877	950	962	881	960	950	-8
Employee Expenses	419	429	388	370	538	347	320	297	400	354	340	2
Power, Oil & Fuel	1,135	1,002	992	1,008	867	970	1,025	1,028	1,032	987	1,020	-5
Freight & handling	1,071	1,037	1,058	1,056	994	1,050	1,065	1,067	1,056	1,051	1,080	-3
Other Expenses	1,021	1,030	971	1,029	740	812	833	886	1,012	829	922	-12
<b>Total Exp</b>	<b>4,436</b>	<b>4,466</b>	<b>4,404</b>	<b>4,240</b>	<b>4,245</b>	<b>4,056</b>	<b>4,193</b>	<b>4,239</b>	<b>4,381</b>	<b>4,181</b>	<b>4,312</b>	-6
<b>EBITDA</b>	<b>1,314</b>	<b>1,134</b>	<b>1,086</b>	<b>1,298</b>	<b>1,219</b>	<b>1,461</b>	<b>1,190</b>	<b>1,234</b>	<b>1,209</b>	<b>1,277</b>	<b>1,211</b>	21



## Management commentary highlights

### Operational highlights

- In 2QFY21, utilization in South was 60%, while for North it stood at 70%.
- Trade sales mix was 66% in 2Q v/s 75% in 1QFY21.
- Utilization for UAE operations was 90%.

### Cost insights

- The Nimbahera Line 3 upgrade would enhance clinker capacity by 1,000t per day and reduce cost by INR100/t at this location.
- The company expects to achieve consolidated cost savings of INR100/t from 4QFY21 on account of cost efficiencies from newly commissioned capacities.
- Interest cost has remained flat YoY on account of repayment and renegotiation of interest rates.
- It has switched to imported coal due to petcoke availability issues, which has led to a rise in prices.
- There is no clarity on incentives for newly commissioned capacities at Balasinor and Mangrol.
- Promotional expenses and all other essential overheads have been normalized.
- The company is exploring opportunities for cost rationalization, including setting up a waste heat recovery system (WHRS) for capacities in South.

### Demand and pricing outlook

- The company achieved growth in sales on account of market share gains in North and entry into new markets through the Aligarh grinding unit.
- 2QFY21 witnessed a price drop of INR5–10/bag QoQ due to the monsoon. 3QFY21 has seen a price hike of INR5–10/bag v/s September-end.
- The UAE operation is expected to be impacted due to concerns over a second wave of COVID-19 infections, and utilization levels of 90% achieved in 2QFY21 would be unsustainable going forward. The company is working on a turnaround plan.

### Debt

- Standalone gross/net debt stands at INR27.4b/INR13.7b.
- Gross debt is expected to peak at INR30.0b in 4QFY21.
- Repayment of INR8.0b is scheduled up to FY23.
- The company expects net debt to remain below INR25.0b during the Panna expansion.

### Capex

- **Panna expansion** – Environmental clearance has been received and 90% of factory land has been acquired with INR1.6b capex to date. Board approval would be sought in early FY22, and the project is expected to be completed within two years post the board approval.  
Panna would have 3.5–4.0mtpa capacity at USD90–100/t. If approved, it would entail capex of INR13b each in FY22 and FY23. The management has also identified a location for setting up a split grinding unit in Uttar Pradesh (UP).

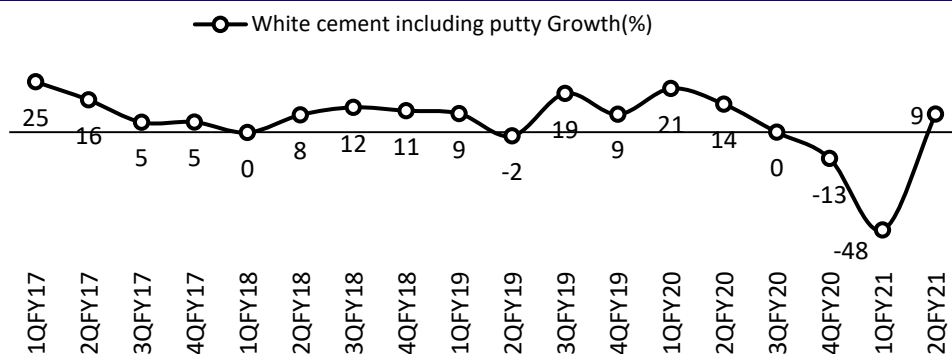
- The Panna expansion would cater to entirely new markets; the new split grinding unit in UP would also cater to new areas of the state.
- **Mangrol expansion** – INR15.8b capex has been incurred up to 2QFY21 out of the budgeted INR20.0b. The company expects to spend another INR2.3b for the balance items and save INR1.5b out of the budgeted amount.
- **Nimbahera Line 3 modernization** – INR2.6b has been spent up to 2QFY21 out of the budgeted INR5.0b. INR2.0b is expected to be spent in 2HFY21, and another INR500m would be spent by 2QFY22at project completion.

**Other highlights**

- The Panna plant would be set up under a 100% subsidiary with a mine lease.
- The company expects to gain market share in North without disturbing pricing.
- The company has no plans to enter into the Paints business for now.
- The company has maintained market share in the White Cement and Wall Putty businesses and expects to achieve over 10% growth.

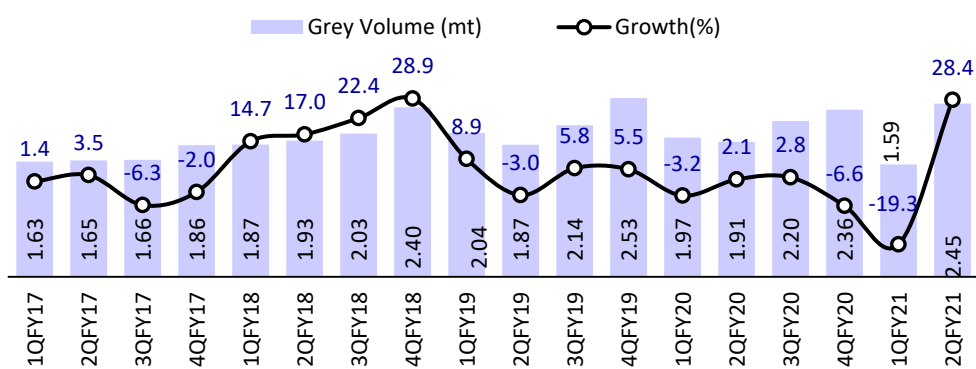
**Key exhibits**

**Exhibit 1: White cement, including putty volumes, up 9% YoY in 2QFY21**



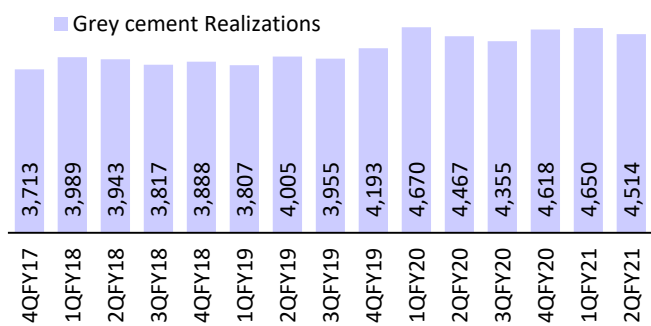
Source: MOFSL, Company

**Exhibit 2: Grey cement volumes up 28% YoY in 2QFY21**



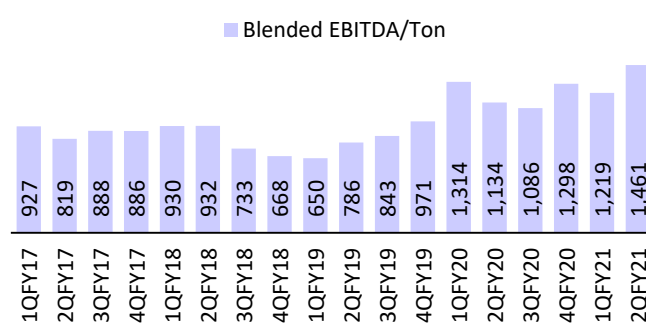
Source: Company, MOFSL

**Exhibit 3: Grey cement realization up 1% YoY (INR/t)**



Source: Company, MOFSL

**Exhibit 4: Blended EBITDA/t (INR) the highest ever**



Source: Company, MOFSL

**Exhibit 5: Key performance indicators (blended)**

INR/tonne	2QFY21	2QFY20	YoY (%)	1QFY21	QoQ (%)
<b>Net realization</b>	<b>5,517</b>	<b>5,600</b>	<b>-1.5%</b>	<b>5,464</b>	<b>1.0%</b>
RM Cost	877	967	-9.2%	1,106	-20.7%
Employee Expenses	347	429	-19.1%	538	-35.5%
Power, Oil & Fuel	970	1,002	-3.2%	867	11.8%
Freight	1,050	1,037	1.3%	994	5.7%
Other Expenses	812	1,030	-21.2%	740	9.6%
<b>Total Exp</b>	<b>4,056</b>	<b>4,466</b>	<b>-9.2%</b>	<b>4,245</b>	<b>-4.5%</b>
<b>EBITDA</b>	<b>1,461</b>	<b>1,134</b>	<b>28.8%</b>	<b>1,219</b>	<b>19.9%</b>

Source: Company, MOFSL

## Valuation and view

**Growing exposure to North is a significant positive:** JKCE is best placed in the industry to benefit from a robust north India market as it is the only company with a new integrated capacity in the region. JKCE has recently commissioned its 2.64mtpa clinker capacity (at Mangrol), 3.5mtpa cement grinding capacity (1mt at Nimbahera, 1mt at Mangrol, and 1.5mt at Aligarh) in north India and 0.7mt grinding unit in Gujarat. These capacities have been set up at an attractive cost of USD70/t (INR20b capex) – 30% lower than the industry benchmark. The expansion also brings two significant advantages to the company. (i) Costs would be lower as ~80% of grey cement capacity is now fuel-efficient. (ii) It would strengthen its position in North and Central, the most attractive regions in the country.

**Upgrade and expansion of the existing kiln at Nimbahera to improve EBITDA:** JKCE is increasing production capacity of one of its kilns at Nimbahera to 6,000tpd from 5,000tpd currently. This would help extend GST benefits for the company up to 2027. Currently, the company enjoys GST benefits for its Mangrol plant – these are due to expire in 2021. It is also upgrading the kiln by changing the pre-heater, a step that would result in power savings of 10–12 units and fuel savings of 40–50kcal. The capex required for the same is INR5.0b and would be completed by 2QFY22. These benefits should result in annual savings of INR300–400m for the company.

**Putty capacity expansion provides growth visibility:** JKCE has recently expanded its wall putty capacity in Katni by 0.3mtpa, increasing the overall putty capacity to 1.2mtpa. White cement and putty currently contribute around one-third to JKCE's overall EBITDA. This is a high-margin business and has been growing at over 10% CAGR in the past few years. Expansion is thus timely and would help JKCE participate fully in market growth.

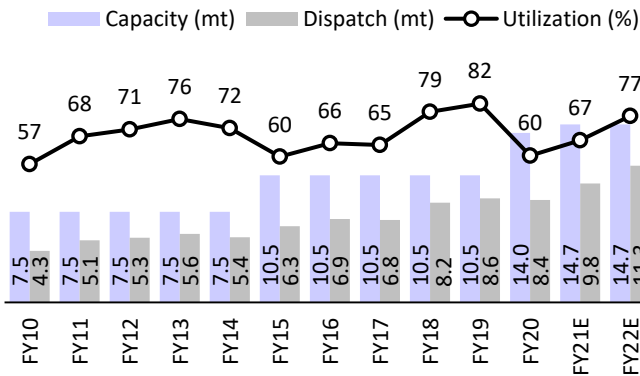
**Long-term expansion to usher diversification:** JKCE plans to set up a 3.5–4mtpa integrated plant at Panna (Madhya Pradesh). For this proposed expansion, it has two mining leases with sufficient reserves to support capacity expansion at this location to 15mtpa in phases. Once this capacity is commissioned (likely by 2HFY24), the company's capacity share would increase to ~20% in Central, while it would reduce to ~60% in North and ~15% (from ~20%) in South.

**Valuation and view:** We expect JKCE to deliver a higher-than-industry EBITDA CAGR of 19% over FY20–22E, driven by a 15% volume CAGR on account of its new capacity in North. The expansion improves its regional mix in favor of North/Central and helps it move down the cost curve by increasing the share of newer cost-efficient capacities. We arrive at Target Price of INR2,075/share, valuing the White Cement business at 12x FY22E EV/EBITDA and Grey Cement business at 9x FY22E EV/EBITDA.

**Maintain Buy.**

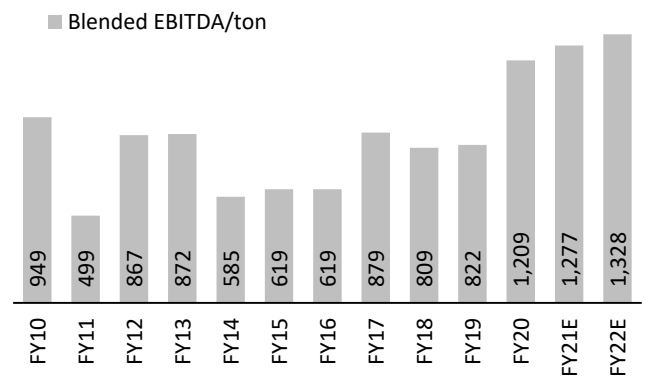
Story in charts

Exhibit 6: Grey cement expansion to aid volume growth



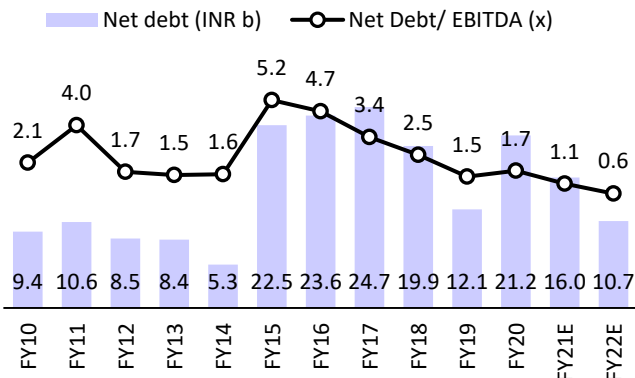
Source: Company, MOFSL

Exhibit 7: Blended EBITDA/t trend (INR)



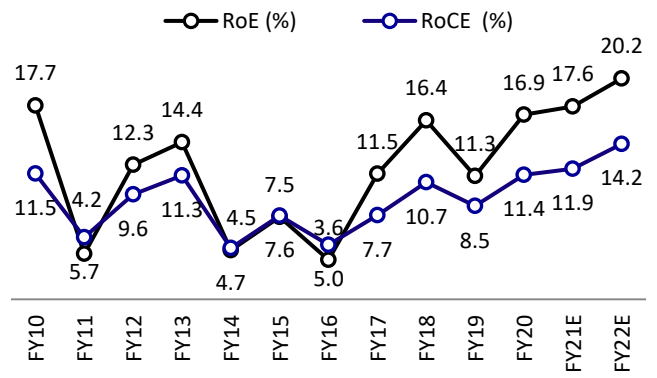
Source: Company, MOFSL

Exhibit 8: Net debt/EBITDA to fall to 0.6x by FY22E



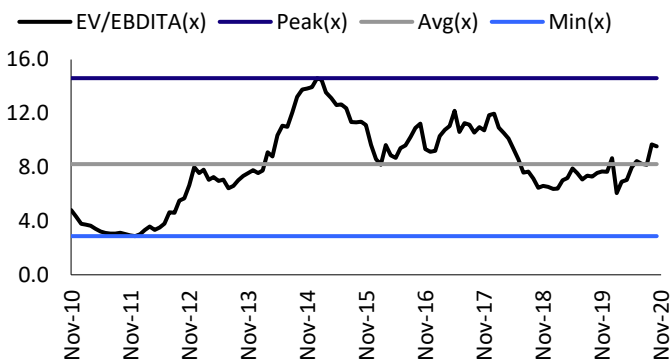
Source: MOFSL, Company

Exhibit 9: RoE and RoCE trend (%)



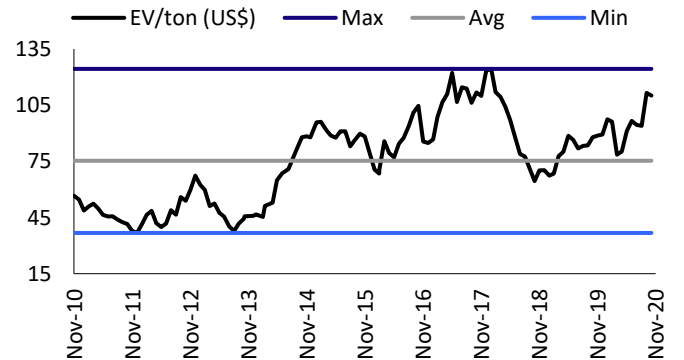
Source: MOFSL, Company

Exhibit 10: JKCE EV/EBITDA trend



Source: MOFSL, Company

Exhibit 11: JKCE EV/t trend



Source: MOFSL, Company



## Financials and valuations

Income Statement							(INR m)	
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
<b>Net Sales</b>	<b>33,874</b>	<b>37,463</b>	<b>40,214</b>	<b>48,535</b>	<b>52,587</b>	<b>58,016</b>	<b>63,807</b>	<b>73,581</b>
Change (%)	21.8	10.6	7.3	20.7	8.3	10.3	10.0	15.3
<b>EBITDA</b>	<b>4,308</b>	<b>5,065</b>	<b>7,261</b>	<b>7,875</b>	<b>8,345</b>	<b>12,134</b>	<b>14,478</b>	<b>17,258</b>
Margin (%)	12.7	13.5	18.1	16.2	15.9	20.9	22.7	23.5
Depreciation	1,461	1,974	2,169	2,313	2,413	2,880	3,534	3,954
<b>EBIT</b>	<b>2,847</b>	<b>3,091</b>	<b>5,092</b>	<b>5,561</b>	<b>5,932</b>	<b>9,255</b>	<b>10,944</b>	<b>13,304</b>
Int. and Finance Charges	2,291	3,049	3,027	2,841	2,611	2,764	3,120	2,740
Other Income - Rec.	713	895	984	1,269	804	853	904	1,142
<b>PBT bef. EO Exp.</b>	<b>1,269</b>	<b>936</b>	<b>3,049</b>	<b>3,989</b>	<b>4,124</b>	<b>7,344</b>	<b>8,728</b>	<b>11,706</b>
EO Expense/(Income)	-172	0	193	157	0	0	0	0
<b>PBT after EO Exp.</b>	<b>1,441</b>	<b>936</b>	<b>2,856</b>	<b>3,832</b>	<b>4,124</b>	<b>7,344</b>	<b>8,728</b>	<b>11,706</b>
Current Tax	22	388	705	941	1,037	1,712	2,968	3,980
Deferred Tax	0	0	432	35	451	798	0	0
Tax Rate (%)	1.5	41.4	39.8	25.5	36.1	34.2	34.0	34.0
<b>Reported PAT</b>	<b>1,419</b>	<b>548</b>	<b>1,719</b>	<b>2,856</b>	<b>2,636</b>	<b>4,834</b>	<b>5,761</b>	<b>7,726</b>
<b>PAT Adj for EO items</b>	<b>1,250</b>	<b>548</b>	<b>1,835</b>	<b>2,973</b>	<b>2,636</b>	<b>4,834</b>	<b>5,761</b>	<b>7,726</b>
Change (%)	66.8	-56.1	234.8	62.0	-11.3	83.4	19.2	34.1
Margin (%)	3.7	1.5	4.6	6.1	5.0	8.3	9.0	10.5
Less: Minority Interest	-17.2	-30.2	-57.7	-39.9	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>1,267</b>	<b>578</b>	<b>1,893</b>	<b>3,013</b>	<b>2,636</b>	<b>4,834</b>	<b>5,761</b>	<b>7,726</b>

Balance Sheet							(INR m)	
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Equity Share Capital	699	699	699	699	773	773	773	773
Total Reserves	15,470	15,171	16,408	19,049	26,249	29,504	34,333	40,662
<b>Net Worth</b>	<b>16,170</b>	<b>15,870</b>	<b>17,107</b>	<b>19,749</b>	<b>27,022</b>	<b>30,277</b>	<b>35,106</b>	<b>41,435</b>
Deferred Liabilities	2,798	2,165	2,599	2,670	3,123	4,173	4,173	4,173
Minority Interest	128	98	40	0	-72	-203	-203	-203
Total Loans	30,308	31,204	30,961	27,306	26,779	32,840	32,840	24,840
<b>Capital Employed</b>	<b>49,404</b>	<b>49,337</b>	<b>50,706</b>	<b>49,724</b>	<b>56,852</b>	<b>67,086</b>	<b>71,916</b>	<b>70,244</b>
Gross Block	50,671	53,636	58,456	59,334	62,681	75,780	84,872	90,872
Less: Accum. Deprn.	9,935	11,100	13,039	14,900	17,313	20,235	23,769	27,723
<b>Net Fixed Assets</b>	<b>40,736</b>	<b>42,535</b>	<b>45,417</b>	<b>44,433</b>	<b>45,367</b>	<b>55,545</b>	<b>61,103</b>	<b>63,148</b>
Capital WIP	3,373	3,211	1,267	1,043	5,618	5,295	4,203	3,203
<b>Total Investments</b>	<b>365</b>	<b>786</b>	<b>803</b>	<b>1,189</b>	<b>4,383</b>	<b>458</b>	<b>476</b>	<b>477</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>16,027</b>	<b>15,261</b>	<b>16,621</b>	<b>17,877</b>	<b>18,810</b>	<b>24,122</b>	<b>29,393</b>	<b>30,517</b>
Inventory	5,415	4,931	5,609	5,898	6,365	6,904	7,724	8,907
Account Receivables	1,771	2,113	2,019	2,358	2,606	2,677	3,163	3,647
Cash and Bank Balance	4,171	3,731	4,353	5,595	5,115	6,345	12,602	10,952
Loans and Advances	4,670	4,486	4,640	4,026	4,722	8,196	5,905	7,011
<b>Curr. Liability &amp; Prov.</b>	<b>11,097</b>	<b>12,511</b>	<b>13,403</b>	<b>14,818</b>	<b>17,325</b>	<b>18,334</b>	<b>23,260</b>	<b>27,102</b>
Account Payables	10,424	12,141	13,074	14,316	16,809	16,725	21,776	25,111
Provisions	673	370	329	502	516	1,609	1,484	1,990
<b>Net Current Assets</b>	<b>4,929</b>	<b>2,750</b>	<b>3,219</b>	<b>3,059</b>	<b>1,484</b>	<b>5,788</b>	<b>6,133</b>	<b>3,415</b>
<b>Appl. of Funds</b>	<b>49,404</b>	<b>49,282</b>	<b>50,706</b>	<b>49,724</b>	<b>56,852</b>	<b>67,086</b>	<b>71,916</b>	<b>70,244</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
<b>Basic (INR) *</b>								
<b>Consol EPS</b>	<b>17.9</b>	<b>7.8</b>	<b>26.2</b>	<b>42.5</b>	<b>34.1</b>	<b>62.6</b>	<b>74.6</b>	<b>100.0</b>
Cash EPS	38.8	36.1	57.3	75.6	65.3	99.8	120.3	151.2
BV/Share	231.2	227.0	244.6	282.4	349.7	391.8	454.3	536.2
DPS	3.6	3.6	7.2	9.0	10.0	17.5	10.0	15.0
Payout (%)	22.9	61.4	39.2	29.5	35.3	33.7	16.2	18.1
<b>Valuation (x) *</b>								
P/E					54.4	29.7	24.9	18.6
Cash P/E					28.4	18.6	15.4	12.3
P/BV					5.3	4.7	4.1	3.5
EV/Sales					3.0	2.8	2.5	2.1
EV/EBITDA					18.6	13.6	11.0	8.9
EV/Ton (US\$)					168	139	126	122
Dividend Yield (%)					0.5	0.9	0.5	0.8
<b>Return Ratios (%)</b>								
RoIC	8.4	4.4	7.1	9.6	9.1	12.6	13.2	15.9
RoE	7.5	3.6	11.5	16.4	11.3	16.9	17.6	20.2
RoCE	7.6	5.0	7.7	10.7	8.5	11.4	11.9	14.2
<b>Working Capital Ratios</b>								
Asset Turnover (x)	0.7	0.8	0.8	1.0	0.9	0.9	0.9	1.0
Inventory (Days)	58.3	48.0	50.9	44.4	44.2	43.4	44.2	44.2
Debtor (Days)	17	18	16	17	18	17	18	18
Creditor (Days)	112	118	119	108	117	105	125	125
Working Capital Turnover (Days)	8	-10	-10	-19	-25	-4	-37	-37
<b>Leverage Ratio (x)</b>								
Current Ratio	1.4	1.2	1.2	1.2	1.1	1.3	1.3	1.1
Debt/Equity	1.9	2.0	1.8	1.4	1.0	1.1	0.9	0.6

### Cash Flow Statement

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
<b>(INR m)</b>								
OP/(Loss) before Tax	1,442	1,010	2,856	3,832	4,124	7,344	8,728	11,706
Depreciation	1,461	1,974	2,170	2,313	2,413	2,880	3,534	3,954
Interest & Finance Charges	1,850	2,629	2,527	2,348	2,209	1,975	3,120	2,740
Direct Taxes Paid	-609	-306	-633	-996	-977	-1,530	-2,968	-3,980
(Inc)/Dec in WC	-1,611	722	416	1,193	-778	2,819	5,912	1,068
<b>CF from Operations</b>	<b>2,532</b>	<b>6,029</b>	<b>7,335</b>	<b>8,691</b>	<b>6,991</b>	<b>13,488</b>	<b>18,327</b>	<b>15,488</b>
Others	30	-229.1	382.9	140.7	5	179.2	0	0
<b>CF from Operating incl EO</b>	<b>2562</b>	<b>5800</b>	<b>7718.2</b>	<b>8831.2</b>	<b>6996.1</b>	<b>13,668</b>	<b>18,327</b>	<b>15,488</b>
(Inc)/Dec in FA	-5,472	-3,813	-3,840	-1,443	-6,191	-12,428	-8,000	-5,000
<b>Free Cash Flow</b>	<b>-2,910</b>	<b>1,987</b>	<b>3,879</b>	<b>7,388</b>	<b>805</b>	<b>1,240</b>	<b>10,327</b>	<b>10,488</b>
(Pur)/Sale of Investments	354	-499	8	-369	-3,193	-2,622	-18	-1
Others	338	4	192	1,642	182	3,693	0	0
<b>CF from Investments</b>	<b>-4,780</b>	<b>-4,308</b>	<b>-3,640</b>	<b>-170</b>	<b>-9,202</b>	<b>-11,357</b>	<b>-8,018</b>	<b>-5,001</b>
Issue of Shares	0	0	0	0	5,043	0	0	0
Inc/(Dec) in Debt	3,673	1,413	328	-4,010	328	3,133	0	-8,000
Interest Paid	-2,254	-3,009	-2,971	-2,789	-2,798	-2,507	-3,120	-2,740
Dividend Paid	0	-337	-337	-673	-843	-1,630	-932	-1,397
Others	885	0	-476	54	-3	-77	0	0
<b>CF from Fin. Activity</b>	<b>2,303</b>	<b>-1,932</b>	<b>-3,456</b>	<b>-7,419</b>	<b>1,727</b>	<b>-1,081</b>	<b>-4,051</b>	<b>-12,137</b>
<b>Inc/Dec of Cash</b>	<b>85</b>	<b>-440</b>	<b>622</b>	<b>1,242</b>	<b>-479</b>	<b>1,229</b>	<b>6,258</b>	<b>-1,650</b>
Opening Balance	4,086	4,171	3,731	4,353	5,595	5,116	6,345	12,602
<b>Closing Balance</b>	<b>4,171</b>	<b>3,731</b>	<b>4,353</b>	<b>5,595</b>	<b>5,116</b>	<b>6,345</b>	<b>12,602</b>	<b>10,952</b>

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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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