



Profit Grows Multi-Fold!

9th Aug, 2016

CMP: Rs. 767
Target Price: Rs. 797
Recommendation: **NUETRAL**

Stock Info

BSE Group	B
BSE Code	523644
NSE Symbol	JKCEMENT
Bloomberg	JKCE.IN
Reuters	JKCE.BO
BSE Sensex	28,182
NSE Nifty	8,711

Market Info

Market Capital	Rs 5,362cr
Equity Capital	Rs 70cr
Avg. Trading Vol.	34,000cr
52 Wk High/ Low	847/425
Face Value	10

Shareholding Pattern (%) (June 2016)

Promoters	67.0
Domestic Institutions	22.7
Foreign Institutions	2.4
Public & Others	7.9

Price Chart:



Financial Performance:

JK Cement Ltd. for the quarter ended June, 2016 reported high YoY growth in the top-line while the net profit grew multi-folds. Company's net sales came in at Rs. 887 cr compared to Rs. 812 cr in the corresponding quarter of previous year, rising by 9.2%.

On the expenditure front, employee cost and other manufacturing expenses stood steady for the quarter under review. Employee cost stood at Rs 66 cr, about 7% as a percentage of sales and other manufacturing expenses about 12% of sales. Raw material cost stood at Rs. 177 cr vs. Rs 144 cr, higher by about 2% as a percentage of sales at 20%. Power & fuel cost contributed major reduction in the overall expenditure aided by freight and handling costs. Power & fuel cost stood at Rs 139 cr as against Rs 179 cr in corresponding quarter of previous year. As a percentage of sales power & fuel cost dropped down to 16% vs. 22% YoY while freight and handling slid down to 19% vs. 22% YoY.

Higher top line and reduced power and fuel cost enhanced the company's reported earnings before depreciation, interest, tax and amortization which came in at Rs 177 cr vs. Rs. 89 cr in the corresponding quarter of previous year. The EBITDA margin for the quarter stood at 20%, expanding by 8.8% as compared to corresponding quarter of previous year.

Finance costs for this quarter stood at Rs. 68 cr vs. Rs. 66 cr in the corresponding quarter of previous year, higher by 1.7%. Other income for the company stood at Rs 17 cr vs. Rs 15 cr in corresponding quarter of previous year, higher by about 16%.

Profit after tax for the company came in at Rs. 61 cr, growing multi-folds when compared to the corresponding quarter of last year. Other comprehensive income for the quarter stood at Rs 0.2 crs and EPS for the quarter stood at 8.7 vs. 0.2 in corresponding quarter of previous year.

Valuations:

We have valued stock at EV/EBITDA of 14(x) its FY17 estimates and arrived at a fair value of Rs 797 per share. At CMP of Rs 767 the stock is available at FY17E P/E(x) and EV/EBITDA(x) of 38.1x and 13.7x respectively. We have **NUETRAL** rating on the stock.

Financial Snapshot (Rs Cr)	FY13	FY14	FY15	FY16	FY17E
Net Revenue	2,912	2,796	3,407	3,790	3,966
EBITDA	557	353	451	545	624
PAT	230	75	142	63	141
EPS	33.0	10.7	20.3	9.1	20.1
RONW (%)	13.6	4.3	8.8	3.9	8.1
P/E (x)	8.1	22.4	32.8	51.3	38.1
EV/EBITDA (x)	4.9	11.1	16.1	10.8	13.7



Q1 FY17 Results (Standalone)

Rs in Crore	Q1 FY 17	Q1 FY 16	YOY (%)
Net Sales	887	812	9.2
Other operating income	11	4	
Expenditure	721	727	-0.8
EBITDA	177	89	
EBITDA Margins (%)	20%	11%	8.8
Depreciation	43	39	10.1
Interest	68	66	1.7
Other Income	17	15	15.6
PBT	73	-1	
Tax	12	-2	
Tax rate (%)	17%	204%	
PAT	61	1	5662.0
Net Profit Margin (%)	7%	0%	
Other Comprehensive Income	0.2	0.4	-45.8
Total Income	61	1	4098.8
EPS (Rs)	8.7	0.2	

Valuations:

	FY15	FY16	FY17E
EV/EBITDA	16.1	10.8	14.0
EBITDA	451	545	624
EV	7272	5898	8735
Net Debt	2614	2647	3158
Market Cap	4658	3252	5577
No shares	7	7	7
CMP			767
Target			797
Upside			4.0%

Source: - Company Data Ace Equity, Arihant Research



Profit & Loss Statement (consolidated)				
Y/E March (Rs Cr)	FY14	FY15	FY16	FY17E
Revenue	2,796	3,407	3,790	3,966
% Chg	-4.0%	21.9%	11.2%	4.6%
Total Expenditure	2,443	2,957	3,245	3,342
% chg	3.8%	21.0%	9.8%	3.0%
EBITDA	353	451	545	624
EBITDA Margin	13%	13%	14%	16%
Depreciation	134	146	190	178
EBIT	219	305	356	445
Other Income	48	51	50	59
Interest	153	229	304	317
PBT	114	144	105	188
Tax Provisions	39	2	42	47
PAT	75	142	63	141
PAT Margin	3%	4%	2%	4%

Cash Flow Statement				
Particulars, in Rs crore	FY14	FY15	FY16	FY17E
Operating Activities				
PBT	114	144	105	188
Add Depr	134	146	190	178
Others	108	183	188	228
Total	357	473	483	594
Cash Taxes	(23)	(31)	(42)	(47)
Changes in Working Cap	31	(186)	(181)	(290)
Cash Flow from Operations	364	256	261	257
Investing Activities				
Change in investments	(34)	35	24	39
Capex	(1,558)	(547)	(650)	(700)
Others	34	34	35	37
Cash Flow from Investing	(1,558)	(478)	(591)	(624)
Financing Activities				
Others	2,609	533	741	834
Change in long term borrowings	(1,382)	(289)	(347)	(451)
Cash Flow from Financing	1,227	230	394	383
Opening Cash	375	409	417	481
Changes during year	34	8	64	17
Closing Cash	409	417	481	498

Balance Sheet (consolidated)				
	FY14	FY15	FY16	FY17E
Shareholders' funds	1,746	1,617	1,626	1,733
Share capital	70	70	70	70
Reserves and Surplus	1,676	1,547	1,556	1,663
Minority Interest	14	13	10	10
Non-current liabilities	2,822	3,145	3,365	3,869
Long-term borrowings	2,442	2,730	2,877	3,327
Deferred Tax Liabilities (Net)	268	415	488	300
Current liabilities	1,181	1,276	1,314	1,310
Short-term borrowings	206	301	251	329
Short-term provisions	35	980	48	60
Total Liabilities	5,763	6,050	6,315	6,921
Net Fixed assets	2,327	4,074	4,222	4,152
Capital work-in-progress	1,787	337	321	800
Non-current investments	21	6	19	26
Long-term loans and advances	272	155	165	145
Current assets	1,356	1,478	1,588	1,798
Inventories	542	541	538	659
Trade receivables	112	177	211	239
Cash and Cash Equivalents	409	417	481	498
Short-term loans and advances	233	303	2,870	402
Total Assets	5,763	6,050	6,315	6,921

Key Ratios				
Y/E March (Rs Cr)	FY14	FY15	FY16	FY17E
EPS	10.7	20.3	9.1	20.1
CEPS	29.9	41.2	36.2	45.7
DPS	3.0	4.0	2.3	5.8
BVPS	250	231	233	248
Debt/ Equity (X)	1.5	1.9	1.9	2.1
Current Ratio (X)	1.1	1.2	1.2	1.4
RoE (%)	4.3	8.8	3.9	8.1
RoA (%)	1.3	2.3	1.0	2.0
Dividend Yield (%)	1.3	0.6	0.5	1.3
P/E	22.4	32.8	51.3	38.1
P/BV	1.0	2.9	2.0	3.1
EV/EBITDA	11.1	16.1	10.8	13.7

Source: - Company Data Ace Equity, Arihant Research

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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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