

**Capacity expansion to secure growth momentum**

Cement ▶ Result Update ▶ July 22, 2024

**TARGET PRICE (Rs): 4,850**

**JK Cement (JKCE)'s standalone EBITDA grew 19% YoY/declined 13% QoQ to Rs4.8bn, coming in 5-9% above consensus/our estimates. The beat was largely owing to lower than expected opex cost. Blended EBITDA/t came in at Rs1,014 for Q1FY25. The company's grey cement capacity is likely to see ~12% CAGR to 30mt by FY26E (from 24mt currently). Besides, the company has ambitions to see itself among the top-5 players in India, in terms of capacity, and targets doubling its current capacity by FY30 (~13% CAGR). Given the increased scale and efficiencies of grey cement operations and a steady white cement/wall putty business, we expect cashflow generation to support its next leg of growth. Accordingly, we raise our target EV/E to 15x (vs 14x earlier). Factoring-in the lower realization, we cut our FY25-26 EBITDA estimates by 4-5% and revise up Jun-25E TP to Rs4,850/sh, after a quarterly roll-over. We retain ADD on JKCE.**

**JK Cement: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	97,202	115,560	121,125	137,172	153,008
EBITDA	13,143	20,598	22,221	26,271	30,166
Adj. PAT	4,263	7,963	9,593	11,758	14,269
Adj. EPS (Rs)	55.2	103.1	124.2	152.2	184.7
EBITDA margin (%)	13.5	17.8	18.3	19.2	19.7
EBITDA growth (%)	(11.3)	56.7	7.9	18.2	14.8
Adj. EPS growth (%)	(38.0)	86.8	20.5	22.6	21.4
RoE (%)	9.5	15.8	16.6	17.6	18.3
RoIC (%)	7.9	11.9	13.8	15.0	15.2
P/E (x)	81.2	43.5	36.1	29.4	24.3
EV/EBITDA (x)	28.9	18.3	17.2	14.6	12.7
P/B (x)	7.4	6.4	5.6	4.8	4.1
FCFF yield (%)	(1.3)	2.1	0.0	1.0	1.9

Source: Company, Emkay Research

**Result Summary**

On a standalone basis, JKCE reported overall volume growth of 5% YoY to 4.72mt in Q1FY25, broadly in line with estimates. Grey cement volume grew 6% YoY to 4.33mt, with utilization of 79%. Volume for white cement and wall putty declined 3% YoY to 0.39mt. Given the weak pricing scenario in Q1, grey cement realization declined by Rs259/t QoQ to Rs4,670/t. On the cost front, total cost/t declined by Rs116 QoQ to Rs4,581 (Emkay: Rs4,717), with Rs57/t sequential reduction seen in fixed cost. Consolidated net debt (excl. working capital) increased by Rs2.5bn QoQ to Rs28.3bn as of Jun-24. Despite the company's capex plans, we expect its net debt to broadly remain at similar levels (~Rs35-36bn) over FY25E-27E.

**What we liked:** Better than industry volume growth, lower opex/t

**What we did not like:** Higher than expected decline in realization, increase in net debt

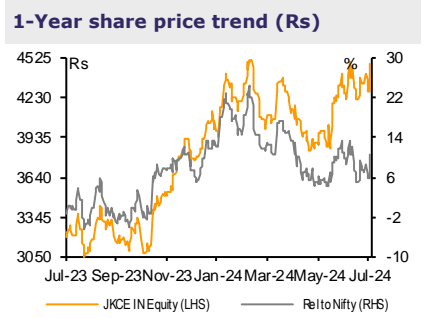
**Key takeaways from the earnings call**

a) The management targets 30mt/50mt capacity by FY26/FY30, respectively – Following the on-going expansion, the management is looking at various capacity-expansion options like i) brownfield expansion in Muddapur, Karnataka; ii) greenfield expansion in Jaisalmer; iii) line 3 expansion at Panna; and iv) expansion in Toshali, Odisha region. b) Cement prices are 1-1.5% lower than the average prices in Q1FY25; the management expects these to improve Oct-24 onward. c) Other expenses were lower in Q1 on sequential basis owing to lower branding-spends. The mgmt expects an impact of Rs50-70/t in coming quarters, owing to increase in maintenance and branding spends. d) JKCE maintained grey cement volume growth of 10% YoY in FY25 which implies run rate of around 11% for remaining quarters of FY25. e) The company has preserved its cost savings potential of Rs150-200/t for the next 2-3 years, and expects around Rs70-80/t to kick-in in FY25. f) Paints business revenue stands at Rs570mn, with EBITDA loss of Rs100mn in Q1FY25; JKCE targets revenue of Rs3bn with EBITDA loss of Rs400mn in FY25. g) Incentives stood broadly flat QoQ at Rs690mn in Q1. g) Blended cement mix was up by 100bps QoQ, to 67%; trade sales were up by 200bps QoQ, to 63% in Q1FY25.

Target Price – 12M	Jun-25
<b>Change in TP (%)</b>	<b>10.2</b>
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	8.3
CMP (22-Jul-24) (Rs)	4,480.0

Stock Data	Ticker
52-week High (Rs)	4,594
52-week Low (Rs)	2,996
Shares outstanding (mn)	77.3
Market-cap (Rs bn)	346
Market-cap (USD mn)	4,137
Net-debt, FY25E (Rs mn)	35,414
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	794.7
ADTV-3M (USD mn)	9.5
Free float (%)	-
Nifty-50	24,509
INR/USD	83.7
<b>Shareholding, Jun-24</b>	
Promoters (%)	45.7
FPIs/MFs (%)	17.7/22.1

Price Performance			
(%)	1M	3M	12M
Absolute	5.3	10.0	40.8
Rel. to Nifty	1.0	0.2	13.4



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## Quarterly Analysis

**Exhibit 1: Actual vs. Estimates (Q1FY25)**

(Rs mn)	Actual	Estimates		Variation (%)		Comment
		Emkay	Consensus	Emkay	Consensus	
Net sales	25,550	25,685	26,887	(0.5)	(5.0)	<b>Lower than expected costs led to the EBITDA beat</b>
<b>EBITDA</b>	<b>4,790</b>	<b>4,410</b>	<b>4,561</b>	<b>8.6</b>	<b>5.0</b>	
PAT	2,027	1,790	1,681	13.2	20.6	
Volumes (mt)	4.72	4.69		0.7		
Blended realization (Rs/ton)*	5,408	5,473		(1.2)		
EBITDA/ton (Rs)	1,014	940		7.9		

Source: Bloomberg, Emkay Research; \*including paints

**Exhibit 2: Standalone – Quarterly results**

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Net Sales	25,406	24,765	26,900	28,560	25,550	0.6	(10.5)
Other operating income	830	943	948	829	881	6.2	6.2
<b>Revenue</b>	<b>26,236</b>	<b>25,707</b>	<b>27,848</b>	<b>29,389</b>	<b>26,431</b>	<b>0.7</b>	<b>(10.1)</b>
<b>Expenditure</b>	<b>22,212</b>	<b>21,241</b>	<b>21,764</b>	<b>23,914</b>	<b>21,641</b>	<b>(2.6)</b>	<b>(9.5)</b>
Total RM cost	4,323	4,223	3,721	4,916	4,471	3.4	(9.1)
Power & Fuel cost	6,619	5,952	6,153	5,873	5,369	(18.9)	(8.6)
Freight cost	5,588	5,040	5,905	6,484	5,908	5.7	(8.9)
Staff cost	1,665	1,650	1,820	1,963	1,992	19.6	1.4
Other expenditure	4,016	4,376	4,164	4,678	3,902	(2.8)	(16.6)
<b>EBITDA</b>	<b>4,024</b>	<b>4,467</b>	<b>6,084</b>	<b>5,475</b>	<b>4,790</b>	<b>19.0</b>	<b>(12.5)</b>
Depreciation	1,178	1,196	1,178	1,307	1,245	5.7	(4.8)
<b>EBIT</b>	<b>2,847</b>	<b>3,270</b>	<b>4,906</b>	<b>4,169</b>	<b>3,545</b>	<b>24.5</b>	<b>(15.0)</b>
Other Income	293	278	352	431	438	49.5	1.6
Interest	1,055	1,091	1,109	1,112	1,066	1.0	(4.1)
PBT	2,085	2,457	4,149	3,488	2,918	39.9	(16.3)
Total Tax	672	668	1,254	1,223	891	32.6	(27.2)
<b>Adjusted PAT</b>	<b>1,413</b>	<b>1,789</b>	<b>2,895</b>	<b>2,265</b>	<b>2,027</b>	<b>43.4</b>	<b>(10.5)</b>
Extraordinary items	(150)	-	-	95	-	(100.0)	(100.0)
<b>Reported PAT</b>	<b>1,263</b>	<b>1,789</b>	<b>2,895</b>	<b>2,360</b>	<b>2,027</b>	<b>60.5</b>	<b>(14.1)</b>
<b>Adjusted EPS (Rs)</b>	<b>18.3</b>	<b>23.2</b>	<b>37.5</b>	<b>29.3</b>	<b>26.2</b>	<b>43.4</b>	<b>(10.5)</b>
(%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (bps)	QoQ (bps)
<b>EBITDAM</b>	<b>15.3</b>	<b>17.4</b>	<b>21.8</b>	<b>18.6</b>	<b>18.1</b>	<b>18.1</b>	<b>(2.7)</b>
EBITM	10.9	12.7	17.6	14.2	13.4	23.6	(5.4)
EBTM	7.9	9.6	14.9	11.9	11.0	38.9	(7.0)
PATM	5.4	7.0	10.4	7.7	7.7	42.4	(0.5)
Effective Tax Rate	32.2	27.2	30.2	35.1	30.5		

Source: Company, Emkay Research

**Exhibit 3: Standalone Quarterly analysis, on a per-ton basis**

(Rs/ton)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Grey Cement volumes (mt)	4.1	3.9	4.2	4.7	4.3	5.6	(7.3)
White Cement + Wall putty volumes (mt)	0.4	0.4	0.4	0.4	0.4	2.3	(2.8)
<b>Total volume (mt)</b>	<b>4.5</b>	<b>4.3</b>	<b>4.6</b>	<b>5.1</b>	<b>4.7</b>	<b>5.3</b>	<b>(7.0)</b>
Grey Cement realization	4,967	4,985	5,164	4,928	4,670	(6.0)	(5.3)
White Cement realization	13,067	12,105	12,258	12,981	12,521	(4.2)	(3.5)
<b>Blended Realization (incl. Paints)</b>	<b>5,663</b>	<b>5,702</b>	<b>5,878</b>	<b>5,625</b>	<b>5,408</b>	<b>(4.5)</b>	<b>(3.9)</b>
Raw Material cost	964	972	813	968	946	(1.8)	(2.3)
Power & Fuel cost	1,476	1,370	1,345	1,157	1,136	(23.0)	(1.8)
Freight cost	1,246	1,160	1,290	1,277	1,251	0.4	(2.1)
Staff cost	371	380	398	387	422	13.6	9.0
Other expenditure	895	1,008	910	921	826	(7.7)	(10.4)
<b>Operating cost</b>	<b>4,951</b>	<b>4,890</b>	<b>4,756</b>	<b>4,710</b>	<b>4,581</b>	<b>(7.5)</b>	<b>(2.7)</b>
Other operating income	185	217	207	163	186	0.8	14.2
<b>Blended EBITDA</b>	<b>897</b>	<b>1,028</b>	<b>1,330</b>	<b>1,078</b>	<b>1,014</b>	<b>13.0</b>	<b>(6.0)</b>

Source: Company, Emkay Research

**Exhibit 4: Consolidated – Quarterly results**

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Net Sales	26,800	26,630	28,430	30,170	27,190	1.5	(9.9)
Other operating income	826	898	918	888	886	7.2	(0.2)
<b>Revenue</b>	<b>27,626</b>	<b>27,528</b>	<b>29,348</b>	<b>31,058</b>	<b>28,076</b>	<b>1.6</b>	<b>(9.6)</b>
<b>Expenditure</b>	<b>23,548</b>	<b>22,858</b>	<b>23,097</b>	<b>25,458</b>	<b>23,214</b>	<b>(1.4)</b>	<b>(8.8)</b>
Total RM cost	4,644	4,584	3,849	5,269	4,789	3.1	(9.1)
Power & Fuel cost	6,910	6,332	6,506	6,156	5,697	(17.6)	(7.5)
Freight cost	5,842	5,362	6,148	6,810	6,195	6.0	(9.0)
Staff cost	1,839	1,829	1,988	2,182	2,186	18.9	0.2
Other expenditure	4,312	4,752	4,606	5,041	4,347	0.8	(13.8)
<b>EBITDA</b>	<b>4,078</b>	<b>4,670</b>	<b>6,251</b>	<b>5,599</b>	<b>4,862</b>	<b>19.2</b>	<b>(13.2)</b>
Depreciation	1,348	1,371	1,404	1,530	1,473	9.3	(3.7)
<b>EBIT</b>	<b>2,730</b>	<b>3,299</b>	<b>4,847</b>	<b>4,069</b>	<b>3,389</b>	<b>24.1</b>	<b>(16.7)</b>
Other Income	316	293	385	457	447	41.6	(2.1)
Interest	1,090	1,150	1,141	1,149	1,105	1.3	(3.9)
PBT	1,956	2,442	4,090	3,377	2,732	39.7	(19.1)
Total Tax	671	657	1,252	1,275	884	31.6	(30.7)
Share of JV	-	-	-	-	-	NA	NA
Minority Interest	(12)	4	(0)	(1)	(5)	NA	NA
<b>Adjusted PAT</b>	<b>1,297</b>	<b>1,781</b>	<b>2,838</b>	<b>2,103</b>	<b>1,853</b>	<b>42.9</b>	<b>(11.9)</b>
Extraordinary items	(150)	-	-	95	-	(100.0)	(100.0)
<b>Reported PAT</b>	<b>1,147</b>	<b>1,781</b>	<b>2,838</b>	<b>2,198</b>	<b>1,853</b>	<b>61.6</b>	<b>(15.7)</b>
<b>Adjusted EPS (Rs)</b>	<b>16.8</b>	<b>23.1</b>	<b>36.7</b>	<b>27.2</b>	<b>24.0</b>	<b>42.9</b>	<b>(11.9)</b>
<b>(%)</b>	<b>Q1FY24</b>	<b>Q2FY24</b>	<b>Q3FY24</b>	<b>Q4FY24</b>	<b>Q1FY25</b>	<b>YoY (bps)</b>	<b>QoQ (bps)</b>
<b>EBITDAM</b>	<b>14.8</b>	<b>17.0</b>	<b>21.3</b>	<b>18.0</b>	<b>17.3</b>	<b>17.3</b>	<b>(3.9)</b>
EBITM	9.9	12.0	16.5	13.1	12.1	22.1	(7.9)
EBTM	7.1	8.9	13.9	10.9	9.7	37.4	(10.5)
PATM	4.7	6.5	9.7	6.8	6.6	40.6	(2.5)
Effective Tax Rate	34.3	26.9	30.6	37.8	32.3		

Source: Company, Emkay Research

## Exhibit 5: Consolidated quarterly analysis, on a per-ton basis

(Rs/ton)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Grey Cement volumes (mt)	4.1	3.9	4.2	4.7	4.4	6.3	(6.9)
White Cement + Wall putty volumes (mt)	0.5	0.6	0.6	0.5	0.5	1.9	(4.0)
<b>Total volume (mt)</b>	<b>4.6</b>	<b>4.5</b>	<b>4.7</b>	<b>5.2</b>	<b>4.9</b>	<b>5.8</b>	<b>(6.6)</b>
Grey Cement realization	4,968	4,984	5,164	4,930	4,675	(5.9)	(5.2)
White Cement realization	12,322	11,054	11,791	12,309	12,076	(2.0)	(1.9)
<b>Blended Realization (incl. paints)</b>	<b>5,817</b>	<b>5,871</b>	<b>6,043</b>	<b>5,780</b>	<b>5,576</b>	<b>(4.1)</b>	<b>(3.5)</b>
Raw Material cost	1,008	1,010	818	1,010	982	(2.6)	(2.7)
Power & Fuel cost	1,500	1,396	1,383	1,180	1,168	(22.1)	(1.0)
Freight cost	1,268	1,182	1,307	1,305	1,270	0.2	(2.6)
Staff cost	399	403	423	418	448	12.3	7.3
Other expenditure	936	1,048	979	966	891	(4.8)	(7.7)
<b>Operating cost</b>	<b>5,111</b>	<b>5,039</b>	<b>4,909</b>	<b>4,878</b>	<b>4,760</b>	<b>(6.9)</b>	<b>(2.4)</b>
Other operating income	179	198	195	170	182	1.3	6.8
<b>Blended EBITDA</b>	<b>885</b>	<b>1,029</b>	<b>1,329</b>	<b>1,073</b>	<b>997</b>	<b>12.6</b>	<b>(7.1)</b>

Source: Company, Emkay Research

## Exhibit 6: Annual assumptions (Consolidated)

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR (%)	
											FY19-24	FY24-27E
<b>Grey Cement</b>												
Capacity (mt)	10.5	10.5	14.7	14.7	15.0	20.7	22.2	24.2	30.2	34.7	16.2	16.1
Volumes (mt)	7.9	8.6	8.4	10.3	12.1	14.2	16.9	18.3	20.5	22.8	14.5	10.6
Utilization (%)	75	82	58	70	81	69	76	76	68	66		
Realizations (Rs/ton)	3,906	4,001	4,527	4,495	4,774	4,971	5,013	4,787	4,892	4,998		
<b>White Cement</b>												
Capacity (mt)	1.9	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	1.0	-
Volumes (mt)	1.5	1.6	1.8	1.7	1.9	2.0	2.2	2.3	2.3	2.3	6.3	1.7
Utilization (%)	81	78	85	79	86	93	101	103	104	106		
<b>Total</b>												
Volumes (mt)	9.4	10.2	10.2	11.9	14.0	16.2	19.1	20.6	22.8	25.1	13.3	9.6
Blended Realizations (Rs/ton)	4,916	5,072	5,603	5,449	5,592	5,854	5,868	5,714	5,831	5,911		
<b>EBITDA/ton (Rs)</b>	<b>807</b>	<b>817</b>	<b>1,186</b>	<b>1,320</b>	<b>1,057</b>	<b>810</b>	<b>1,079</b>	<b>1,080</b>	<b>1,150</b>	<b>1,200</b>	<b>5.7</b>	<b>3.6</b>
<b>P&amp;L (Rs bn)</b>												
Revenue	48	53	58	66	80	97	116	121	137	153	17.1	9.8
<b>EBITDA</b>	<b>8</b>	<b>8</b>	<b>12</b>	<b>16</b>	<b>15</b>	<b>13</b>	<b>21</b>	<b>22</b>	<b>26</b>	<b>30</b>	<b>19.8</b>	<b>13.6</b>
Adj. Net Profit	3	3	5	8	7	4	8	10	12	14	21.9	21.5
<b>Balance Sheet (Rs bn)</b>												
Equity	20	27	30	37	43	47	54	62	72	84		
Net Debt	23	21	23	17	22	34	30	35	37	36		
<b>Net Debt:EBITDA (x)</b>	<b>2.9</b>	<b>2.5</b>	<b>1.9</b>	<b>1.1</b>	<b>1.5</b>	<b>2.6</b>	<b>1.5</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>		
Net Debt:Equity (x)	1.2	0.8	0.8	0.4	0.5	0.7	0.6	0.6	0.5	0.4		
<b>Cash Flow (Rs bn)</b>												
OCF before NWC change	5	5	9	12	16	7	10	16	20	23		
Change in NWC	1	(1)	3	2	(4)	2	1	(0)	(1)	(1)		
Capex	(1)	(6)	(12)	(8)	(15)	(19)	(12)	(19)	(19)	(19)		
<b>FCF</b>	<b>5</b>	<b>(2)</b>	<b>(1)</b>	<b>7</b>	<b>(4)</b>	<b>(9)</b>	<b>(1)</b>	<b>(3)</b>	<b>0</b>	<b>4</b>		
<b>Return ratios (%)</b>												
RoE	16.0	12.7	17.2	22.8	17.0	9.5	15.8	16.6	17.6	18.3		
RoCE	9.8	8.5	10.9	13.3	10.5	6.6	10.0	10.6	11.5	12.4		
<b>RoIC</b>	<b>8.6</b>	<b>9.1</b>	<b>12.8</b>	<b>15.8</b>	<b>13.2</b>	<b>7.9</b>	<b>11.8</b>	<b>13.8</b>	<b>15.0</b>	<b>15.2</b>		
<b>Valuations (x)</b>												
P/E								36.1	29.4	24.3		
<b>EV/EBITDA</b>								<b>16.9</b>	<b>14.5</b>	<b>12.7</b>		
EV/ton								180	146	127		

Source: Company, Emkay Research

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**Exhibit 7: We revise down FY25E-26E EBITDA by 4-5%**

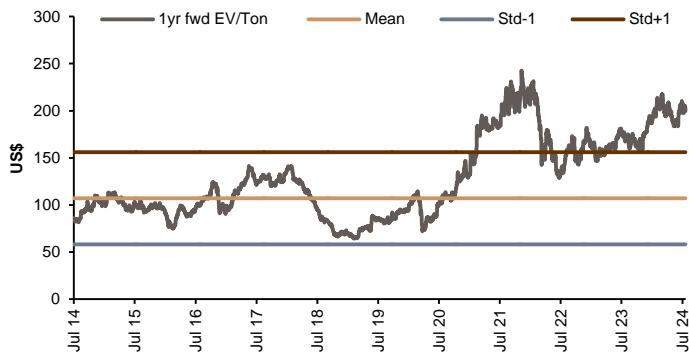
Earnings revision	FY25E			FY26E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue (Rs mn)	126,398	121,125	(4.2)	142,335	137,172	(3.6)
<b>EBITDA (Rs mn)</b>	<b>23,425</b>	<b>22,221</b>	<b>(5.1)</b>	<b>27,293</b>	<b>26,271</b>	<b>(3.7)</b>
PAT (Rs mn)	10,483	9,593	(8.5)	12,511	11,758	(6.0)

Source: Emkay Research

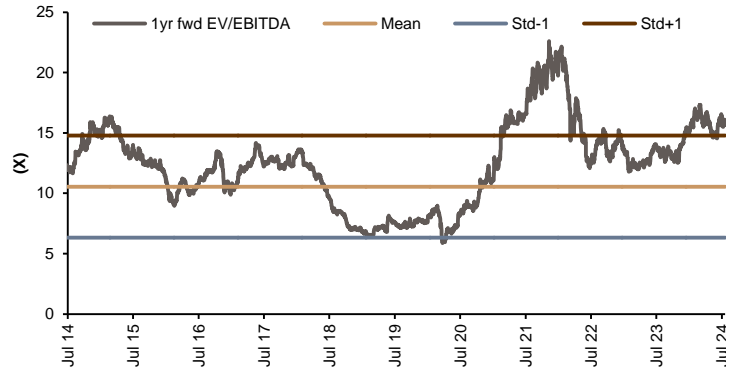
**Exhibit 8: We retain our ADD rating on JK Cement, and raise our TP to Rs4,850/share (from Rs4,400 earlier), based on Jun-26E EV/E of 15x**

EV/E valuation	
Jun-26E EBITDA (Rs bn)	27
EV/E (x)	15
Enterprise Value (Rs bn)	411
Net debt (Jun-25E; Rs bn)	36
Equity value (Rs bn)	375
No. of shares (mn)	77
<b>Jun-25E Target Price (Rs/share)</b>	<b>4,850</b>

Source: Emkay Research

**Exhibit 9: One-year forward EV/ton**

Source: Bloomberg, Emkay Research

**Exhibit 10: One-year forward EV/EBITDA**

Source: Bloomberg, Emkay Research

## JK Cement: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>97,202</b>	<b>115,560</b>	<b>121,125</b>	<b>137,172</b>	<b>153,008</b>
Revenue growth (%)	21.6	18.9	4.8	13.2	11.5
<b>EBITDA</b>	<b>13,143</b>	<b>20,598</b>	<b>22,221</b>	<b>26,271</b>	<b>30,166</b>
EBITDA growth (%)	(11.3)	56.7	7.9	18.2	14.8
Depreciation & Amortization	4,582	5,726	6,220	6,975	7,675
<b>EBIT</b>	<b>8,561</b>	<b>14,872</b>	<b>16,001</b>	<b>19,296</b>	<b>22,491</b>
EBIT growth (%)	(24.9)	73.7	7.6	20.6	16.6
Other operating income	2,172	3,530	3,601	3,961	4,357
Other income	874	1,451	1,502	1,607	1,704
Financial expense	3,122	4,531	4,673	5,175	5,105
<b>PBT</b>	<b>6,313</b>	<b>11,791</b>	<b>12,830</b>	<b>15,728</b>	<b>19,090</b>
Extraordinary items	0	0	0	0	0
Taxes	2,122	3,837	3,246	3,979	4,830
Minority interest	(72)	(9)	(9)	(9)	(9)
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>4,263</b>	<b>7,963</b>	<b>9,593</b>	<b>11,758</b>	<b>14,269</b>
PAT growth (%)	(38.0)	86.8	20.5	22.6	21.4
<b>Adjusted PAT</b>	<b>4,263</b>	<b>7,963</b>	<b>9,593</b>	<b>11,758</b>	<b>14,269</b>
<b>Diluted EPS (Rs)</b>	<b>55.2</b>	<b>103.1</b>	<b>124.2</b>	<b>152.2</b>	<b>184.7</b>
Diluted EPS growth (%)	(38.0)	86.8	20.5	22.6	21.4
<b>DPS (Rs)</b>	<b>15.0</b>	<b>20.0</b>	<b>18.6</b>	<b>22.8</b>	<b>27.7</b>
<b>Dividend payout (%)</b>	<b>27.2</b>	<b>19.4</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>
EBITDA margin (%)	13.5	17.8	18.3	19.2	19.7
EBIT margin (%)	8.8	12.9	13.2	14.1	14.7
Effective tax rate (%)	33.6	32.5	25.3	25.3	25.3
<b>NOPLAT (pre-IndAS)</b>	<b>5,683</b>	<b>10,033</b>	<b>11,953</b>	<b>14,414</b>	<b>16,801</b>
Shares outstanding (mn)	77.3	77.3	77.3	77.3	77.3

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	6,313	11,791	12,830	15,728	19,090
Others (non-cash items)	(785)	(1,395)	642	786	954
Taxes paid	(1,622)	(1,542)	(3,246)	(3,979)	(4,830)
Change in NWC	2,264	630	(607)	(211)	(176)
<b>Operating cash flow</b>	<b>13,771</b>	<b>19,591</b>	<b>19,018</b>	<b>22,876</b>	<b>26,124</b>
Capital expenditure	(18,697)	(11,782)	(19,000)	(19,000)	(19,000)
Acquisition of business	4,245	3,032	0	0	0
Interest & dividend income	570	951	1,502	1,607	1,704
<b>Investing cash flow</b>	<b>(13,882)</b>	<b>(7,799)</b>	<b>(17,498)</b>	<b>(17,393)</b>	<b>(17,296)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	11,562	1,201	5,000	0	(1,500)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(2,942)	(4,200)	(4,673)	(5,175)	(5,105)
Dividend paid (incl tax)	(1,159)	(1,158)	(1,439)	(1,764)	(2,140)
Others	(49)	0	(481)	(193)	(228)
<b>Financing cash flow</b>	<b>7,413</b>	<b>(4,157)</b>	<b>(1,593)</b>	<b>(7,132)</b>	<b>(8,973)</b>
Net chg in Cash	7,302	7,635	(72)	(1,648)	(146)
OCF	13,771	19,591	19,018	22,876	26,124
Adj. OCF (w/o NWC chg.)	11,507	18,960	19,626	23,087	26,300
FCFF	(4,926)	7,809	18	3,876	7,124
FCFE	6,636	9,010	5,018	3,876	5,624
OCF/EBITDA (%)	104.8	95.1	85.6	87.1	86.6
FCFE/PAT (%)	155.7	113.1	52.3	33.0	39.4
<b>FCFF/NOPLAT (%)</b>	<b>(86.7)</b>	<b>77.8</b>	<b>0.2</b>	<b>26.9</b>	<b>42.4</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	773	773	773	773	773
Reserves & Surplus	46,095	52,899	61,053	71,047	83,176
<b>Net worth</b>	<b>46,868</b>	<b>53,671</b>	<b>61,826</b>	<b>71,820</b>	<b>83,949</b>
Minority interests	(444)	(455)	(569)	(711)	(889)
Deferred tax liability (net)	8,094	10,756	11,397	12,184	13,138
<b>Total debt</b>	<b>49,951</b>	<b>52,385</b>	<b>57,385</b>	<b>57,385</b>	<b>55,885</b>
<b>Total liabilities &amp; equity</b>	<b>104,469</b>	<b>116,358</b>	<b>130,040</b>	<b>140,678</b>	<b>152,083</b>
Net tangible fixed assets	83,987	92,514	91,661	109,737	120,112
Net intangible assets	469	469	469	469	469
Net ROU assets	4,055	4,055	4,055	4,055	4,055
Capital WIP	5,920	4,639	18,639	12,639	13,639
Goodwill	0	0	0	0	0
Investments [JV/Associates]	215	2,681	2,681	2,681	2,681
<b>Cash &amp; equivalents</b>	<b>16,210</b>	<b>22,044</b>	<b>21,971</b>	<b>20,323</b>	<b>20,177</b>
Current assets (ex-cash)	26,050	25,674	24,449	25,816	26,880
Current Liab. & Prov.	28,382	31,663	29,832	30,988	31,875
<b>NWC (ex-cash)</b>	<b>(2,332)</b>	<b>(5,990)</b>	<b>(5,383)</b>	<b>(5,172)</b>	<b>(4,995)</b>
<b>Total assets</b>	<b>104,469</b>	<b>116,358</b>	<b>130,040</b>	<b>140,678</b>	<b>152,083</b>
Net debt	33,741	30,342	35,414	37,062	35,708
Capital employed	104,469	116,358	130,040	140,678	152,083
<b>Invested capital</b>	<b>82,124</b>	<b>86,993</b>	<b>86,748</b>	<b>105,034</b>	<b>115,586</b>
BVPS (Rs)	606.6	694.6	800.1	929.5	1,086.5
Net Debt/Equity (x)	0.7	0.6	0.6	0.5	0.4
Net Debt/EBITDA (x)	2.6	1.5	1.6	1.4	1.2
Interest coverage (x)	3.0	3.6	3.7	4.0	4.7
<b>RoCE (%)</b>	<b>9.8</b>	<b>14.8</b>	<b>14.2</b>	<b>15.4</b>	<b>16.5</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	81.2	43.5	36.1	29.4	24.3
P/CE(x)	39.1	25.3	21.9	18.5	15.8
P/B (x)	7.4	6.4	5.6	4.8	4.1
EV/Sales (x)	4.0	3.4	3.2	2.9	2.6
EV/EBITDA (x)	28.9	18.3	17.2	14.6	12.7
EV/EBIT(x)	44.4	25.3	23.8	19.9	17.0
EV/IC (x)	4.6	4.3	4.4	3.6	3.3
FCFF yield (%)	(1.3)	2.1	0.0	1.0	1.9
FCFE yield (%)	1.7	2.4	1.3	1.0	1.5
Dividend yield (%)	0.3	0.4	0.4	0.5	0.6
<b>DuPont-RoE split</b>					
Net profit margin (%)	4.4	6.9	7.9	8.6	9.3
Total asset turnover (x)	1.0	1.0	1.0	1.0	1.0
Assets/Equity (x)	2.1	2.2	2.1	2.0	1.9
<b>RoE (%)</b>	<b>9.5</b>	<b>15.8</b>	<b>16.6</b>	<b>17.6</b>	<b>18.3</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	5.8	8.7	9.9	10.5	11.0
IC turnover (x)	1.4	1.4	1.4	1.4	1.4
<b>RoIC (%)</b>	<b>7.9</b>	<b>11.9</b>	<b>13.8</b>	<b>15.0</b>	<b>15.2</b>
<b>Operating metrics</b>					
Core NWC days	(8.8)	(18.9)	(16.2)	(13.8)	(11.9)
<b>Total NWC days</b>	<b>(8.8)</b>	<b>(18.9)</b>	<b>(16.2)</b>	<b>(13.8)</b>	<b>(11.9)</b>
Fixed asset turnover	0.9	0.9	0.9	0.9	0.9
Opex-to-revenue (%)	70.1	66.3	65.1	64.4	63.9

Source: Company, Emkay Research

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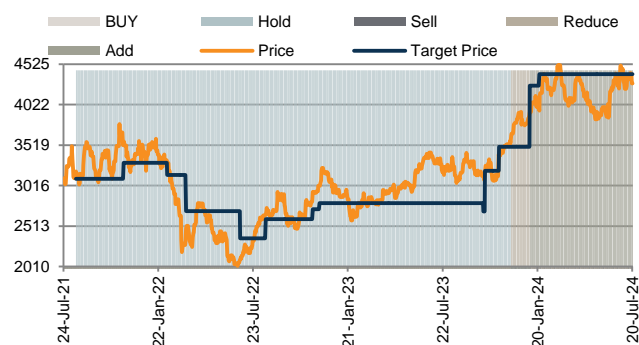
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Date	Closing Price (INR)	TP (INR)	Rating	Analyst
01-Jul-24	4,469	4,400	Add	Dharmesh Shah
10-Jun-24	4,230	4,400	Add	Dharmesh Shah
14-May-24	3,922	4,400	Add	Dharmesh Shah
01-Apr-24	4,283	4,400	Add	Dharmesh Shah
04-Mar-24	4,464	4,400	Add	Dharmesh Shah
23-Jan-24	3,948	4,400	Add	Dharmesh Shah
05-Jan-24	3,931	4,260	Add	Dharmesh Shah
30-Nov-23	3,644	3,500	Reduce	Dharmesh Shah
30-Nov-23	3,644	3,500	Hold	Dharmesh Shah
21-Nov-23	3,527	3,500	Hold	Dharmesh Shah
07-Nov-23	3,365	3,500	Hold	Dharmesh Shah
11-Oct-23	3,186	3,200	Hold	Dharmesh Shah
08-Oct-23	3,161	2,696	Hold	Dharmesh Shah
28-Sep-23	3,145	2,800	Hold	Dharmesh Shah
18-Sep-23	3,320	2,800	Hold	Dharmesh Shah
03-Jun-23	3,181	2,800	Hold	Dharmesh Shah
04-May-23	3,024	2,800	Hold	Dharmesh Shah
02-Mar-23	2,871	2,800	Hold	Dharmesh Shah
09-Feb-23	2,771	2,800	Hold	Dharmesh Shah
05-Feb-23	2,629	2,800	Hold	Dharmesh Shah
29-Dec-22	2,928	2,800	Hold	Dharmesh Shah
22-Dec-22	3,039	2,800	Hold	Dharmesh Shah
05-Dec-22	3,191	2,800	Hold	Dharmesh Shah
27-Nov-22	3,015	2,800	Hold	Dharmesh Shah
14-Nov-22	2,940	2,725	Hold	Dharmesh Shah
05-Nov-22	2,780	2,600	Hold	Dharmesh Shah
04-Oct-22	2,589	2,600	Hold	Dharmesh Shah
04-Sep-22	2,705	2,600	Hold	Dharmesh Shah
16-Aug-22	2,653	2,600	Hold	Dharmesh Shah
04-Jul-22	2,197	2,360	Hold	Dharmesh Shah
28-Jun-22	2,100	2,360	Hold	Dharmesh Shah
23-May-22	2,436	2,700	Hold	Dharmesh Shah
16-Mar-22	2,486	2,700	Hold	Dharmesh Shah
11-Mar-22	2,296	3,150	Hold	Dharmesh Shah
06-Mar-22	2,640	3,150	Hold	Dharmesh Shah
08-Feb-22	3,306	3,150	Hold	Dharmesh Shah
31-Dec-21	3,399	3,300	Hold	Dharmesh Shah
02-Dec-21	3,333	3,300	Hold	Dharmesh Shah
16-Nov-21	3,518	3,300	Hold	Dharmesh Shah
05-Sep-21	3,500	3,100	Hold	Dharmesh Shah
17-Aug-21	3,192	3,100	Hold	Dharmesh Shah

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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<b>ADD</b>	5-15% upside
<b>REDUCE</b>	5% upside to 15% downside
<b>SELL</b>	<15% downside

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