

# JK Lakshmi Cement

**BUY**

## Solid recovery continues

We reiterate BUY on JK Lakshmi (JKLC), with SOTP based TP of Rs 483 (Standalone at 8x Sep'21E EBITDA, its 71% holding in Udaipur Cements at 20% disc and 50% value to Sep'21E CWIP). Our TP implies EV of USD 86/MT.

### HIGHLIGHTS OF THE QUARTER

- During 2QFY20, JKLC's stellar earnings rebound continued as its standalone net sales/EBITDA/APAT rose 10%/62%/4.9x YoY to Rs 9.36/1.49/0.46bn resp.
- Vol dipped on weak demand, fall in clinker sales:** JKLC's cement sales in Chhattisgarh and Odisha suffered the most. Total sales vol dipped 3% YoY as clinker sales halved, while sale of traded cement from its Udaipur subsidiary increased both YoY/QoQ, thus moderating the fall. Sharp fall in sales in Chhattisgarh (lower-priced sales) also improved blended NSR QoQ.
- Solid pricing tailwinds:** Resilient pricing across north/Gujarat markets pushed up NSR by 13/2% YoY/QoQ in 2Q. This more than offset 7/2% YoY/QoQ opex increase (mainly driven by rising share of trade-sale from Udaipur Cement). Op margin also benefitted from logistics cost improvement and from falling fuel prices. Thus, JKLC's unitary EBITDA surged 68% YoY (down a modest 1% QoQ) to Rs 722/MT to its 2nd best in the

### Financial Summary (Standalone)

Year Ending Mar (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY18	FY19	FY20E	FY21E	FY22E
Net Sales	9,355	8,514	9.9	10,419	(10.2)	34,122	38,823	43,482	47,755	51,722
EBITDA	1,487	916	62.2	1,698	(12.5)	4,114	4,150	6,894	7,699	8,105
APAT	459	78	487.8	597	(23.0)	840	796	2,566	3,274	3,347
Diluted EPS (Rs)	3.9	0.7	487.8	5.1	(23.0)	7.1	6.8	21.8	27.8	28.4
EV / EBITDA (x)						12.3	11.2	6.8	5.8	5.6
EV/MT (USD)						72	66	66	63	54
P/E (x)						43.1	45.5	14.1	11.1	10.8
RoE (%)						5.9	5.3	15.7	17.2	15.1

Source: Company, HDFC sec Inst Research

- past 21 qtrs! Below EBITDA, both other income and int expense fell as it liquidated its treasury to reduce debt.
- During 1HFY20**, robust 12% YoY NSR rise amid flat volumes and 5% opex inflation drove 72%/3.9x EBITDA/PAT uptick. JKLC also sold off its liquid investments (~Rs 600mn) to trim debt. It generated ~Rs 1.85bn of cash PAT, of which Rs 1.20bn got blocked in WC rise (majorly inventory), while it spent a modest Rs 0.13bn in capex, paid out Rs 0.10bn in dividends and loaned Rs 0.40bn as ICD. Thus, its Net debt/EBITDA cooled off to 2.2x in Sep'19, from 3x in Mar'19.
  - Robust outlook:** With JKLC's Cuttack SGU (0.8mn MT) commissioned, its expansions for now are over. However, JKLC will pursue brownfield expansions FY21E onwards. Stable prices in the north/Gujarat markets and falling fuel prices should drive 25/61% EBITDA/PAT CAGRs during FY19-22E, in our view.

### STANCE

**Robust profitability should keep JKLC's net D/E at comfortable levels (below 1x), despite factoring in capex acceleration from FY21E. We thus, estimate its standalone net Debt/EBITDA to further cool off to below 1.5x levels during FY20-22E (vs its >3x levels during the preceding six years)! We reiterate Buy with a revised TP of Rs 483.**

INDUSTRY	CEMENT		
<b>CMP (as on 04 Nov 2019)</b>	<b>Rs 308</b>		
<b>Target Price</b>	<b>Rs 483</b>		
Nifty	11,941		
Sensex	40,302		
<b>KEY STOCK DATA</b>			
Bloomberg	JKLC IN		
No. of Shares (mn)	118		
MCap (Rs bn) / (\$ mn)	36/512		
6m avg traded value (Rs mn)	28		
<b>STOCK PERFORMANCE (%)</b>			
<b>52 Week high / low</b>	<b>Rs 396/255</b>		
	3M	6M	12M
Absolute (%)	(6.9)	(15.8)	14.5
Relative (%)	(15.5)	(19.2)	(0.7)
<b>SHAREHOLDING PATTERN (%)</b>			
	<b>Mar-19</b>	<b>Jun-19</b>	
Promoters	45.94	45.93	
FIs & Local MFs	20.44	20.55	
FPIs	8.86	9.60	
Public & Others	24.76	23.92	
Pledged Shares *	-	-	

Source : BSE \*as % of total shares o/s

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### Concall Key Takeaways

- Total sales volume declined 3% YoY to 2.06mn MT, mainly led by 49% decline in clinker sales YoY while cement sales rose 3% YoY. The cement volume growth is aided by increase in traded-cement's share from Udaipur Cement. Purchase of traded-cement share increased to 8.1% (% of net sales) in 2QFY20 vs 4.8/6.6% YoY/QoQ.
- Heavy rains across its markets, cyclone in Odisha and weak demand in Chhattisgarh brought down JKLC's sales YoY. Sales volume declined at a higher pace in the eastern region during the quarter.
- Clinker sales accounted for 6% of the total standalone sales volume vs 5/12% QoQ/YoY. In 2Q, JKLC sold clinker majorly from its north region.
- Premium cement comprises of 8-9% of its total sales volume currently (vs 5-6% three years back). Trade sales comprised 57-58% of total sales volume across regions while, in east its 65%.
- RMC revenue stood at Rs 390mn (4.2% of total sales vs 4.6% YoY, 4% QoQ)
- Blended realization improved QoQ owing to sharp fall in Chhattisgarh sales, where the company's realisation is at its lowest. Cement prices cooled off marginally in the north markets.
- Petcoke prices fell 14/4% YoY/QoQ to Rs 7,500/MT in 2Q. In its north plant, petcoke currently accounts for 90% of its kiln fuel while in east it accounts for 65% of the kiln fuel.
- As JKLC currently has unused MAT credit of Rs 1.80bn on its books, it will currently operate under the old corporate tax rate. Thereafter it will evaluate migrating to the new tax rate regime.
- Consolidated/ standalone net debt stood flattish over the past six months at Rs 17.5/12.3bn. JKLC expects to reduce its net debt by ~Rs 1.3-1.5bn by end FY20. The company has loaned Rs 400mn as ICD for a short-term period.
- JKLC guided that it has sufficient limestone mines across its kilns in Rajasthan and Chhattisgarh for brown-field expansions. It pegged its brown-field expansions cost at USD 85-95/MT.

**JKLC posted healthy earnings recovery in 2QFY20 as robust pricing and flattish volumes drove 62% rise in EBITDA, which drove 5x jump in PAT (on a low base)**

**In 2Q, other expenses and direct tax came back to normal levels after the company reported higher costs in 1Q owing to one-time expenses of both these items.**

**JKLC also mentioned that it will continue with the old Corp tax rate in order to use up existing MAT credits.**

**Robust pricing, declining power & fuel cost and lower freight cost helped margins upwards despite increased per ton employee costs and other exp.**

### Quarterly Financials' Snapshot (standalone)

(Rs Mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	1HFY20	1HFY19	YoY (%)
<b>Net Sales</b>	<b>9,355</b>	<b>8,514</b>	<b>9.9</b>	<b>10,419</b>	<b>(10.2)</b>	<b>19,774</b>	<b>17,749</b>	<b>11.4</b>
Raw Materials	2,209	1,883	17.3	2,367	(6.7)	4,575	4,090	11.9
Power and Fuel	2,090	2,252	(7.2)	2,233	(6.4)	4,323	4,402	(1.8)
Transport	742	658	12.8	773	(4.0)	1,515	1,290	17.5
Employee	1,843	2,022	(8.8)	2,130	(13.5)	3,973	4,478	(11.3)
Other Exp	985	783	25.7	1,218	(19.1)	2,203	1,635	34.7
<b>EBITDA</b>	<b>1,487</b>	<b>916</b>	<b>62.2</b>	<b>1,698</b>	<b>(12.5)</b>	<b>3,185</b>	<b>1,855</b>	<b>71.7</b>
<b>EBITDA margin (%)</b>	<b>15.9</b>	<b>10.8</b>	<b>513</b>	<b>16.3</b>	<b>(41)</b>	<b>16.1</b>	<b>10.5</b>	<b>565</b>
Depreciation	437	452	(3.3)	453	(3.6)	889	897	(0.9)
<b>EBIT</b>	<b>1,050</b>	<b>465</b>	<b>125.9</b>	<b>1,245</b>	<b>(15.7)</b>	<b>2,295</b>	<b>958</b>	<b>139.6</b>
Other Income (Including EO Items)	62	150	(58.6)	(144)		(82)	260	
Interest Cost	384	493	(22.1)	399	(3.8)	784	945	(17.1)
<b>PBT - Reported</b>	<b>728</b>	<b>121</b>	<b>501.7</b>	<b>702</b>	<b>3.6</b>	<b>1,430</b>	<b>273</b>	<b>424.6</b>
Tax	268	43	527.1	308	(13.0)	577	57	912.0
Tax rate (%)	36.9	35.4	149	43.9	(702)	40.3	20.9	1,943
<b>RPAT</b>	<b>459</b>	<b>78</b>	<b>487.8</b>	<b>394</b>	<b>16.5</b>	<b>853</b>	<b>216</b>	<b>295.7</b>
EO (Loss) / Profit (Net Of Tax)	-	-		(203)		(203)	-	
<b>APAT</b>	<b>459</b>	<b>78</b>	<b>487.8</b>	<b>597</b>	<b>(23.0)</b>	<b>1,056</b>	<b>216</b>	<b>389.6</b>
Adj PAT margin (%)	4.9	0.9	399	5.7	(82)	5.3	1.2	412

Source: Company, HDFC sec Inst Research

### Quarterly Performance Analysis – Cement

	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	1HFY20	1HFY19	YoY (%)
<b>Sales vol (mn MT)</b>	<b>2.1</b>	<b>2.1</b>	<b>(3.1)</b>	<b>2.3</b>	<b>(11.6)</b>	<b>4.4</b>	<b>4.4</b>	<b>(0.5)</b>
<b>Rs/MT trend</b>								
<b>NSR</b>	<b>4,541</b>	<b>4,003</b>	<b>13.4</b>	<b>4,472</b>	<b>1.6</b>	<b>4,504</b>	<b>4,021</b>	<b>12.0</b>
Raw materials	1,072	885	21.1	1,016	5.6	1,042	927	12.5
Power & fuel	1,014	1,059	(4.2)	958	5.8	985	997	(1.3)
Freight	895	950	(5.9)	914	(2.1)	905	1,014	(10.8)
Employee	360	309	16.4	332	8.6	345	292	18.1
Other Exp	478	368	29.8	523	(8.5)	502	370	35.5
Opex	3,820	3,572	6.9	3,743	2.1	3,779	3,601	4.9
<b>EBITDA</b>	<b>722</b>	<b>431</b>	<b>67.5</b>	<b>729</b>	<b>(1.0)</b>	<b>725</b>	<b>420</b>	<b>72.6</b>

Source: Company, HDFC sec Inst Research

*We expect JKLC to deliver 6% volume CAGR over FY19-22E*

*We expect its unitary EBITDA to expand to ~Rs 700-725/MT during FY20-22E on demand and price recovery*

### Operational Trends and Assumptions – Annual

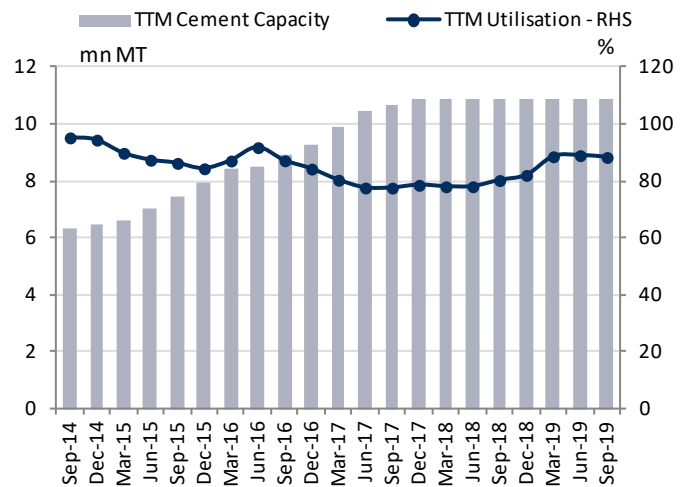
	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Cement Cap (mn MT)	8.5	10.9	10.9	10.9	10.9	10.9	12.9
Sales Volume (mn MT)	7.3	7.9	8.5	9.7	9.8	10.6	11.4
YoY change (%)	22.9	8.6	7.2	13.3	1.1	8.9	7.2
Utilisation (%)	86.6	72.9	78.2	88.5	89.5	97.5	88.2
<b>(Rs/ MT trend)</b>							
NSR	3,580	3,661	4,005	4,023	4,457	4,495	4,544
YoY change (%)	(7.6)	2.3	9.4	0.5	10.8	0.9	1.1
Raw Materials	946	959	914	1,004	1,191	1,175	1,174
Power & Fuel	747	713	934	953	896	905	932
Freight costs	898	906	1,024	988	919	942	970
Employee cost	266	262	276	269	310	319	325
Other expense	351	362	374	379	435	430	430
<b>Total Opex</b>	<b>3,208</b>	<b>3,202</b>	<b>3,522</b>	<b>3,593</b>	<b>3,750</b>	<b>3,770</b>	<b>3,832</b>
<b>EBITDA per MT</b>	<b>372</b>	<b>460</b>	<b>483</b>	<b>430</b>	<b>707</b>	<b>725</b>	<b>712</b>

Source: Company, HDFC sec Inst Research

*We have plotted JKLC's standalone trailing 12m (TTM) operational performance trends for the past six years*

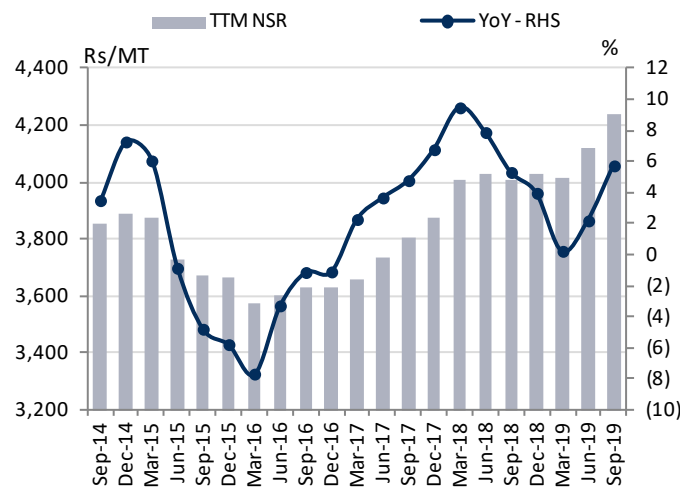
**Long term performance trends (standalone)**

**JKLC's utilization remains higher of 85%...**



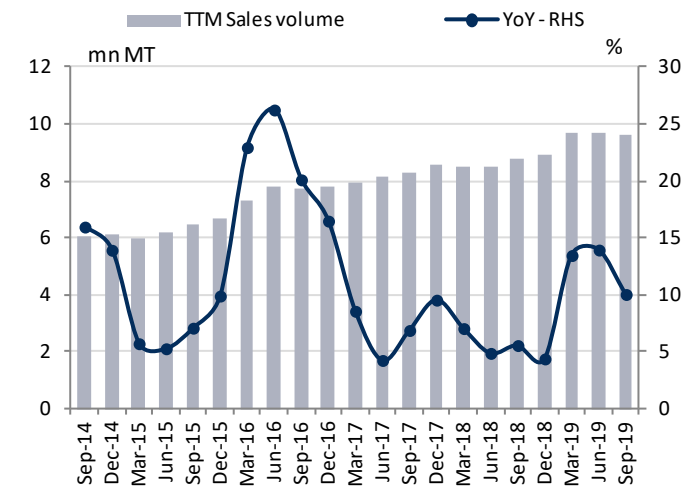
Source: Company, HDFC Sec Inst Research

**Increasing share of premium products thereby helping sharp price uptick in 2Q has boosted NSR..**



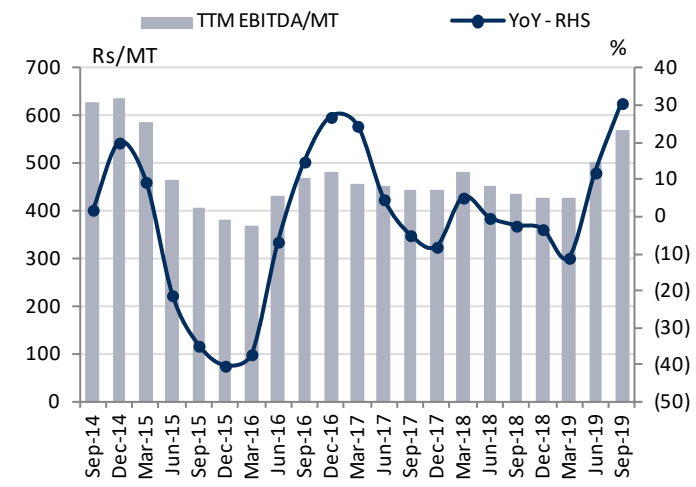
Source: Company, HDFC Sec Inst Research

**... driven by 10%+ volume growth in past 1 yr**



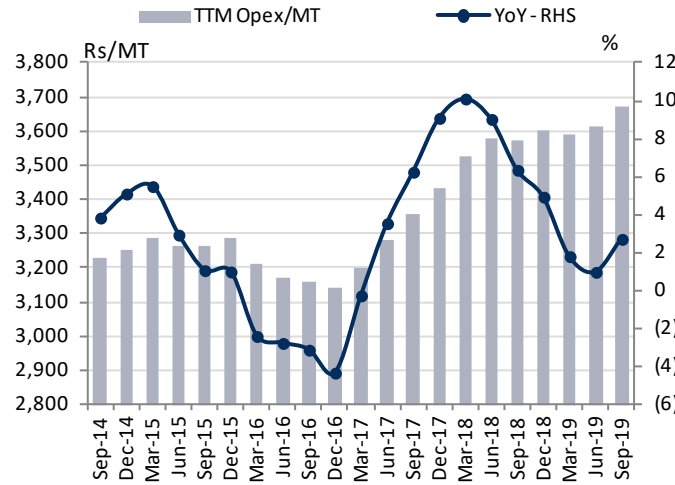
Source: Company, HDFC Sec Inst Research

**...thus boosting unitary EBITDA recovery to a 5-yr high**



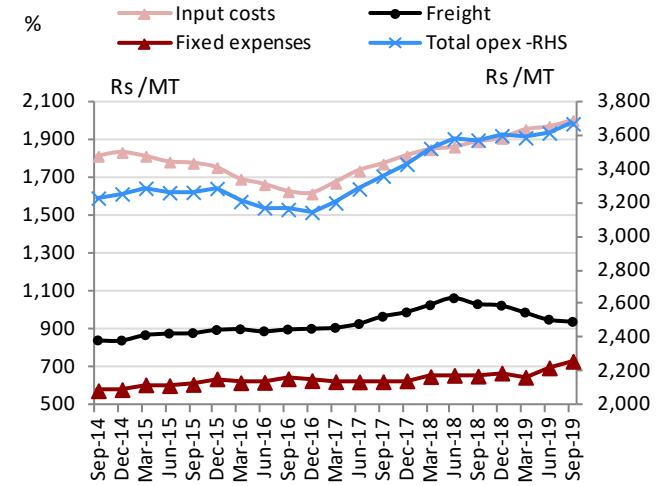
Source: Company, HDFC Sec Inst Research

**Opex has increased currently owing to rise in traded-cement sales**



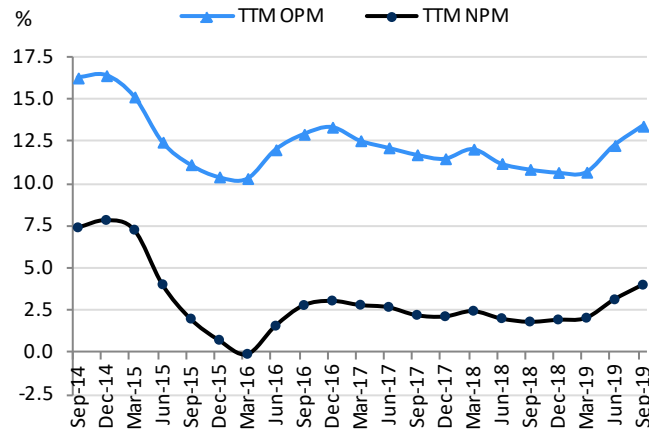
Source: Company, HDFC Sec Inst Research

**JKLC's freight cost has been decreasing; Input cost remains inflated due to increase in traded-cement**



Source: Company, HDFC Sec Inst Research

**JKLC's OPM and NPM have recovered to a 5-yr high**



Source: Company, HDFC Sec Inst Research

*While we marginally cut vol estimates for FY20/21E, we upgrade EBITDA estimates by 15/19% on better pricing and cost outlook. We also introduce FY22E estimates*

*We have modelled in higher capex of Rs 6bn each in FY21/22E as against an avg annual capex of Rs 1.4bn in the last five years. This is to account for brownfield expansions across its plants in north/east regions as JKLC is already operating its clinker capacities at peak utilisation*

### Change in Estimates

Rs bn (Standalone)	FY20E Old	FY20E Revised	Change %	FY21E Old	FY21E Revised	Change %
Net Revenues	42.21	43.48	3.0	45.02	47.75	6.1
EBITDA	5.97	6.89	15.4	6.45	7.70	19.3
APAT	2.20	2.57	16.8	2.65	3.27	23.4
AEPS	18.7	21.8	16.8	22.5	27.8	23.4

Source: HDFC sec Inst Research

### Peer Set Comparison

Company	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP	EV/EBITDA (x)			EV/MT (USD)			Net D:E (x)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
UltraTech Cement	1,163.5	4,236	BUY	5,350	18.8	14.0	12.8	188	185	179	0.6	0.5	0.3	8.3	12.2	11.9
Shree Cement	700.2	20,099	NEU	20,000	25.4	18.2	15.9	260	244	227	0.0	(0.1)	(0.2)	13.5	16.9	16.4
Ambuja Cements	403.8	203	BUY	240	13.4	11.4	10.2	132	128	118	(0.7)	(0.7)	(0.7)	5.9	6.4	6.7
ACC	293.8	1,565	BUY	1,940	12.4	10.6	9.3	127	123	121	(0.3)	(0.4)	(0.4)	11.0	13.1	13.7
Ramco Cements	189.3	804	BUY	880	19.7	15.0	13.0	210	190	171	0.3	0.4	0.4	12.1	16.0	16.0
Dalmia Bharat	156.6	813	BUY	1,500	9.8	8.2	7.4	111	111	84	0.3	0.3	0.3	2.8	3.9	4.5
JK Cements	87.5	1,132	BUY	1,321	12.9	10.2	9.2	113	94	95	0.8	0.9	0.8	10.5	15.1	15.7
Star Cement	40.1	96	BUY	138	8.8	8.3	6.7	164	132	117	(0.1)	(0.2)	(0.3)	17.9	16.5	17.4
<b>JK Lakshmi</b>	<b>36.2</b>	<b>308</b>	<b>BUY</b>	<b>483</b>	<b>11.7</b>	<b>6.8</b>	<b>6.1</b>	<b>68</b>	<b>66</b>	<b>66</b>	<b>0.8</b>	<b>0.6</b>	<b>0.5</b>	<b>5.3</b>	<b>15.7</b>	<b>17.2</b>
Orient Cement	16.4	80	BUY	150	9.3	6.6	5.8	56	54	54	1.2	1.0	0.9	4.6	11.5	14.4
Deccan Cement	5.0	355	BUY	670	4.4	3.4	3.7	29	33	37	(0.2)	(0.0)	0.1	11.9	19.5	16.2

Source: Company, HDFC sec Inst Research, For ACC and Ambuja, the financial year is CY18/CY19E/CY20E resp

**Standalone Income Statement**

(Rs Mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>Revenues</b>	<b>34,122</b>	<b>38,823</b>	<b>43,482</b>	<b>47,755</b>	<b>51,722</b>
<b>Growth %</b>	<b>17.2</b>	<b>13.8</b>	<b>12.0</b>	<b>9.8</b>	<b>8.3</b>
Raw Material	7,784	9,687	11,618	12,481	13,366
Power & Fuel	7,959	9,198	8,741	9,614	10,611
Freight Expense	8,726	9,533	8,963	10,004	11,042
Employee cost	2,350	2,599	3,021	3,389	3,704
Other Expenses	3,190	3,656	4,244	4,568	4,895
<b>EBITDA</b>	<b>4,114</b>	<b>4,150</b>	<b>6,894</b>	<b>7,699</b>	<b>8,105</b>
<b>EBITDA Margin (%)</b>	<b>12.1</b>	<b>10.7</b>	<b>15.9</b>	<b>16.1</b>	<b>15.7</b>
<b>EBITDA Growth %</b>	<b>12.6</b>	<b>0.9</b>	<b>66.1</b>	<b>11.7</b>	<b>5.3</b>
Depreciation	1,793	1,794	1,918	2,067	2,250
<b>EBIT</b>	<b>2,321</b>	<b>2,356</b>	<b>4,976</b>	<b>5,632</b>	<b>5,855</b>
Other Income (Including EO Items)	681	563	20	270	300
Interest	1,975	1,874	1,616	1,225	1,373
<b>PBT</b>	<b>1,027</b>	<b>1,044</b>	<b>3,380</b>	<b>4,677</b>	<b>4,781</b>
Tax	188	249	1,014	1,403	1,434
RPAT	<b>840</b>	<b>796</b>	<b>2,366</b>	<b>3,274</b>	<b>3,347</b>
EO (Loss) / Profit (Net Of Tax)	-	-	(200)	-	-
<b>APAT</b>	<b>840</b>	<b>796</b>	<b>2,566</b>	<b>3,274</b>	<b>3,347</b>
<b>APAT Growth (%)</b>	<b>2.4</b>	<b>(5.2)</b>	<b>222.5</b>	<b>27.6</b>	<b>2.2</b>
<b>AEPS</b>	<b>7.1</b>	<b>6.8</b>	<b>21.8</b>	<b>27.8</b>	<b>28.4</b>
<b>AEPS Growth %</b>	<b>2.4</b>	<b>(5.2)</b>	<b>222.5</b>	<b>27.6</b>	<b>2.2</b>

Source: Company, HDFC sec Inst Research

**Standalone Balance Sheet**

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>					
Share Capital	589	589	589	589	589
Reserves And Surplus	13,944	14,638	16,863	19,996	23,131
<b>Total Equity</b>	<b>14,532</b>	<b>15,227</b>	<b>17,452</b>	<b>20,584</b>	<b>23,719</b>
Long-term Debt	16,075	15,543	14,043	14,000	14,000
Short-term Debt	4,130	586	600	600	600
<b>Total Debt</b>	<b>20,204</b>	<b>16,129</b>	<b>14,643</b>	<b>14,600</b>	<b>14,600</b>
Deferred Tax Liability	(200)	(220)	(220)	(220)	(220)
Long-term Liab+ Provisions	3,112	3,621	3,621	3,621	3,972
<b>TOTAL SOURCES OF FUNDS</b>	<b>37,648</b>	<b>34,757</b>	<b>35,496</b>	<b>38,585</b>	<b>42,072</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	27,952	26,390	28,972	27,905	34,655
Capital WIP	2,261	4,111	611	5,611	2,611
Goodwill	-	-	-	-	-
Other Non-current Assets	1,919	1,892	2,009	2,009	2,009
Total Non-current Investments	3,539	3,573	3,073	3,073	3,073
<b>Total Non-current Assets</b>	<b>35,671</b>	<b>35,966</b>	<b>34,665</b>	<b>38,598</b>	<b>42,347</b>
Inventories	3,170	3,117	3,812	4,318	4,676
Debtors	969	1,066	1,251	1,374	1,488
Cash and Cash Equivalents	4,518	3,804	3,918	3,706	4,030
Other Current Assets (& Loans/adv)	356	382	392	402	414
<b>Total Current Assets</b>	<b>9,014</b>	<b>8,369</b>	<b>9,373</b>	<b>9,800</b>	<b>10,609</b>
Creditors	3,186	5,114	3,459	3,723	4,170
Other Current Liabilities & Provns	3,851	4,464	5,083	6,090	6,715
<b>Total Current Liabilities</b>	<b>7,037</b>	<b>9,578</b>	<b>8,542</b>	<b>9,813</b>	<b>10,884</b>
<b>Net Current Assets</b>	<b>1,977</b>	<b>(1,209)</b>	<b>831</b>	<b>(12)</b>	<b>(276)</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>37,648</b>	<b>34,757</b>	<b>35,496</b>	<b>38,585</b>	<b>42,072</b>

Source: Company, HDFC sec Inst Research

**Standalone Cash Flow**

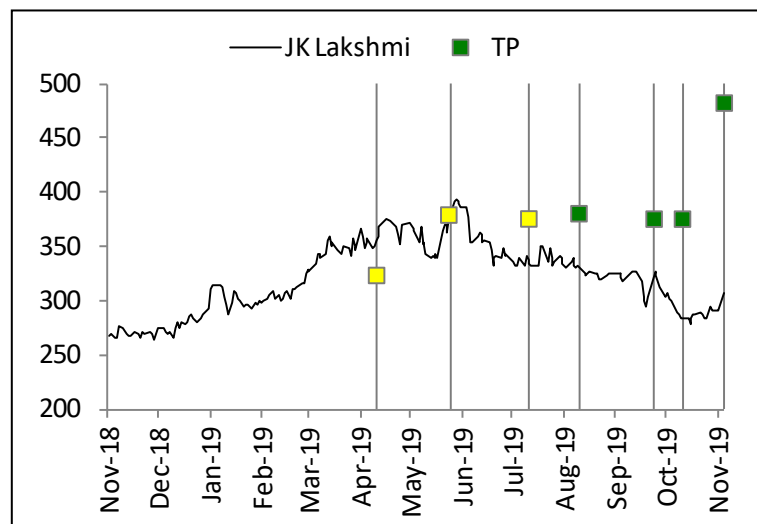
(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	1,027	1,044	3,380	4,677	4,781
Non-operating & EO Items	(436)	(335)	(220)	(270)	(300)
Interest Expenses	1,975	1,874	1,616	1,225	1,373
Depreciation	1,793	1,794	1,918	2,067	2,250
Working Capital Change	591	2,698	(2,043)	632	938
Tax Paid	(386)	(181)	(1,014)	(1,403)	(1,434)
<b>OPERATING CASH FLOW ( a )</b>	<b>4,565</b>	<b>6,895</b>	<b>3,637</b>	<b>6,928</b>	<b>7,609</b>
Capex	(1,369)	(1,888)	(1,000)	(6,000)	(6,000)
Free Cash Flow (FCF)	3,196	5,006	2,637	928	1,609
Investments	463	1,065	500	500	500
Non-operating Income	17	29	220	270	300
Others					
<b>INVESTING CASH FLOW ( b )</b>	<b>(888)</b>	<b>(794)</b>	<b>(280)</b>	<b>(5,230)</b>	<b>(5,200)</b>
Debt Issuance/(Repaid)	(1,502)	(3,934)	(1,486)	(43)	-
Interest Expenses	(2,046)	(1,991)	(1,616)	(1,225)	(1,373)
FCFE	(351)	(919)	(464)	(341)	236
Share Capital Issuance	-	-	-	-	-
Dividend	(103)	(111)	(141)	(141)	(212)
<b>FINANCING CASH FLOW ( c )</b>	<b>(3,650)</b>	<b>(6,036)</b>	<b>(3,243)</b>	<b>(1,410)</b>	<b>(1,585)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>26</b>	<b>64</b>	<b>114</b>	<b>288</b>	<b>824</b>
EO Items, Others					
<b>Closing Cash &amp; Equivalents</b>	<b>5,113</b>	<b>4,583</b>	<b>3,918</b>	<b>4,206</b>	<b>4,530</b>

Source: Company, HDFC sec Inst Research

**Standalone Key Ratios & Valuations**

	FY18	FY19	FY20E	FY21E	FY22E
<b>PROFITABILITY %</b>					
EBITDA Margin	12.1	10.7	15.9	16.1	15.7
EBIT Margin	6.8	6.1	11.4	11.8	11.3
APAT Margin	2.5	2.0	5.9	6.9	6.5
RoE	5.9	5.3	15.7	17.2	15.1
RoIC	5.7	5.6	11.1	11.9	11.2
RoCE	6.4	6.1	10.4	11.2	10.7
<b>EFFICIENCY</b>					
Tax Rate %	18.3	23.8	30.0	30.0	30.0
Fixed Asset Turnover (x)	1.1	1.2	1.2	1.2	1.2
Inventory (days)	34	29	32	33	33
Debtors (days)	10	10	11	11	11
Other Current Assets (days)	4	4	3	3	3
Payables (days)	34	48	29	28	29
Other Current Liab & Provns (days)	41	42	43	47	47
Cash Conversion Cycle (days)	(27)	(47)	(26)	(28)	(30)
Net Debt/EBITDA (x)	3.8	3.0	1.6	1.4	1.3
Net D/E (x)	1.1	0.8	0.6	0.5	0.4
Interest Coverage (x)	1.2	1.3	3.1	4.6	4.3
<b>PER SHARE DATA (Rs)</b>					
EPS	7.1	6.8	21.8	27.8	28.4
CEPS	22.4	22.0	38.1	45.4	47.6
Dividend	0.8	0.8	1.0	1.0	1.5
Book Value	123.5	129.4	148.3	174.9	201.5
<b>VALUATION</b>					
P/E (x)	43.1	45.5	14.1	11.1	10.8
P/Cash EPS (x)	13.8	14.0	8.4	6.8	6.5
P/BV (x)	2.5	2.4	2.1	1.8	1.5
EV/EBITDA (x)	12.3	11.2	6.8	5.8	5.6
EV/MT(USD)	72	66	66	63	54
Dividend Yield (%)	0.2	0.2	0.3	0.3	0.5
OCF/EV (%)	9.0	14.8	7.8	15.6	16.7
FCFF/EV (%)	6.3	10.8	5.7	2.1	3.5
FCFE/M Cap (%)	8.8	13.8	7.3	2.6	4.4

Source: Company, HDFC sec Inst Research,

**RECOMMENDATION HISTORY**


Date	CMP	Reco	Target
10-Apr-19	351	NEU	324
27-May-19	376	NEU	378
10-Jul-19	341	NEU	376
11-Aug-19	332	BUY	381
22-Sep-19	303	BUY	376
10-Oct-19	286	BUY	376
5-Nov-19	308	BUY	483

**Rating Definitions**

- BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period  
**NEUTRAL** : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period  
**SELL** : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

**INSTITUTIONAL RESEARCH**
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