



JK Cement Ltd. Q4 FY17 Quarterly Update

MARKET DATA

NSE TICKER	JKCEMENT
Net worth (₹ Cr)	987
P/E Ratio (FY17) (x)	34
EPS (FY17) (₹)	34.3
Market Price (₹)	1104
52 Week High (₹)	1194
52 Week Low (₹)	574
Market Capitalisation (₹ Cr)	7708

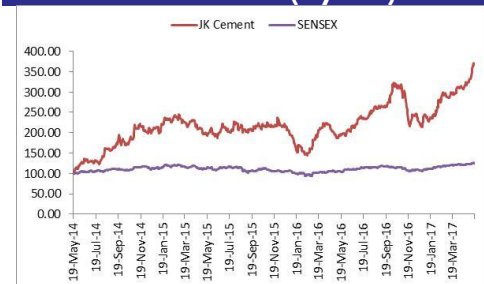
AVERAGE MONTHLY VOLUME ('000)

BSE	24.01
NSE	70.04

SHARE HOLDING PATTERN (Mar-17)

Promoters	FII, DII	Others
64.2	27.9	7.9

INDEXED PRICE CHART (3 years)



RETURN %	3M	6M	12M
JK Cement	27.7	58.0	87.3
Sensex	6.9	16.4	18.4

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JK Cement reported revenue at ₹1,195crs (+8.9% y-o-y, +15.1% q-o-q) backed by improved realisations which were up 9.7% y-o-y at ₹4,761 per tonne. Grey cement dispatches grew 12% q-o-q due to a lower base as 3 kilns were partly closed last quarter. White cement and wall putty dispatches grew by 6.8% q-o-q. Northern dispatches stood at 1.40mnT (-3% y-o-y and +10% q-o-q) while Southern dispatches stood at 0.46mnT (+2% y-o-y and +16% q-o-q).

Capex Plans

Management has spent ₹250 crs toward capex in FY17 and has guided ~₹250crs and ~₹200 crs in FY18 & FY19 respectively. Capex in FY18 will be largely towards maintenance, wall putty expansion at Katni plant which is expected to be completed by June, 2018 (~25crs), land acquisition, pollution control measures and rebuilding the Raw Material silo which has developed cracks in October 2016.

Improved realizations and lower freight costs

Grey cement realisations for company improved by 4.1% q-o-q at ₹3,722 per tonne (+9.2% y-o-y), backed by higher prices in North, although prices have remained stubbornly flattish in South (pockets barring AP, Telangana). White cement realisations have improved by 5.6% q-o-q (7% y-o-y). Management expects prices to remain stable in the northern region with slowing capacity addition and lower competition.

Company has installed a railway siding at the newer capacities, leading to reduction in freight cost from ₹945 per tonne in Q3 FY17 to ₹926 in Q4 FY17.

White cement key focus area

JK cement is the second largest player in the white cement industry in India (~40% market share). Post the expansion at the Ktani plant of 0.2MT the Company's white cement capacity will be at 0.9 MTPA. With only two major players manufacturing white cement (the other being Ultra-Tech Cement), realizations should continue to be strong. White cement commands three times the realization as compared by grey cement.

Outlook and Valuation

We expect JK Cement's grey cement operating performance would improve further driven by price recovery in the Western and Southern markets, and improved utilization in Karnataka plants. Management targets 12-15% growth for wall putty and ~7% for white and grey cement. The company is expanding wall putty capacity by 0.2mt to 0.9mt which should get completed by Q1FY19. Company is currently trading at 34x P/E FY17.

Quarterly Performance:

Particulars ₹Crs.	Q4 FY17	Q4 FY16	%YoY	Q3 FY17	%QoQ	FY17	FY16	%YoY
Net Sales	1,018.9	945.7	7.7	887.8	14.8	3,703.6	3,521.2	5.2
EBITDA	227.3	196.7	15.6	171.3	32.7	734.3	519.9	41.2
EBITDA Margin	22%	21%	1.51	19%	19.30	20%	15%	5.06
Interest	62.8	68.6	-8.4	66.2	-5.0	265.7	270.8	-1.9
PBT	126.1	96.0	31.4	81.5	54.7	343.7	142.1	141.8
PAT	91.4	70.1	30.4	66.4	37.5	259.6	103.3	151.2
EPS	13.1	10.0	30.4	9.5	37.5	37.1	14.8	151.2



Conference Call Highlights

- Other income reported in Q4FY17 included a one-time write-back of provisions of ₹30crs.
- Pet coke prices have been on an upward trend, trading at ~USD 95per tonne, this will impact the Q1 FY18 power and fuel costs. Pet coke usage in Q4 FY17 at kilns stood at 85%.
- Management does not expect the NGT order banning use of pet coke to affect the cement industry as it has been taking necessary steps to reduce air pollution while using pet coke.
- Company has a standalone gross debt of ₹2,513 crs and cash of ₹484 crs as of March 2017 (Gross debt of ₹2,448 crs and cash of ₹432 crs as of March 2016). On a consolidated basis the Company has a gross debt of ₹2,660 crs. Management plans to ~₹200 crs of debt in FY18. The interest rate currently at ~10% will be reduced by 40-50 bps due to declining interest rates.
- Company's Trade and Non-trade mix stood at 67% and 33%, while the lead distance is 600kms for North and 450 kms for South. Capacity utilisation was at 65% and 60% in north and south respectively.
- Fly ash availability has been an issue due to interruptions in power plant operations owing to lower power tariffs.
- Management has spent ₹250 crs toward capex in FY17 and has guided ~₹250crs and ~₹200 crs in FY18 & FY19 respectively. Capex in FY18 will be largely towards maintenance, wall putty expansion at Katni plant (expected to be completed by June, 2018), land acquisition, pollution control measures, etc.

UAE Operations

- Revenue for Q4 FY17 from UAE operations grew by 4% (y-o-y) to AED38.6mn and EBITDA stood at AED6.45mn. Cement dispatches stood at 83,000 tonnes and clinker at 30,000 tonnes. Management expects sales volume to grow by 10% (y-o-y) in CY17.
- Prices continue to remain under pressure as the volumes are being pushed to the markets.

**OUTLOOK & VALUATION: -**

We expect JK Cement's grey cement operating performance would improve further on the back of price recovery in Western and Southern markets and improved utilization in Karnataka plants. Management targets 12-15% growth for wall putty and ~7% for white and grey cement. The company is expanding wall putty capacity by 0.2mt to 0.9mt which should get completed by Q1FY19. Company is currently trading at 34x P/E FY17.

Cost/tonne Analysis

Particulars (₹crs.)	Q4 FY17	Q4 FY16	YoY%	Q3 FY17	%QoQ	FY17	FY16	YoY%
Volume (MT)	2.1	2.2	-1.8	1.9	10.9	7.9	7.9	0.5
Realisations	4,761	4,338	9.7	4,600	3.5	4,694	4,486	4.6
Expenditure								
Raw Material	895	752	19.0	804	11.3	879	861	2.1
Electricity, Power & Fuel Cost	841	861	-2.4	802	4.9	792	947	-16.3
Employee Cost	340	258	32.0	355	-4.1	349	299	16.7
Freight Cost	926	941	-1.6	945	-2.0	923	959	-3.7
Other Expenses	911	737	23.6	926	-1.6	938	801	17.0
Total Expenditure	3,914	3,550	10.2	3,832	2.1	3,881	3,867	0.4
EBITDA	1,062	902	17.7	888	19.6	931	662	40.5



Profit & Loss

Particulars (₹crs)	FY15	FY16	FY17
Net sales	3,357	3,560	4,062
YoY (%)	20.08%	6.05%	14.10%
Total expenses			
Raw Material Cost	556	676	760
Employee costs	203	231	316
Other Manufacturing Cost	2,135	2,134	2,220
EBITDA	464	519	767
YoY (%)	23.71%	11.90%	47.78%
EBIDTA (%)	13.82%	14.58%	18.88%
Depreciation	137	156	216.95
EBIT	327.23	362.73	550.04
Interest	219.42	269.59	295.4
Other income	51.35	49.99	30.971
PBT	159.16	143.13	285.61
Less: Taxation	2	42	65
Effective tax rate (%)	1.40%	29.06%	22.71%
PAT	157	102	221
YoY (%)	69.1%	-58%	117.40%
PAT (%)	4.67%	2.85%	5.43%

Key Ratios

Particulars	FY15	FY16	FY17
EPS (₹)	17.6	7.4	34.3
Book value (₹)	231.2	232.5	257.4
Dividend per share (₹)	4	4	4
Net Debt Equity Ratio	1.7	1.6	1.4
ROCE (%)	7.20%	7.80%	11.50%
Div Yield (%)	0.40	0.40	0.70
Valuation Ratios			
PE (x)	60.9	144.6	31.2
Price/book value (x)	4.6	4.6	4.2
EV/sales (x)	3	2.7	2.5
EV/EBITDA (x)	23.9	20	14.8
Earnings growth			
EBITDA (%)	24%	12%	48%
PAT (%)	69%	-58%	363%

Balance Sheet

Particulars (₹ crs)	FY15	FY16	FY17
Equity capital	70	70	70
Reserves	1,547	1,556	1,690
Net worth	1,617	1,626	1,759
Minority Interest	13	10	4
Total borrowings	2,730	2,877	2,906
Non-Current Liabilities	415	488	464
Current Liabilities	1,276	1,314	1,272
Total liabilities	6,050	6,314	6,405
Net block	4,411	4,543	4,668
Investments	6	19	15
Other Non-current Assets	155	165	240
Current assets			
Inventories	541	538	561
Debtors	177	211	65
Cash	417	481	202
Current Investments	31	62	428
Other Current assets	312	295	225
Total assets	6,050	6,314	6,405

Cash Flow

Particulars (₹ crs)	FY15	FY16
Pre-tax Profit	144	102
Others	334	442
Change in working cap	-161	119
Op. Cash flow	256	598
Capex (Net)	-547	-344
Investments	73	-5
Inv. Cash flow	230	-166
Fresh Equity	-	-
Minority interest	-	-
Debt	341	163
Others	-111	-329
Fin. Cash flow	230	-166
Net change in cash	8	64
Opening cash	409	417
Closing cash	417	481



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