

JK Lakshmi Cement (JKLAKS)

Higher power cost pressurises margins...

- JK Lakshmi Cements reported a mixed set of Q1FY18 numbers. Revenues increased 15.9% YoY to ₹ 901.1 crore (above I-direct estimate of ₹ 868.6 crore) led by 8% YoY increase in volumes to 2.28 MT (vs. I-direct estimate: 2.3 MT) mainly due to healthy demand in east. Realisation also increased 7.4% YoY at ₹ 3,949/t (vs. I-direct estimate: ₹ 3,803/t) due to better pricing scenario in north
- However, EBITDA/tonne declined 5.2% YoY to ₹ 527/tonne (below I-direct estimate: ₹ 569/t). This was mainly led by higher power & fuel cost/t (up 46.2% YoY) due to a rise in pet coke prices that increased from ~₹ 6,000 to ~₹ 7,000 QoQ. However, JK managed to improve its power consumption to 72 Kwhr from 73 Kwhr/mt last year
- To bring down the power cost, the company is installing 7.5 MW WHRP plant in Durg, which is likely to be commissioned in October 2017. The company is also setting up a 20 MW thermal power plant in Durg, which will come into stream during Q3FY19E

Higher government spend to drive growth...

Increased government spending in roads and affordable housing in the company's key markets is expected to boost cement demand in coming years. In addition, an improvement in pricing power in the north region due to limited capacity addition is expected to drive realisation. As a result, we expect company utilisation and realisation to remain healthy resulting in revenue CAGR of 17.1% in FY17-19E.

...capacity expansion to further boost volumes

The company has increased its total capacity at Durg by 0.9 MT to 2.7 MT in the current quarter. Also, it has commissioned 1.3 MT grinding unit at Surat in October 2016 and is in the process of setting up another 0.6 MT grinding unit at Odisha. This is expected to lead to total capacity of 11.5 MT (standalone capacity) by FY19E from 10 MT in FY17. We expect the benefit of these expansions to lead to a sales volume growth of 12.8% over FY17-19E.

Cost rationalisation at Durg plant to drive margins

The company's east operations have lower profitability compared to its north operations due to high power cost. However, to rationalise power cost the company is setting up WHRMS (7 MW by October 2017) and captive power of 20 MW (by October 2018) in the Durg facility, which will help save power cost/t by ~₹ 200/t. Further, re-allocating excess captive power (18 MW) from Sirohi to Udaipur Cement Works will further reduce power cost. In addition, commissioning of conveyor belt by Q3FY18 will help to reduce freight expenses on limestone by ~₹ 30-40/t. This coupled with debt reduction will boost company's margins.

Cost headwinds to remain in near term; maintain HOLD

A revival in cement demand coupled with capacity expansion is expected to result in revenue CAGR of 17.1% in FY17-19E. Further, cost control initiatives like setting up of grinding unit, captive power plant, WHRMS and conveyor belt at Durg are expected to drive margins over FY17-19E. Hence, we remain positive on the stock from a long term perspective. However, subdued volume growth in H2FY18E, delay in commissioning of Odisha plant and challenges at east operation (as CPP will take at least 1.5 years to be commissioned) remain a concern. Hence, we maintain **HOLD** rating with a target price of ₹ 595 (i.e. at \$90/tonne on FY19E capacity of 13.0 MT and EV/EBITDA of 11.0x).

Rating matrix		
Rating	:	Hold
Target	:	₹ 495
Target Period	:	12-15 months
Potential Upside	:	10%

What's changed?	
Target	Changed from ₹ 525 to ₹ 495
EPS FY18E	Changed from ₹ 13.1 to ₹ 10.2
EPS FY19E	Changed from ₹ 22.7 to ₹ 20.7
Rating	Unchanged

Quarterly performance					
	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
Revenue	901.1	777.2	15.9	806.7	11.7
EBITDA	120.3	117.5	2.4	71.6	68.1
EBITDA (%)	13.4	15.1	-177 bps	8.9	448 bps
PAT	28.3	28.6	(1.3)	20.9	35.6

Key financials				
₹ Crore	FY16	FY17	FY18E	FY19E
Net Sales	2619.9	2910.4	3321.3	3991.8
EBITDA	272.0	365.4	462.4	633.3
Net Profit	-6.6	82.0	119.9	244.0
EPS (₹)	-0.6	7.0	10.2	20.7

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E	NA	63.9	43.7	21.5
Target P/E	NA	71.1	48.6	23.9
EV/EBITDA	25.0	18.7	14.3	10.2
EV/Tonne(\$)	136	98	88	82
P/BV	4.0	3.8	3.5	3.0
RoNW (%)	-0.5	5.9	8.0	14.2
RoCE (%)	3.5	5.5	8.5	12.9

Stock data	
Particular	Amount
Mcap	₹ 5238 crore
Debt (FY17)	₹ 2107 crore
Cash & Invest (FY17)	₹ 509 crore
EV	₹ 6836 crore
52 week H/L	₹ 535 / ₹ 326
Equity cap	₹ 274.2 crore
Face value	₹ 10

Price performance				
	1M	3M	6M	12M
Heidelberg Cem.	1.8	20.4	22.1	36.5
India Cement	32.9	33.8	93.9	143.5
JK Cement	21.5	29.5	49.7	91.3
JK Lakshmi Cem.	13.4	33.4	42.9	51.8

Research Analyst	
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Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
Net Sales	901.1	868.6	777.2	15.9	806.7	11.7	The increase in revenues was led by 8% YoY increase in volumes and 7.4% YoY increase in realisations
Other Incomes	10.2	10.0	10.4	-2.1	26.3	-61.2	
Raw Material Expenses	224.9	230.4	202.8	10.9	206.6	8.9	
Employee Expenses	59.1	56.0	53.8	9.9	48.8	21.1	
Change in stock	7.6	0.0	10.4	-27.3	21.4	-64.5	
Power and fuel	192.0	164.4	131.3	46.2	168.2	14.2	Increase in pet coke prices led to higher power cost in the quarter
Freight	214.0	205.5	182.6	17.2	211.1	1.4	Increase in diesel prices led to rise in freight cost partly offset by lower lead distance and reduction in rail freight
Others	83.2	82.2	78.8	5.6	79.1	5.2	
EBITDA	120.3	130.0	117.5	2.4	71.6	68.1	
EBITDA Margin (%)	13.4	15.0	15.1	-177 bps	8.9	448 bps	Rise in power cost led to fall in EBITDA margins
Interest	49.2	46.7	46.3	6.2	46.6	5.5	
Depreciation	43.9	45.5	41.2	6.5	45.7	-3.9	Capacity expansion led to increase in depreciation expenses
Less: Exceptional Items	0.0	0.0	0.0	NA	0.0	NA	
PBT	37.4	47.8	40.4	-7.4	5.5	575.5	
Total Tax	9.1	13.9	11.8	NA	-15.3	NA	
PAT	28.3	NA	28.6	-1.3	20.9	35.6	Lower operating margins and higher depreciation led to decline in PAT
Adjusted PAT	28.3	33.9	28.6	-1.3	20.9	35.6	

Key Metrics

	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
Volume (MT)	2.28	2.28	2.11	8.0	2.29	-0.3	
Realisation (₹)	3,949	3,803	3,678	7.4	3,523	12.1	Pricing environment in northern region remained strong for the entire quarter
EBITDA per Tonne (₹)	527	569	556	-5.2	312	68.7	The decline in EBITDA/t was due to higher power cost/t

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	Old	FY18E New	% Change	Old	FY19E New	% Change	Comments
Revenue	3,502.6	3,362.1	-4.0	4,040.7	4,041.8	0.0	We expect revenues to increase at a CAGR of 17.6% in the next two years
EBITDA	508.4	462.4	-9.1	613.6	633.3	3.2	
EBITDA Margin (%)	14.5	13.8	-76 bps	15.2	15.7	48 bps	The company's margin is expected to improve from 12.3% in FY17 to 16.5% in FY19E led by higher realisation and cost rationalisation
PAT	127.6	119.9	-6.1	232.7	244.0	4.9	Reduction in debt to help boost PAT
EPS (₹)	13.1	10.2	-22.1	20.2	20.7	2.7	

Source: Company, ICICIdirect.com Research

Assumptions

	FY13	FY14	Current FY15	FY16	FY17	FY18E	FY19E	Earlier FY18E	FY19E	Comments
Volume (MT)	5.3	5.6	6.0	7.3	7.9	8.6	10.1	9.3	10.2	We expect volume grow at a CAGR of 12.8% in FY17-19E led by a pick-up in demand and capacity expansion
Realisation (₹)	3,889	3,661	3,874	3,577	3,661	3,850	3,946	3,797	3,930	We expect realisation to improve gradually over the next two years
EBITDA per Tonne (₹)	808	537	587	370	460	536	617	552	610	We expect EBITDA/tonne of ₹ 617/t in FY19E

Source: Company, ICICIdirect.com Research

Company Analysis

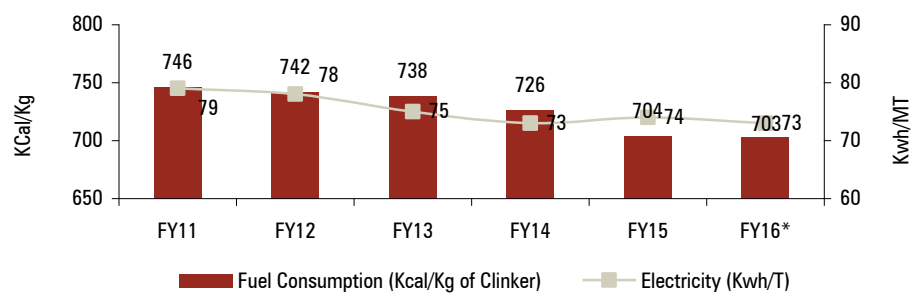
Increase in infra spends by government to drive growth

Increased government spending in roads and affordable housing in the company's key markets is expected to boost cement demand in coming years. In addition, an improvement in pricing power in the north region due to limited capacity addition is expected to drive realisation. As a result, we expect the utilisation and realisation to remain healthy resulting in revenue CAGR of 17.1% over FY17-19E.

Cost effective operational efficiency

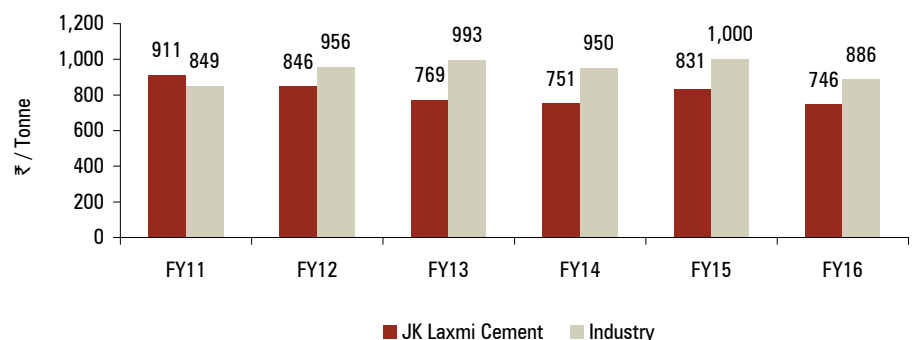
JK Lakshmi has been one of the most cost effective players in the industry. The company has gradually shifted from coal usage to low cost pet-coke, which also avoids uncertainty about coal availability. As a result, fuel consumption has reduced gradually. JK Lakshmi has 100% captive power capacity with 54 MW of thermal power plant, 14 MW of waste heat recovery and 6 MW of solar power. Effectively, the company has 74 MW of captive power available, which makes its north operations self sufficient in power. Further, JK Lakshmi is setting up WHRMS and CPP at Durg plant in FY19E, which will make its east operations self sufficient in power.

Exhibit 1: Gradual reduction in power & fuel consumption



Source: Company, ICICIdirect.com Research, *Provisional figures

Exhibit 2: Lower P&F costs than industry



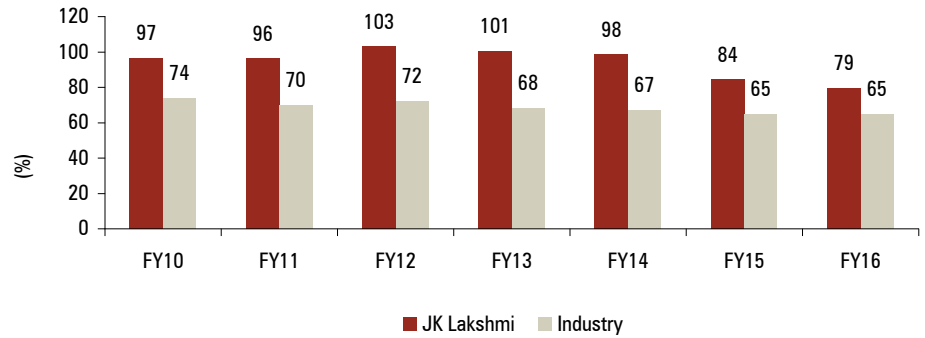
Source: Company, ICICIdirect.com Research

Due to the combined effect of a shift in fuel components and captive power plants, the P&F cost has been lower for the company

Operates at healthy utilisation in industry...

Due to the company's strong focus on the northern and western regions where demand is continuously rising, the company has been able to maintain higher utilisation even in a difficult business environment. During FY13 and FY14, the company reported over 90% capacity utilisation while in FY16 JK Lakshmi managed to maintain effective capacity utilisation of 79% despite a slowdown in the economy.

Exhibit 3: Higher utilisation levels

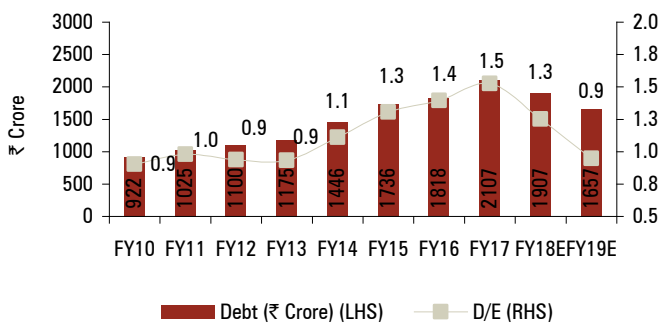


Source: Company, ICICIdirect.com Research

Healthy expansion plans to fuel future growth...

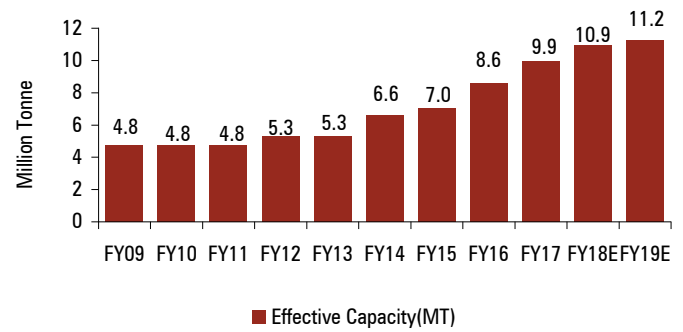
The company has increased its total capacity at Durg by 0.9 MT to 2.7 MT in current quarter. Also, it has commissioned 1.3 MT grinding unit at Surat in October 2016 and is in the process of setting up another 0.6 MT grinding unit at Odisha. This is expected to lead to total capacity of 11.5 MT (standalone capacity) by FY19E from 10 MT in FY17. We expect the benefit of these expansions to lead to sales volume growth of 12.8% over FY17-19E.

Exhibit 4: Manageable D/E ratio



Source: Company, ICICIdirect.com Research

Exhibit 5: Capacity expansion plans



Source: Company, ICICIdirect.com Research

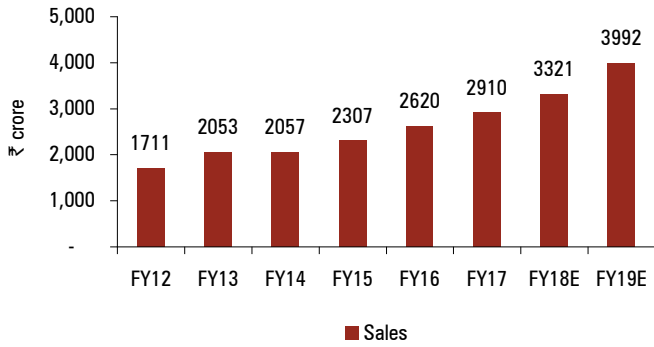
Key conference call highlights

- 1) Demand in the east (increased 3-4% in FY17) was better with 10% growth than the north (registered de-growth in FY17) with negative demand of -2%
- 2) The capacity addition in north has slowed down compared to eastern region, which bodes well for the company from a long term perspective
- 3) The company has higher market share in Gujarat and Rajasthan with 10% and 8% share, respectively. Total 60% of total supplies are sold in Gujarat and Rajasthan. In Chhattisgarh, the company's market share is 16%
- 4) The PPC OPC and slag mix is 53:43:4 for the quarter. The average lead distance is 460 km in north and 280 km in eastern region
- 5) Average pet coke cost in Q1FY18 is close to ~₹ 7000/t vs. Q4FY17 average pet coke prices of ~₹ 6,300/t. The current petcoke prices are ~₹ 7500/t, which has peaked out as per the management. The company does not have inventory of low cost pet coke anymore at present
- 6) The Durg plant had capacity utilisation of 92.0% and operating with 11% margins. The cement prices in Chhattisgarh remained weak, which had a negative impact on margins
- 7) Clinker capacity in Durg plant can be increased to 1.8 MT from 1.5 MT through de-bottlenecking
- 8) Total standalone capacity is 10.9MT of which 8.2MT is in North
- 9) The commissioning of Surat GU unit led to a rise in employee cost and other operational costs on YoY basis
- 10) Total gross debt is ~₹ 2200 crore and ~₹ 1700 crore on net basis. The debt pertaining to Udaipur unit is ~₹ 525 crore
- 11) The company will incur ₹ 150 crore of capex for setting up of thermal power plants, going forward

Expect 17.1% revenue CAGR in FY17-19E led by capacity expansion

Revenues have grown at 11.2% CAGR in FY12-17 led by realisation CAGR of 0.9% and volume CAGR of 10.2% during the same period. Going forward, with an expected recovery in demand along with capacity addition, we expect revenue CAGR of 17.1% in FY17-19E. We expect volumes to grow at a CAGR of 12.8% during FY17-19E.

Exhibit 6: Expect expansion led revenue CAGR of 17.7% during FY17-19E



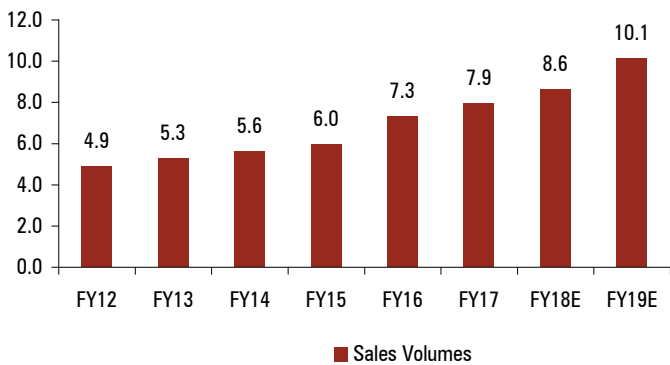
Source: Company, ICICIdirect.com Research

Exhibit 7: Capacity addition plans

	State	Region	MT
Current Capacity			
	Rajasthan	North	4.94
	Gujarat	West	0.7
	Haryana	North	1.31
	Chhattisgarh	East	2.7
	Gujarat	West	1.3
			10.9
Additions			
	Odisha	East	0.6
Total Standalone Capacity Post Expansion			11.5
Rajasthan (Subsidiary)		West	1.6
Total Consolidated Capacity Post Expansion			13.1

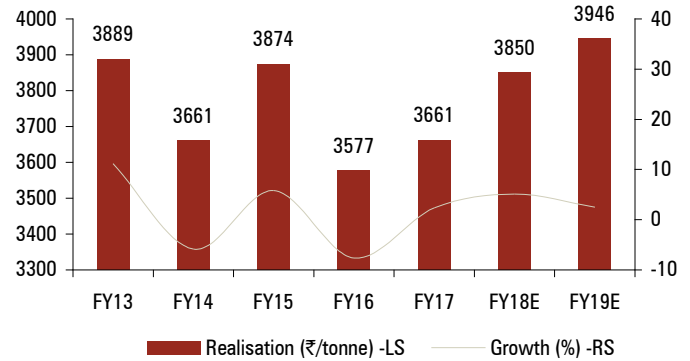
Source: Company, ICICIdirect.com Research

Exhibit 8: Volume to grow at 12.8% CAGR during FY17-19E



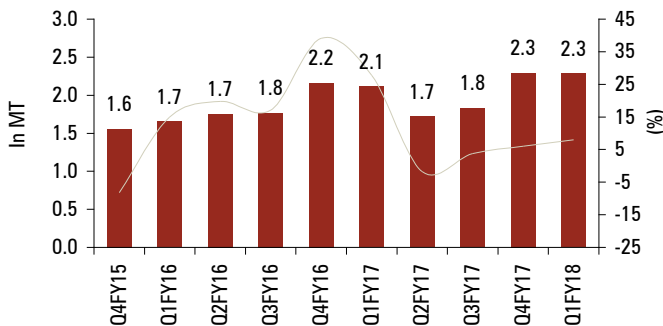
Source: Company, ICICIdirect.com, Research

Exhibit 9: Realisations to improve over next two years



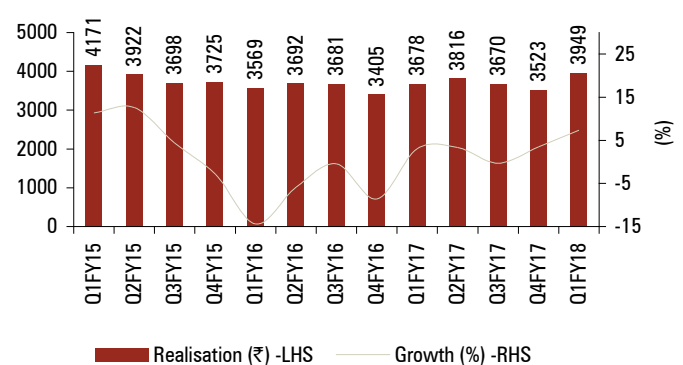
Source: Company, ICICIdirect.com, Research

Exhibit 10: Q1FY18 sales volume increase 8.0% YoY



Source: Company, ICICIdirect.com Research

Exhibit 11: Q1FY18 realisations increased 7.4% YoY

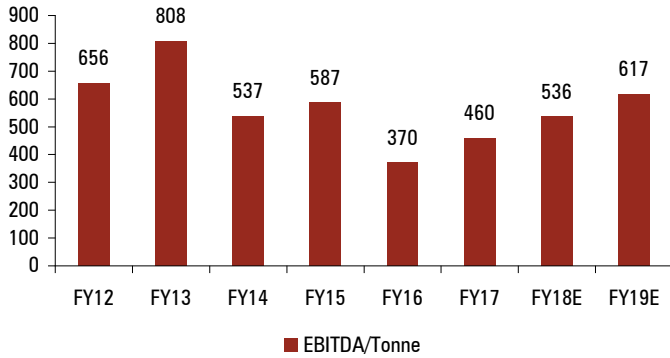


Source: Company, ICICIdirect.com Research

Margins to improve progressively over next two years

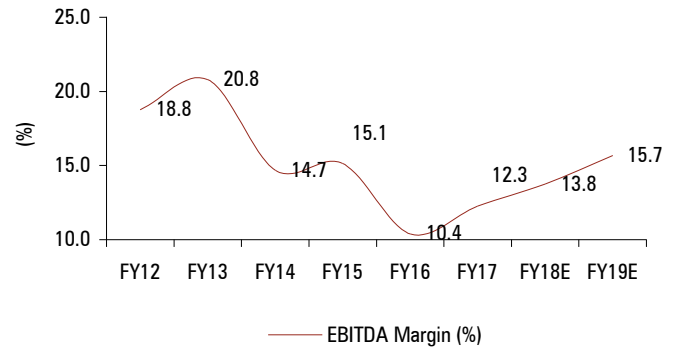
We expect margins to improve from 12.3% in FY17 to 15.7% in FY19E led by lower freight cost (due to commissioning of grinding unit) and lower power cost.

Exhibit 12: Expect EBITDA/tonne of ₹ 617 by FY19E



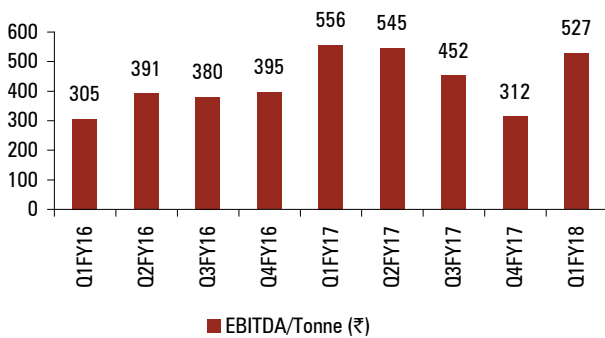
Source: Company, ICICIdirect.com Research

Exhibit 13: Margins to improve progressively



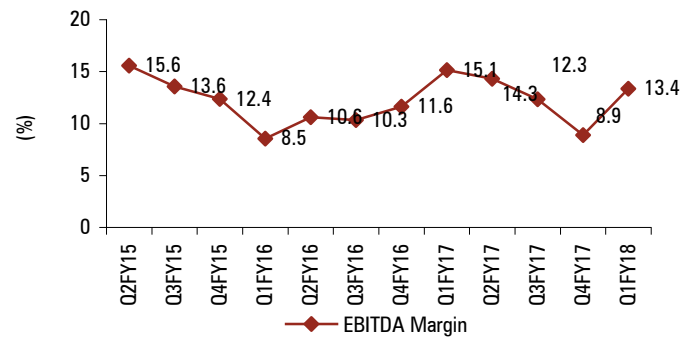
Source: Company, ICICIdirect.com Research

Exhibit 14: Q1FY18 EBITDA/tonne decreased 5.2%YoY



Source: Company, ICICIdirect.com Research

Exhibit 15: Margins decrease 177bps YoY

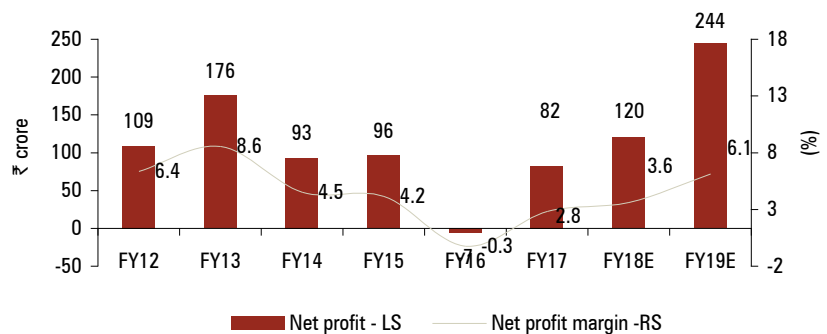


Source: Company, ICICIdirect.com Research

Net profit to improve led by better performance at operating level

We expect net profit to increase from ₹ 82 crore in FY17 to ₹ 247 crore in FY19E mainly led by better performance at the operating level. Net margins are expected to improve from 2.8% in FY17 to 6.2% in FY19E.

Exhibit 16: Profitability trend



Source: Company, ICICIdirect.com Research

Outlook and valuation

A revival in cement demand coupled with capacity expansion is expected to result in revenue CAGR of 17.1% over FY17-19E. Further, cost control initiatives like setting up of grinding unit, captive power plant, WHRMS and conveyor belt at Durg are expected to drive margins over FY17-19E. Hence, we remain positive on the stock from long term perspective. However, subdued volume growth in H2FY18E, delay in commissioning of Odisha plant and challenges at east operation (as CPP will take at least 1.5 years to be commissioned) remain a concern. Hence, we maintain **HOLD** rating with a target price of ₹ 595 (i.e. at \$90/tonne on FY19E capacity of 13.0 MT and EV/EBITDA of 11.0x).

Exhibit 17: Assumptions

₹ per tonne	FY15	FY16	FY17E	FY18E	FY19E
Sales Volume (mtpa)	6.0	7.3	7.9	8.6	10.1
Net Realisation	3874	3577	3661	3850	3946
Total Expenditure	3287	3207	3202	3314	3329
Stock Adjustment	-71	-24	16	9	9
Raw material	1054	970	943	957	980
Power & Fuel	831	746	713	820	780
Employees	245	267	262	249	265
Freight	867	898	906	913	925
Others	362	350	362	365	370
EBITDA per Tonne	587	370	460	536	617

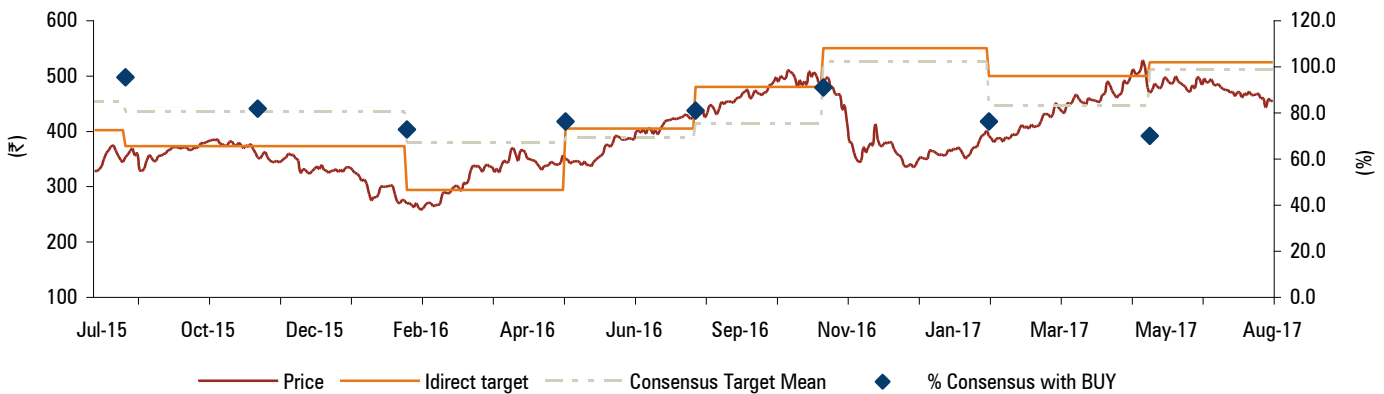
Source: Company, ICICIdirect.com Research

Exhibit 18: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	EV/Tonne (\$)	RoNW (%)	RoCE (%)
FY16	2619.9	13.6	0.4	-97.4	1256.0	25.0	136	0.3	5.0
FY17	2910.4	11.1	7.0	1866.4	63.9	18.7	98	5.9	7.5
FY18E	3321.3	14.1	10.2	46.2	43.7	14.3	88	8.0	9.7
FY19E	3991.8	20.2	20.7	103.6	21.5	10.2	82	14.2	14.4

Source: Company, ICICIdirect.com Research

Recommendation history vs. Consensus estimate



Source: Bloomberg, Company, ICICIdirect.com Research

Key events	
Date	News/Event
Feb-09	Government announces excise duty cut of 2% to boost cement sales
Mar-11	The company completes the setting up of 18 MW power plant and 12 MW green power project, through waste heat recovery
Apr-11	The company registers de-growth of ~ 12% in sales and ~6% in volume due to subdued demand. However, capacity utilisation for the company stood at 91%, much higher than industry trend of ~75%
Feb-12	Stock surges as board approves buyback of equity shares up to ₹ 97.5 crore at maximum price of ₹ 70/share (i.e 1.39 crore shares)
Mar-12	The government proposes to raise excise duty on the building material from 10% to 12% against the expectations of a cut in the same
Apr-12	The company reports one of the best quarterly results in recent times with 39% YoY increase in net sales due to a sharp increase in cement demand after the monsoon season. Net profit increased 10x compared to the the previous year on the back of a lower base and higher margin expansion
Apr-13	Expansion plant at Durg gets delayed by four to six months to Q1FY15 from Q4FY14 as projected earlier due to damage caused to properties by local villagers. The expected loss from this damage works out to ~₹ 140 crore, which was fully covered by insurance
Mar-14	The company increases its stake in Udaipur Cement Works (UCWL) from 27.72% to 75.46% with the allotment of fresh equity shares worth ₹ 78 crore, thereby making UCWL a subsidiary company
Apr-14	Company increases its capacity from 5.3 MTPA in FY13 to 6.6 MTPA by FY14 via brownfield expansion and de-bottlenecking at existing plants
May-14	With the commissioning of the 2.7 MTPA plant in eastern region, the company will have a standalone capacity of 9.3 MTPA by Q4FY15
May-15	Commissions 1.7 MT cement plant in Chhattisgarh being the first phase of the company's greenfield cement plant of 2.7 MT
Oct-16	Commissions 1.3 MT surat grinding unit at Surat
Mar-17	Expands Chattisgarh plant by 0.9 MT to 2.7 MT

Source: Company, ICICIdirect.com Research

Top 10 Shareholders						Shareholding Pattern					
Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)	(in %)	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
1	Bengal & Assam Company Ltd	30-Jun-17	23.8	28.1	0.0	Promoter	45.94	45.94	45.94	45.94	45.94
2	JK Organisation	30-Jun-17	11.6	13.6	0.0	FII	12.57	12.20	11.18	10.31	10.34
3	BMF Investment, Ltd.	30-Jun-17	9.4	11.0	0.0	DII	19.80	20.98	22.08	23.16	18.80
4	HDFC Standard Life Insurance Company Limited	30-Jun-17	3.5	4.1	-0.2	Others	21.69	20.88	20.80	20.59	24.92
5	ICICI Prudential Asset Management Co. Ltd.	30-Jun-17	3.5	4.1	-0.9						
6	Bansal (Sachin)	30-Jun-17	3.3	3.9	1.2						
7	Franklin Templeton Asset Management (India) Pvt. Ltd.	30-Jun-17	2.8	3.3	0.0						
8	Life Insurance Corporation of India	30-Jun-17	2.5	2.9	0.0						
9	Norges Bank Investment Management (NBIM)	30-Jun-17	2.4	2.8	0.1						
10	UTI Asset Management Co. Ltd.	30-Jun-17	2.1	2.4	0.0						

Source: Reuters, ICICIdirect.com Research

Recent Activity					
Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Bansal (Sachin)	9.11	1.21	ICICI Prudential Asset Management Co. Ltd.	-6.67	-0.89
Norges Bank Investment Management (NBIM)	0.76	0.10	Tata Asset Management Limited	-1.77	-0.32
Daiwa Asset Management Co., Ltd.	0.06	0.01	HDFC Standard Life Insurance Company Limited	-1.64	-0.22
LIC Mutual Fund Asset Management Company Ltd.	0.01	0.00	Bansal (Vivek)	-0.76	-0.10
UBS Asset Management (Switzerland)	0.01	0.00	Union KBC Asset Management Company Pvt. Ltd.	-0.76	-0.10

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Total operating Income	2,619.9	2,910.4	3,321.3	3,991.8	
Growth (%)	13.6	11.1	14.1	20.2	
Raw material	692.6	762.0	833.5	991.4	
Power & Fuel	546.6	567.0	707.8	789.0	
Employees	195.4	208.4	215.1	268.1	
Freight	657.5	720.1	787.9	935.7	
Others	256.5	287.6	314.7	374.3	
Total Operating Exp.	2,348.7	2,545.0	2,859.0	3,358.5	
EBITDA	271.1	365.4	462.4	633.3	
Growth (%)	-22.4	34.8	26.5	37.0	
Depreciation	162.9	172.4	173.3	190.3	
Interest	196.7	188.7	177.9	158.7	
Other Income	48.6	69.8	40.8	50.0	
Exceptional items	10.7	0.0	0.0	0.0	
PBT	-50.6	74.2	151.9	334.3	
Total Tax	-43.1	-7.8	32.0	90.3	
PAT	-7.5	82.0	119.9	244.0	
Adjusted PAT	4.2	82.0	119.9	244.0	
Growth (%)	-97.4	1,866.4	46.2	103.6	
Adjusted EPS (₹)	0.4	7.0	10.2	20.7	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Profit after Tax	-6.6	82.0	119.9	244.0	
Add: Depreciation	162.9	172.4	173.3	190.3	
(Inc)/dec in Current Assets	58.1	-86.7	-54.2	-109.4	
Inc/(dec) in CL and Prov.	77.9	125.5	173.7	138.7	
CF from operating activities	292.3	293.2	412.8	463.7	
(Inc)/dec in Investments	-14.1	-372.3	0.0	0.0	
(Inc)/dec in Fixed Assets	-231.5	-191.2	-200.0	-250.0	
Others	-112.2	-16.3	0.0	0.0	
CF from investing activities	-357.8	-579.8	-200.0	-250.0	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	82.0	288.2	-200.0	-200.0	
Dividend paid	-3.4	-10.3	-11.0	-11.0	
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0	
Others	-16.6	5.9	0.0	0.0	
CF from financing activities	62.0	283.8	-211.0	-211.0	
Net Cash flow	-3.5	-2.8	1.8	2.7	
Opening Cash	15.3	11.8	9.0	10.7	
Closing Cash	11.8	9.0	10.7	13.4	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Liabilities					
Equity Capital	58.9	58.9	58.9	58.9	
Reserve and Surplus	1,245.3	1,322.8	1,431.7	1,664.7	
Total Shareholders funds	1,304.1	1,381.7	1,490.5	1,723.6	
Total Debt	1,818.4	2,106.6	1,906.6	1,706.6	
Deferred Tax Liability	16.3	0.0	0.0	0.0	
Minority Interest / Others	0.0	0.0	0.0	0.0	
Total Liabilities	3,138.8	3,488.3	3,397.1	3,430.1	
Assets					
Gross Block	4,343.2	4,612.4	5,017.5	5,267.5	
Less: Acc Depreciation	1,613.7	1,786.0	1,959.4	2,149.6	
Net Block	2,729.5	2,826.3	3,058.1	3,117.8	
Capital WIP	283.1	205.1	0.0	0.0	
Total Fixed Assets	3,012.6	3,031.4	3,058.1	3,117.8	
Investments	254.7	499.7	499.7	499.7	
Inventory	240.6	277.6	313.8	397.0	
Debtors	96.5	89.5	123.4	132.5	
Loans and Advances	310.1	366.7	350.7	367.8	
Non current Investments	182.2	309.5	309.5	309.5	
Cash	11.8	9.0	10.7	13.4	
Total Current Assets	841.1	1,052.3	1,108.2	1,220.2	
Creditors	948.2	1,061.1	1,231.9	1,360.0	
Provisions	21.4	34.0	37.0	47.6	
Total Current Liabilities	969.6	1,095.1	1,268.9	1,407.6	
Net Current Assets	-128.5	-42.9	-160.7	-187.4	
Application of Funds	3,138.8	3,488.3	3,397.1	3,430.1	

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY16	FY17	FY18E	FY19E	
Per share data (₹)					
Adjusted EPS	13.5	0.4	7.0	10.2	
Cash EPS	13.3	21.6	24.9	36.9	
BV	110.8	117.4	126.6	146.4	
DPS	0.3	0.8	0.8	0.0	
Cash Per Share	1.0	0.8	0.9	1.1	
Operating Ratios (%)					
EBITDA Margin	10.4	12.6	13.9	15.9	
PAT Margin	-0.3	2.8	3.6	6.1	
Inventory days	32.3	32.5	32.5	32.5	
Debtor days	11.6	11.7	11.7	11.7	
Creditor days	124.9	126.0	126.0	118.5	
Return Ratios (%)					
RoE	0.3	5.9	8.0	14.2	
RoCE	5.0	7.5	9.7	14.4	
RoIC	4.2	7.0	10.0	15.2	
Valuation Ratios (x)					
P/E	1,256.0	63.9	43.7	21.5	
EV / EBITDA	25.0	18.7	14.3	10.2	
EV / Net Sales	2.6	2.3	2.0	1.6	
Market Cap / Sales	2.0	1.8	1.6	1.3	
Price to Book Value	4.0	3.8	3.5	3.0	
Solvency Ratios					
Debt/EBITDA	6.7	5.8	4.1	2.7	
Debt / Equity	1.4	1.5	1.3	1.0	
Current Ratio	0.7	0.7	0.6	0.6	
Quick Ratio	0.7	0.7	0.6	0.6	

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Cement)

Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹)			EV/EBITDA (x)			EV/Tonne (\$)			RoCE (%)			RoE (%)		
					FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
ACC*	1746	2050	Buy	32,814	39.0	60.3	68.1	24.0	17.5	14.9	168	147	146	11.1	16.4	16.7	8.5	12.1	12.6
Ambuja Cement*	263	305	Buy	52,223	4.9	6.5	6.9	22.4	17.3	15.1	184	171	171	3.8	7.2	8.0	5.1	6.5	6.8
UltraTech Cem	4,010	4750	Buy	110,034	96.3	90.8	130.0	21.8	21.0	14.9	252	222	210	12.1	9.2	12.3	10.8	9.6	12.5
Shree Cement	18,638	19700	Hold	65,250	385	455	538	26.5	21.6	17.3	380	365	293	12.3	14.6	15.7	17.4	17.3	17.3
Heidelberg Cem	127	140	Hold	2,878	3.4	4.9	6.8	15.0	12.5	10.2	115	110	107	8.2	10.5	13.8	7.9	10.8	14.2
India Cement	202	232	Buy	6,205	5.4	7.3	11.1	10.6	10.1	8.3	99	99	90	7.5	8.1	9.2	3.3	4.3	6.1
JK Cement	1,021	1265	Buy	7,140	37.1	50.9	59.2	14.5	11.5	10.2	134	129	118	12.6	15.1	16.6	14.5	16.1	16.2
JK Lakshmi Cem	445	495	Hold	5,297	7.0	10.2	20.7	18.7	14.3	10.2	98	88	82	7.5	9.7	14.4	5.9	8.0	14.2
Mangalam Cem	370	425	Buy	988	12.9	31.1	37.7	11.4	6.8	5.8	54	49	48	10.9	18.4	19.7	6.8	14.2	14.9
Star Cement	123	115	Hold	5,198	4.1	6.5	6.9	14.3	9.9	9.5	245	238	235	13.8	19.8	19.0	14.0	18.7	17.2

Source: Company, ICICIdirect.com Research

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