India

ADD *(Initiating coverage)*

Consensus ratings*:	Buy 17	Hold 3	Sell 4

Current price:	Rs627
Target price:	Rs740
Previous target:	NA
Up/downside:	18.0%
InCred Research / Consensus:	-2.3%
Reuters:	JKLC.BO
Bloomberg:	JKLC IN
Market cap:	US$995m
	Rs73,779m
Average daily turnover:	US$6.0m
	Rs445.1m
Current shares o/s:	117.7m
Free float:	51.7%

**Source: Bloomberg*

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(10.8)	7.3	140.1
Relative (%)	(11.8)	(4.1)	58.1

Major shareholders	% held
Promoter & Promoter Group	46.2
Franklin India	5.6
Axis Mutual Fund	5.5

JK Lakshmi Cement

Well-diversified regional mix

- JKLC is a part of the JK Organisation, whose current consolidated installed cement capacity of 14mtpa is spread across North, West and East India.
- Leverage is likely to remain under control despite higher capex intensity in Udaipur Cement Works Limited's (UCWL, 75% subsidiary) growth plan.
- We forecast consolidated volume/realization/EBITDA/t CAGR of 7%/3%/3%, respectively, over FY21-24F. Initiate coverage on JKLC with Add & Rs740 TP.

Increased scale of operations and well-diversified presence

JKLC (including Udaipur Cements) saw ~7% volume CAGR over FY17-FY21 which is above industry-average growth. JKLC completed debottlenecking at UCWL of its 0.3mtpa clinker and 0.6mtpa cement capacities recently and is set to embark on a 2.5mtpa integrated cement plant and 1.5mtpa clinker. As per JKLC, this expansion would likely be commissioned by FY24F-end. We like JKLC's increased scale of operations and diversified presence in the North, West and East India markets. JKLC's clinker utilisation remains high due to clinker sales, and we expect clinker sales to decline once cement demand picks up across its regions of operations. Hence, we build in volume CAGR of 7% over FY21-24F.

Healthy realisation and further cost optimisation to drive profitability

Structurally, we expect the northern and central regions of India to be the key beneficiaries of price hikes given high consolidation and minimal supply, and any cement price surge in the East market, trade mix and higher premium contribution to aid in realisation increase which we expect to grow at 3% CAGR over FY21-24F. JKLC's EBITDA/t remained muted at Rs450 till FY19, but soared to Rs900 in FY21 as a result of price hikes in North India and cost saving measures taken in East (commissioning of captive power plant and waste heat recovery system [WHRS]). Going ahead, we expect further cost cutting initiatives such as WHRS capacity of 8MW in Sirohi and logistics cost optimization to drive Rs40-50/t savings by FY23F. Thus, we expect EBITDA/t to grow at 3% CAGR over FY21-24F.

Leverage to remain under control despite higher capex intensity

JKLC is continuously deleveraging its balance sheet (consolidated net debt at Rs8.5bn from the peak of Rs21bn in FY18). UCWL is undertaking a new capex which it expects to complete by FY25 with an outlay of Rs15bn through a mix of debt and equity. Despite this capex, we believe strong operating cash flows should lead to a gradual reduction in net debt/EBITDA to 0.3x in FY24F from 1x in FY21.

Initiate coverage on the stock with an Add rating and a TP of Rs740

JKLC currently trades at an EV/EBITDA of 8x/7x for FY22F/FY23F. We initiate coverage with an Add rating and TP of Rs740 set at 8x Sep 2023F EV/EBITDA. 8x is in line with its past five-year historical average, and we believe steady return metrics, healthy growth plans and maintaining the balance sheet will likely result in a rerating of multiples. Risks: Capacity expansion delays, price disruptions, delays in ramping up its trade mix & further rises in fuel costs.

Financial Summary	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	43,641	47,274	53,562	57,583	62,756
Operating EBITDA (Rsm)	7,981	9,386	10,085	11,064	12,530
Net Profit (Rsm)	2,783	4,432	4,938	5,716	6,868
Core EPS (Rs)	23.6	37.7	42.0	48.6	58.3
Core EPS Growth	484.7%	59.3%	11.4%	15.8%	20.1%
FD Core P/E (x)	26.52	16.65	14.95	12.91	10.75
DPS (Rs)	2.5	3.8	3.1	3.4	3.5
Dividend Yield	0.48%	0.60%	1.00%	1.08%	1.12%
EV/EBITDA (x)	11.34	8.93	7.96	7.07	6.10
P/FCFE (x)	25.05	28.40	10.89	10.65	11.13
Net Gearing	99.5%	47.1%	25.3%	14.2%	6.9%
P/BV (x)	4.37	3.52	2.94	2.46	2.04
ROE	17.5%	23.4%	21.4%	20.7%	20.8%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)			1.06	1.00	0.95

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 01 OCT 2021

Analyst(s)

Nishant BAGRECHA
T (91) 22 4161 1564
E nishant.bagrecha@incredcapital.com

Satish KUMAR
T (91) 22 4161 1562
E satish.kumar@incredcapital.com

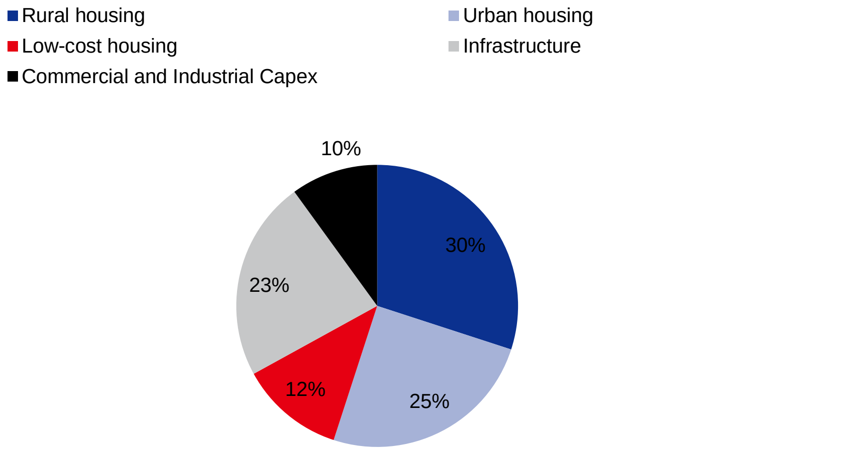
Well-diversified regional mix

Enough clinker capacity to aid near-term growth

Key demand drivers and demand-supply regional overview ➤

- Assuming no major impact of the third wave of the COVID pandemic, the industry should end FY22F with high single digit to low double-digit volume growth if strong volume recovery continues in 2HFY22F while FY23F should see continued recovery in government spending on infra development and individual house builders (IHB) from metros/semi-urban/rural should further aid demand. Some of the key demand drivers for Indian cement are as follows:
  - **Housing for all:** The Pradhan Mantri Awas Yojana (PMAY) was launched in 2015 to provide 'Housing for All' by 2022. Under the scheme, 10m urban houses have been sanctioned, of which 4.4m houses were constructed as at Mar 2021. India continues to be the second-largest cement market in the world in terms of production and consumption. However, the country's current per-capita cement consumption (as per UTCEM in its results presentation under the industry section) is significantly lower at 235kg vs the global average of over Rs500kg, providing significant growth headroom to the industry.
  - **Real estate:** The Indian real estate market is projected to reach US$1tr by 2030 versus US$200bn at present (Source: D.S Mishra, Secretary, Ministry of Housing and Urban Affairs [MoHUA]). Furthermore, lower home loan interest rates have considerably improved the affordability of urban housing. This, coupled with the increasing work-from-home trend, the real estate market in tier-1 cities is likely to gain encouraging traction going ahead, in our view. We expect rural and affordable housing to continue supporting demand and boosting the cement industry going forward.
  - **Infrastructure:** The infrastructure sector is a pivotal contributor to the construction sector's order book and an ambitious National Infrastructure Project (NIP) launched by the Indian government is expected to provide a significant boost to construction. The government expects projects such as the Bharatmala Pipeline, metro and railway projects in key cities and national airport projects to aid construction activities. These activities have resumed in recent months, providing a further thrust to cement demand.
  - **National Infrastructure Pipeline:** The government's focus on developing infrastructure and housing gained momentum in the last few years manifested in the Union Budget 2021-22's significant boost to the infrastructure sector. The National Infrastructure Pipeline aims to invest Rs111lakh cr by 2025 in multiple projects comprising transport, energy, social, and commercial infrastructure, communications, and water & sanitation, among others.
  - **Rural Income:** Higher minimum support price (MSP) coupled with increasing allocation to various agricultural projects are improving farming incomes and thereby the rural economy. Moreover, higher funds allocation to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is enhancing rural incomes.

Figure 1: Cement consumption breakdown of the industry – IHB and infrastructure to remain key growth drivers for cement industry as at FY21



IHB = INDIVIDUAL HOME BUILDERS
SOURCES: INCRED RESEARCH, DALMIA BHARAT FY21 ANNUAL REPORT

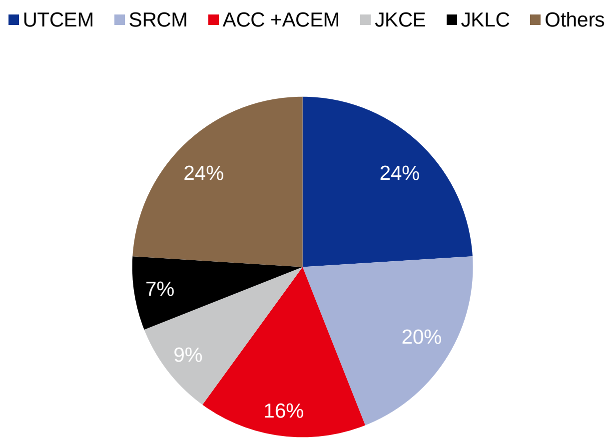
Figure 2: East and Central India have highest potential to outperform all other regions

Macro-economic potential	North	Central	East*	West	South	India
Rural population (FY20)	67%	75%	77%	53%	54%	67%
Per capita consumption (kg) – FY20	231	173	203	273	263	227
Housing shortage (FY20) (m)	10	8	9	7	12	50
Road density (kms/ per lakh people)	294	244	307	469	401	358
Power density (kwh/Capita)	1233	700	820	1758	1461	1181

* EXCLUDING NORTH-EAST INDIA
SOURCES: INCRED RESEARCH, ULTRATECH CEMENT BUSINESS UPDATE PRESENTATION

- JKLC is predominantly a North, including UCWL (JKLC has a 75% stake), and East India cement player (as at Mar 2021), with 10.5mtpa installed capacity in North, including UCWL, and 3.5mtpa in East India.
- **North and Central India region** – We believe the North region supply will remain tight over the next three years, whereas the Central region will witness new capacities from FY23F. High consolidation in favour of the top five players and lower supply from North and Central players aided steady pricing growth over the last three years; we expect the same trend to continue over the next three years as well.

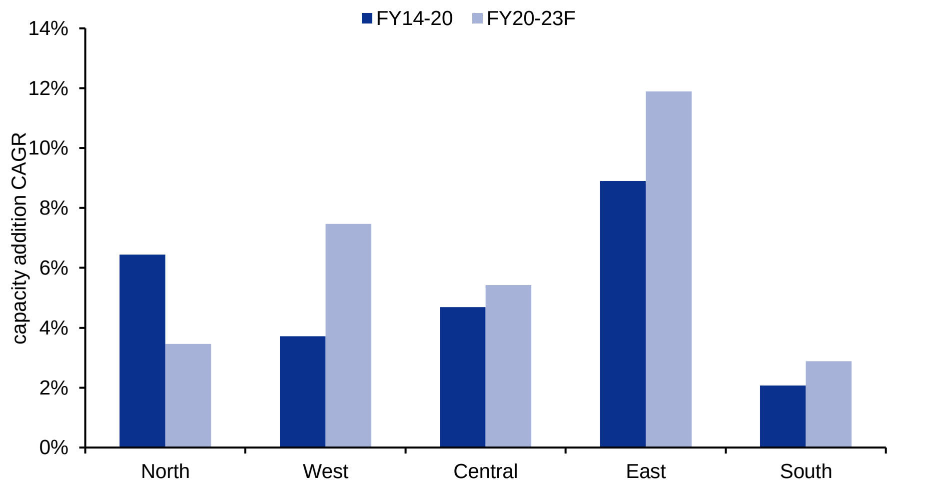
Figure 3: Top 5 players capacity share currently accounts for 76% in North India, where JKLC holds ~7% of overall capacity share in the region



SOURCES: INCRED RESEARCH, COMPANY REPORTS
UTCEM=ULTRATECH CEMENT, SRCM=SHREE CEMENT, ACEM=AMBUJA CEMENT, JKCE=JK CEMENT, JKLC= JK LAKSHMI

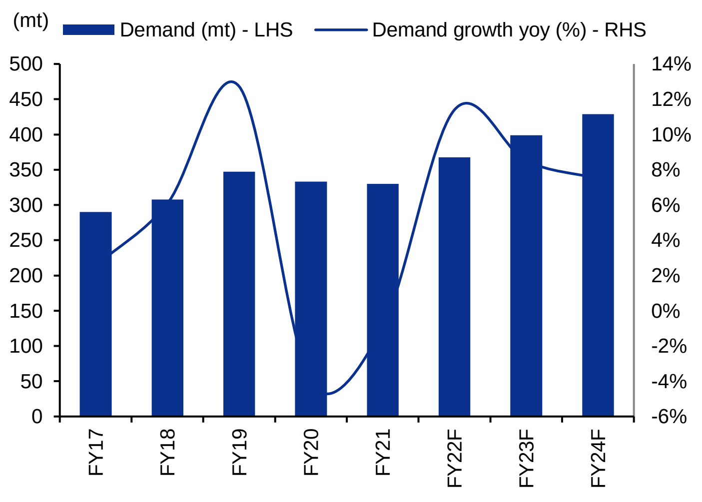
- **East region –** Cement demand in the region registered ~10% CAGR over the last five years, driven by the government's strong investment initiatives. Further, the lack of housing is likely to be a key demand driver (as also seen since lockdown, where the IHB segment dominated demand) but is afflicted by a similar level of supply every year; we expect 35mt+ of new capacities in East over FY21-24F; high consolidation resulted in range-bound pricing despite high supply in the past. While demand remained positive in FY21, despite the pandemic-led nationwide lockdown impact, we expect demand to grow at ~9% CAGR over FY22-24F in the region.
- JKLC's current consolidated capacity of 14mtpa is spread across the Indian states of Rajasthan, Haryana, Gujarat, and Chhattisgarh, and clinker capacity of 8.5mt across Rajasthan and Chhattisgarh.

Figure 4: All-India cement capacity addition – East region to see major additions over FY21F-23F



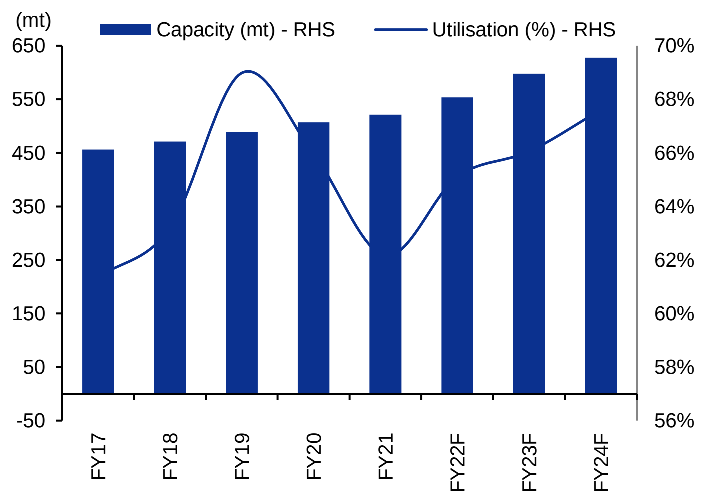
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORT

Figure 5: Indian cement demand to gain strength in 2HFY22F and FY23F as several drivers to start contributing from hereon



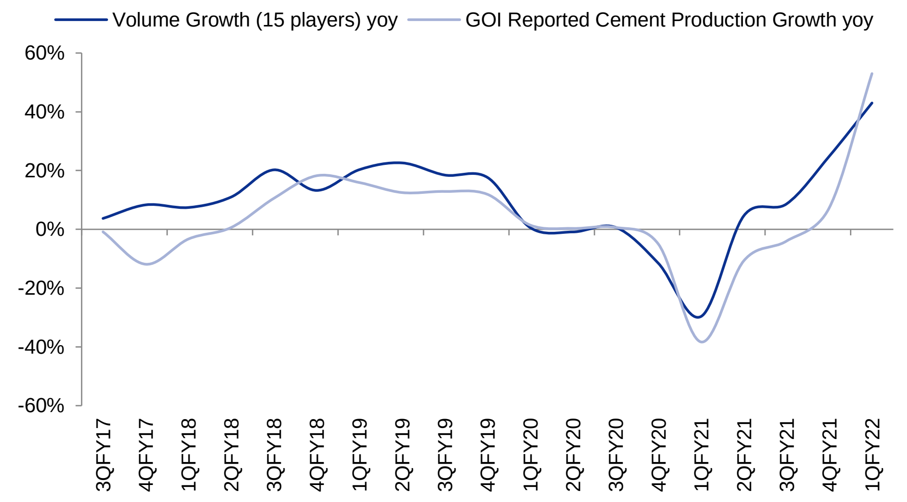
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 6: After declining in FY20 and FY21, we expect cement industry utilisation levels to increase to ~68-69% by FY24F



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 7: Demand recovery has been much better vs street expectation in recent quarters and GOI reported cement production growth



SOURCES: INCRED RESEARCH, GOI – GOVERNMENT OF INDIA, AS PER DEPARTMENT OF INDUSTRIAL POLICY AND PROMOTION (DIPP) DATA

Current clinker capacity can drive volume growth in medium term

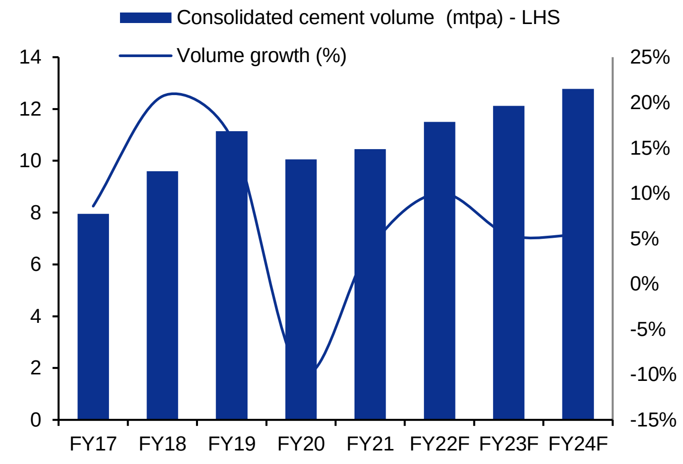
- JKLC reported robust volume growth over the last decade at 9.3% CAGR, driven by capacity expansions in the East and North India markets. The company's capacity increased by ~11% over the same period. JKLC currently has ~8.5mtpa of clinker capacity spread across its Sirohi, Durg and Udaipur plants.
- As per our analysis, considering the company sells ~40% Ordinary Portland Cement (OPC) and the rest Portland Pozzolana Cement (PPC), we estimate the maximum cement volume that can be achieved by the company, assuming 1.5x blending cement to clinker ratio, JKLC should be able to produce cement volumes of 2.6mtpa by FY24F based on the current clinker capacity of 8.5mtpa versus cement sales of 9.6mtpa in FY21. Currently, JKLC does 0.9mtpa worth of external clinker sales (vs 1.3mtpa in FY19) primarily in East India which will decline by FY24F, in our view.
- As on FY21, the company's clinker plants ran at 87% capacity utilization. JKLC has adequate clinker capacity to drive volume growth in the medium term (most common causes of concern among investors is volume growth prospects considering clinker capacity constraints). We expect JKLC's cement volumes to grow at a CAGR of 9% and overall volumes CAGR of 7% over FY21-24F as external clinker sales will likely decline from 0.9mtpa now to 0.4mtpa by FY24F. We expect upcoming clinker expansion at UCWL by FY24F to further allay clinker constraint concerns.

Recently completed debottlenecking at Udaipur Cement Works Limited (UCWL):

- De-bottlenecking and balancing work at UCWL (~75% subsidiary) was completed in the Jun quarter; this has increased clinker capacity by 0.3mtpa to 1.5mtpa and cement capacity by 0.6mtpa to 2.2mtpa at UCWL (total capex of Rs600m).
- According to the company, it is planning further expansion at UCWL (1.5mtpa of clinker + 2.5mtpa cement) at a cost of Rs14bn, which is likely to be commissioned by FY25F. Of the total, the company expects to set up a 1.5mtpa clinker capacity, along with one grinding unit at the existing location, in two years, while the two split grinding units at different locations will take another year to commission. On completion, UCWL's capacity will increase to 3mtpa clinker and 4.7mtpa cement.

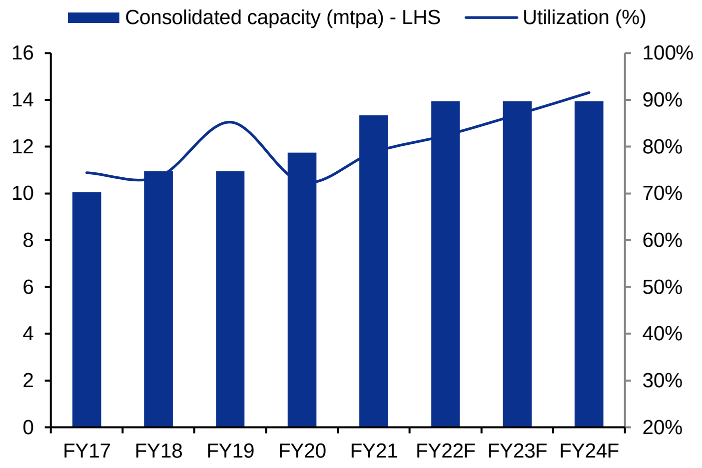
- **Merger with UCWL:** Currently, there is no immediate plan to merge UCWL and JKLC due to differences in tax rates for the two companies. A merger decision will be made after the cessation of the minimum alternate tax (MAT) benefit availed of by JKLC (according to the company in its 1QFY22 concall). At present, UCWL has adopted Sec.115-B of the Income Tax Act, 1962, which is a low 25% tax, while JKLC is on the old tax regime of 34%.

Figure 8: JKLC sales volumes (including clinker) to grow at ~7% CAGR over FY21-24F led by recent debottlenecking at UCWL



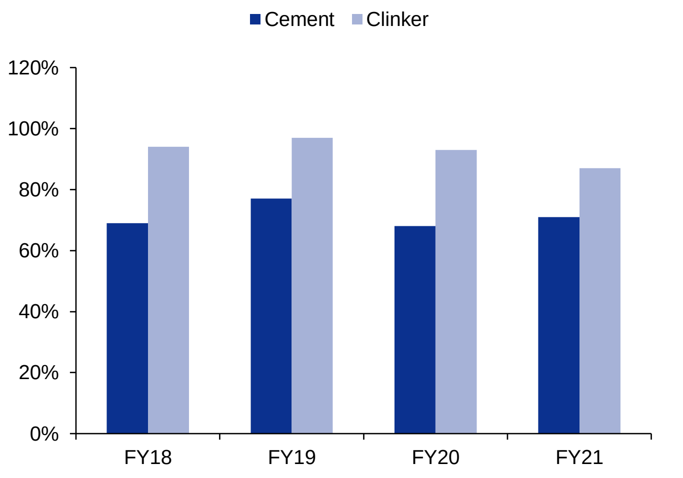
UCWL: UDAIPUR CEMENT WORKS LIMITED
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 9: JKLC cement utilization (consol) is still 73-74%, leaving ample headroom for growth ahead



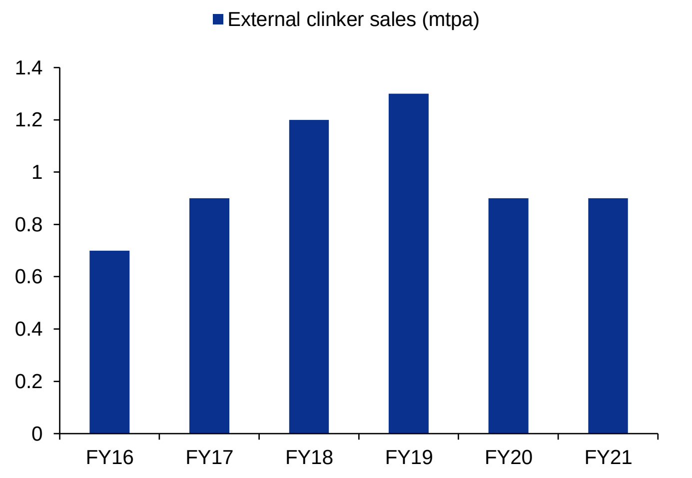
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: Capacity utilization for clinker is high as JKLC sells clinker externally



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 11: JKLC's external clinker sales declined from peak of 1.3mt to 0.9mt in FY21 and would reduce further owing to captive consumption

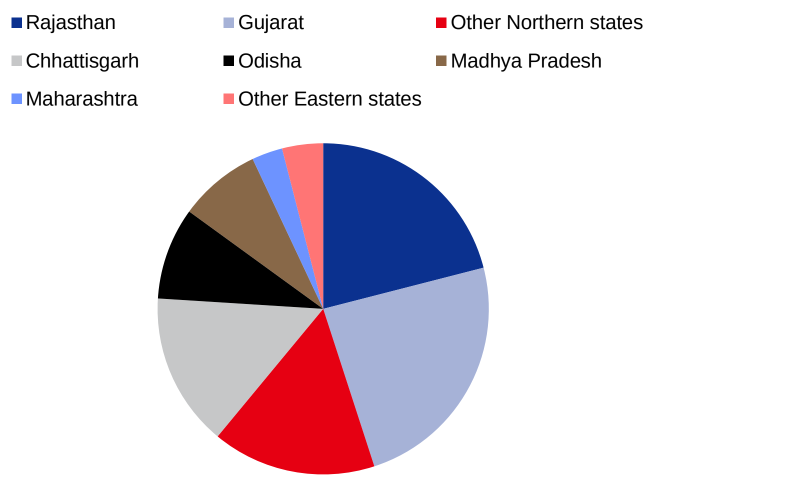


SOURCES: INCRED RESEARCH, COMPANY REPORTS

Geographically well-diversified clinker and grinding units

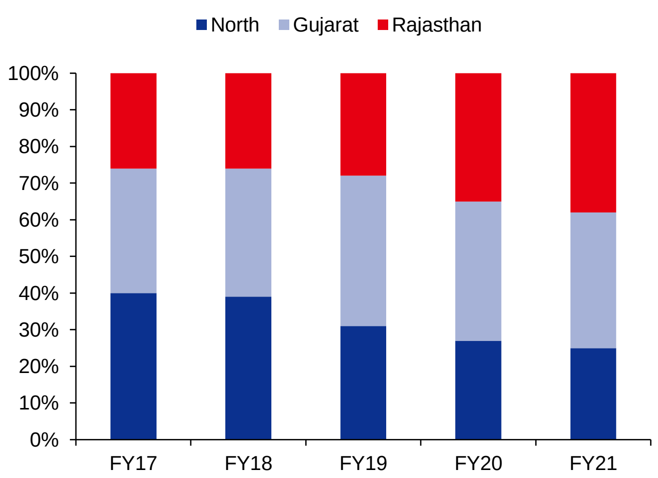
- JKLC has a very high exposure to North and West India, which we believe is relatively good for pricing stability. Currently, it has ~25% capacity in the crowded East region, which will impact profitability in our view. The company commissioned a 0.8mtpa grinding unit in Odisha during FY20, whereas the existing grinding capacity is in Chhattisgarh. Given the higher supply expected in the East region, we expect pricing in this region to remain weak if demand fails to pick up.
- UCWL completed its de-bottlenecking project in 1QFY22 resulting in increases in its cement capacity from 1.6mtpa to 2.2mtpa and clinker capacity from 1.2mtpa to 1.5mtpa. The company had earlier announced brownfield expansion project whereby it plans to double the clinker capacity from 1.5mtpa to 3mtpa and increase the cement capacity by 2.5mtpa to 4.7mtpa by FY25.
- The region-wise sales volume mix for FY21 stood at 28% from the markets of the East region, 37% from North and 24% from Gujarat.

Figure 12: JKLC derived ~28% of volumes from East region, ~37% from North and ~24% from Gujarat markets in FY21



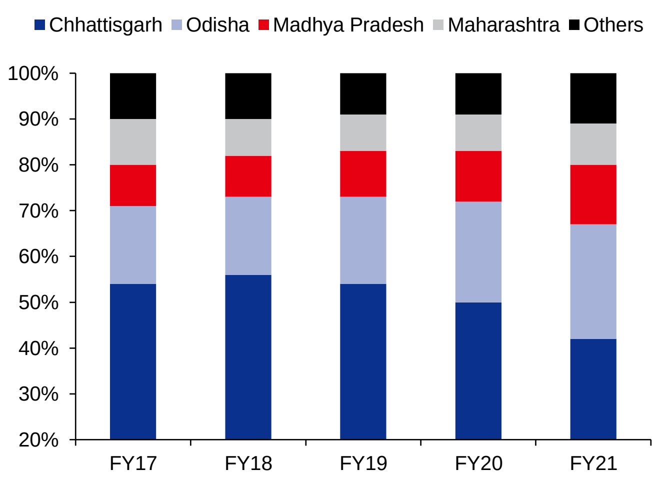
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 13: JKLC's sales footprint – North plant



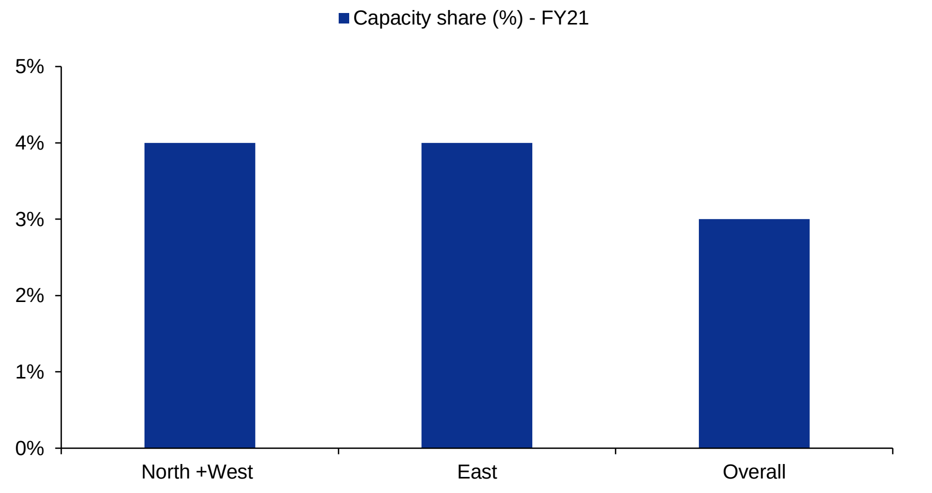
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 14: JKLC sales footprint – Durg (East) plant



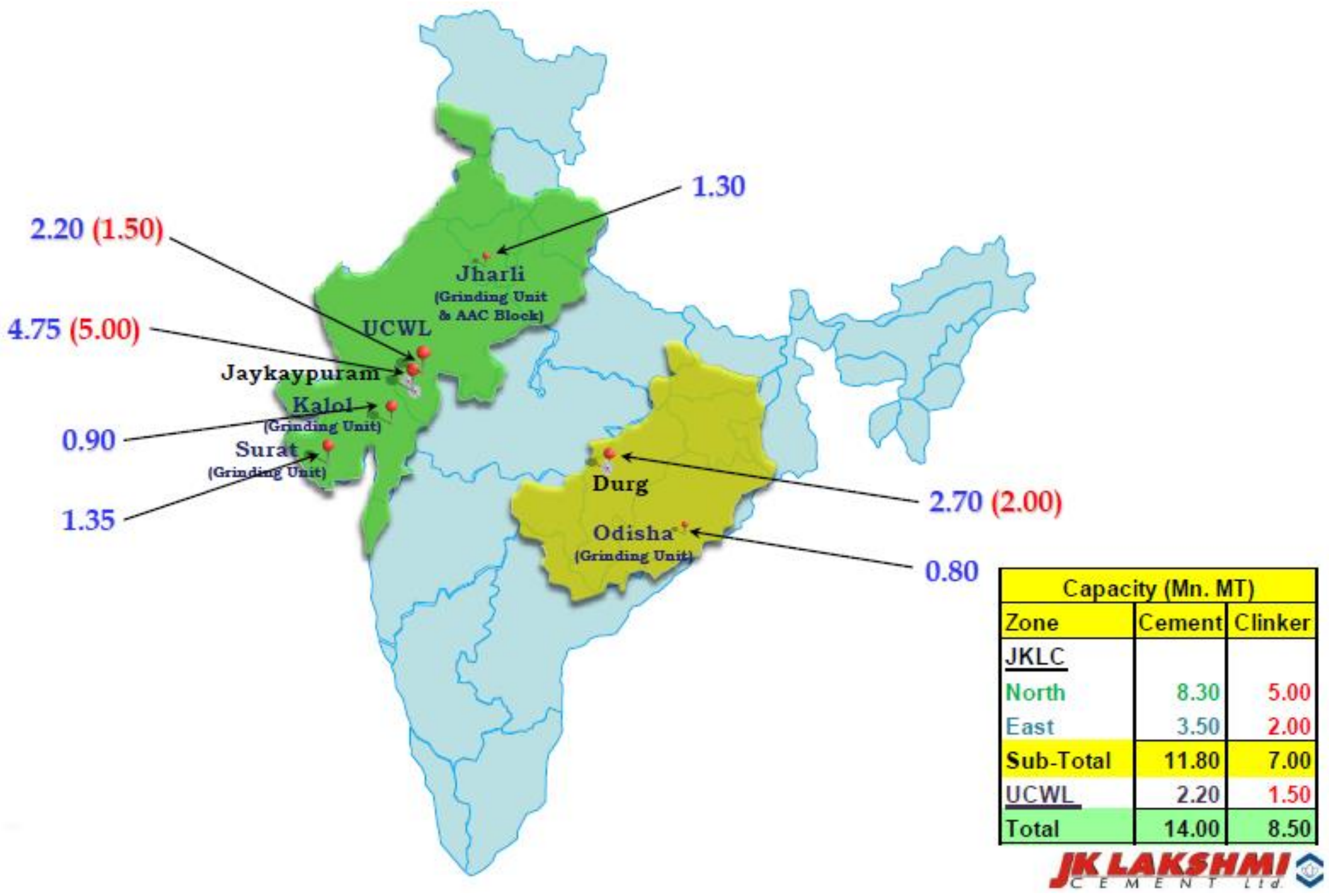
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 15: JKLC has 3-4% capacity share in its regions of operation



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 16: JKLC's combined cement capacity currently stands at 14mtpa (including UCWL)



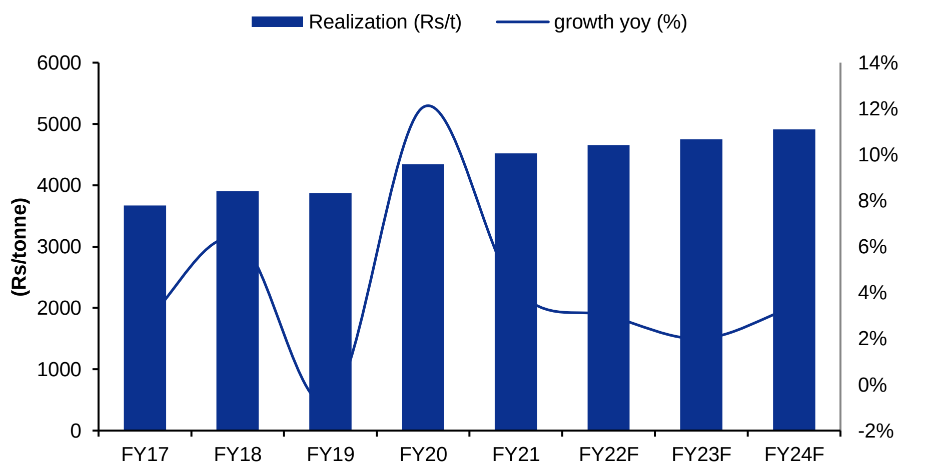
SOURCES: INCRED RESEARCH, JKLC AUG 2021 CORPORATE PRESENTATION

JKLC's cost base is one of the best in the industry; further cost optimization coupled with better pricing to buoy EBITDA/t

Improving trade mix, premium cement contribution and pricing revival in East India to improve realisations

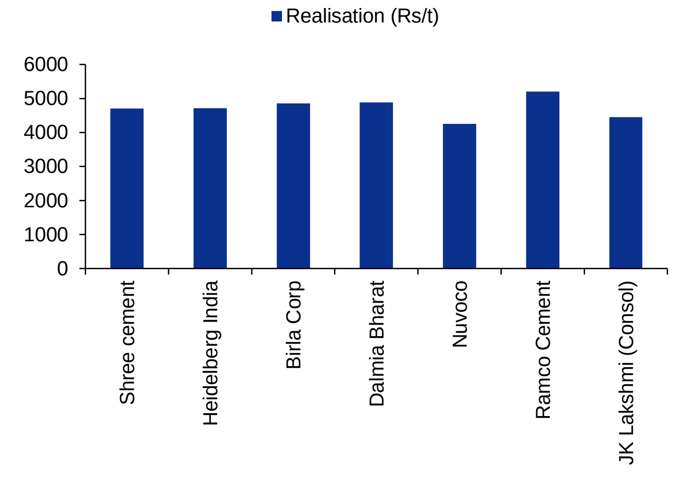
- We believe JKLC is well placed to benefit from a pricing revival in the East India market. We expect JKLC's East profitability to increase owing to lower clinker sales and improving pricing in the Chhattisgarh market which accounted for ~50% of East region sales in FY21.
- JKLC has very high exposure to the North and West regions, which we believe are relatively good for pricing stability. Realisation/t is lower than peers in the recent period owing to high non-trade mix (53% trade and 47% non-trade during 1QFY22) and lower pricing in the East market (JKLC has ~25% capacity in the crowded East region).
- JKLC's focus is on ramping up its premium cement portfolio by launching new products, aggressive branding campaigns, and hiring experienced members to its management team. **Product launch** – The company launched the JKLC Sixer brand and variants in premium cement in the last two years (Cricketer Rohit Sharma was roped in as brand ambassador for JKLC Sixer Cement in FY21). **New campaign** – JKLC launched a new television commercial 'Aa Strength Dikha' in FY21 aimed at taking its brand positioning of India, 'Ab Soch Karo Buland', to the next level. The campaign garnered close to 4m views on YouTube. JKLC launched SIXER Bhagyashree – a loyalty program designed exclusively for channel partners to sell more of its premium cement.
- For JKLC, premium cement sales as a percentage of trade volumes stood at 25-30% for Rajasthan and Gujarat market, while it was <5% in the East market in FY21. Premium sales as a share of trade volumes was ~25% during 1QFY22. JKLC aims to increase this share to 30-35% in the coming years.
- We note that cement prices remained firm in FY21, as companies increased their focus on margins over market share gains. According to our channel checks, cement prices started declining from Jul 2021 due to a pickup in the monsoon (seasonality impact); and with rising cost inflation we expect cement companies to announce price hikes soon.
- Going forward, we believe pricing volatility in India's market should remain low due to better demand-supply dynamics. Therefore, we factor in a ~3% cement realisation (consolidated) CAGR over FY21-FY24F.

Figure 17: JKLC's realisation growth improved over FY17-20, led by sustainable pricing in North and West India. It rose ~4% in FY21, and is likely to continue over FY22-24F



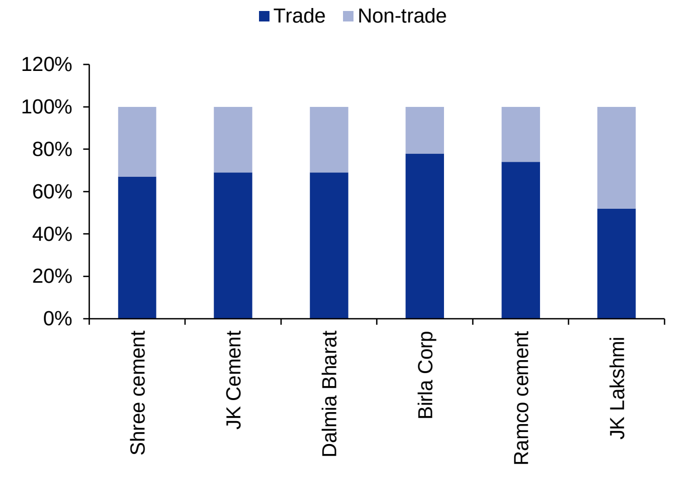
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 18: JKLC's realisation/t in FY21 was lower than its peers due to high non-trade mix and lower pricing in East (Chhattisgarh)



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 19: JKLC's trade mix is one of the lowest in the industry, resulting in lower realisations (FY21)



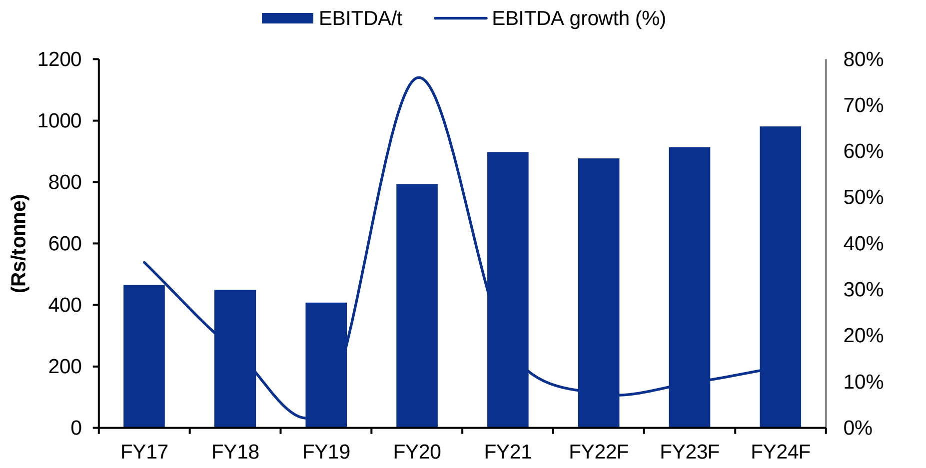
SOURCES: INCRED RESEARCH, COMPANY REPORTS

One of the most cost-efficient operators in the industry

- JKLC has focused on maintaining its cost efficiency by managing its fuel mix very well, leading to a reduction in fuel costs and making it one of the most cost-efficient operators in the industry.
- Cement companies to a greater extent rationalised fixed costs during recent lockdowns and, as a result, reported record high margins in FY21. Pet coke (and HCV coal) prices continue to rise, rising to ~US$160/t by Aug 2021 (from a low of ~US$60/t in Jun 2020). We expect power and fuel (P&F) costs to rise significantly in 2Q-3QFY22F (JKLC already witnessed an increase of Rs120/t qoq in 1QFY22).
- On average, US$10 change in pet coke prices drive a Rs50/t increase in fuel costs, some of which can be absorbed by utilising a higher proportion of HCV coal/alternate fuels depending on their price movements relative to pet coke.
- JKLC has already reduced its usage of pet coke (40% of fuel mix in 1QFY22) and raised its usage of coal (54% of fuel mix in 1QFY22) while the rest pertains to alternative fuel (biomass).
- During 1QFY22, blended coal cost increased qoq to Rs7,000/t from Rs6,600/t in 4QFY21. We expect fuel costs to go up in 2HFY22F as it has booked inventory of ~Rs8,000/t for the next two quarters. Other overhead expenses are also likely to rise with the increase in cement sales volumes.
- During its 1QFY22 earnings call JKLC highlighted that it aims to procure ~40% of its energy requirements from renewable energy. For this purpose, it plans to add an additional WHRS plant (8MW) at its third clinker line at Sirohi, which is expected to be commissioned by 3QFY22F which would help reduce power costs further, in our view. Current renewable energy proportions stand at 50%/40% at Udaipur/Durg. UCWL is also setting up a 5MW solar plant on a captive basis.
- Diesel prices have continued their upward trend since late Nov but remained flattish in Jul-Aug 2021. During 1QFY22, diesel prices were up ~15%/27% qoq/yoy respectively. We expect overall freight costs could remain elevated over the coming quarters, while JKLC is working on reducing logistics cost by focusing on reducing lead time (lead distance stood at 390km for North India and 320km for West India in FY21), increasing direct dispatches, etc. We believe headroom for improvement is limited as it is already doing ~80% direct dispatch. Management had engaged the Boston Consulting Group to advise on certain freight cost savings programs and expects further savings of Rs40-50/t in FY22F from ongoing cost-saving initiatives.
- We believe improved realisations and benefits of operating leverage will only partly be able to absorb the increase in variable costs, thus impacting margins

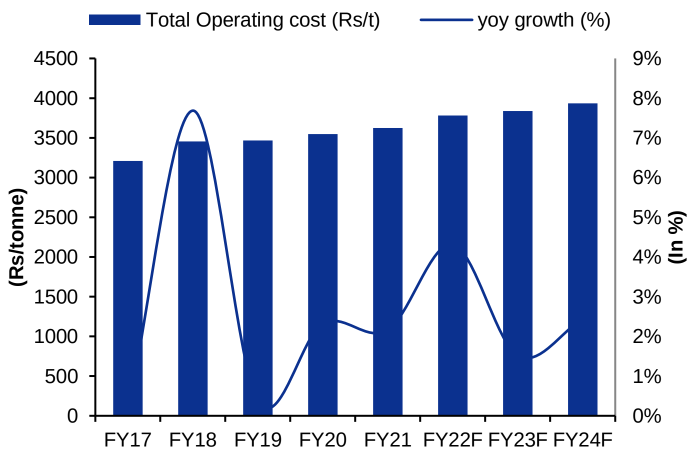
by 100-110bp in FY22F. The recent sharp jump in pet coke/coal and diesel prices, in our view, will moderate the rollback in price hikes through the year. Blended EBITDA/t for FY21 was ~Rs100/t higher than in FY20. Going ahead, we expect EBITDA/t to be in range of Rs950-1,000, factoring in subdued pricing in East India, and thus expect EBITDA/t to rise from Rs898 in FY21 to Rs981 by FY24F.

Figure 20: Better realisations and cost optimization to drive EBITDA/t CAGR of ~3% over FY21-24F



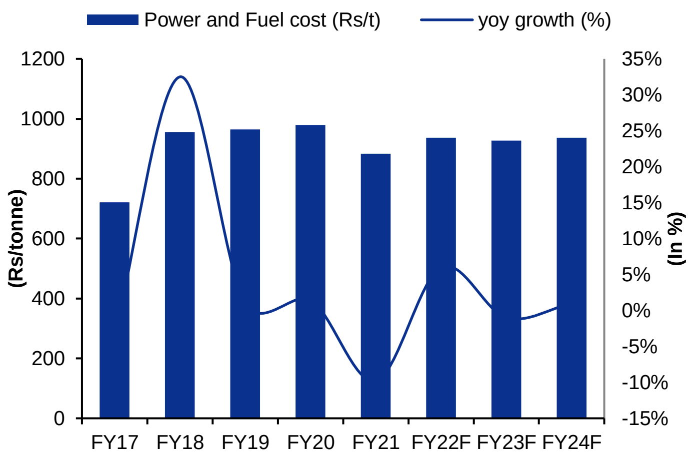
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 21: Opex/t to increase in FY22F mainly due to higher variable costs



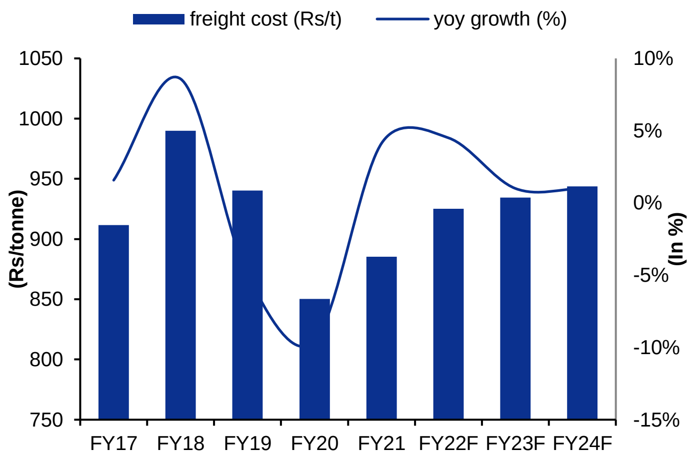
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 22: Increase in P&F costs amid higher input costs while new WHRS addition would help to reduce power costs further



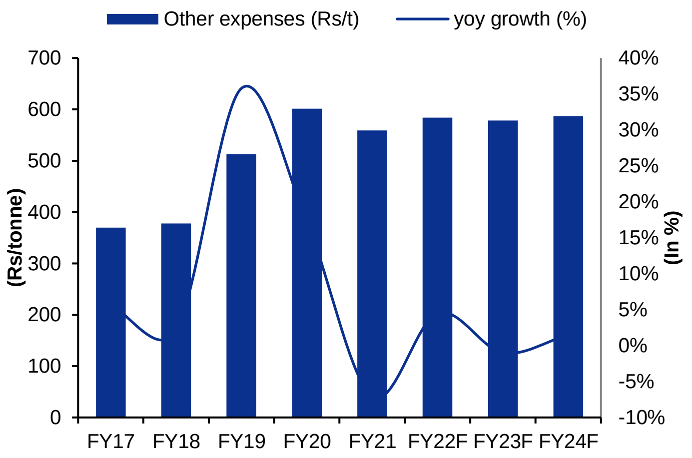
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 23: Higher diesel prices to push up freight costs in FY22F



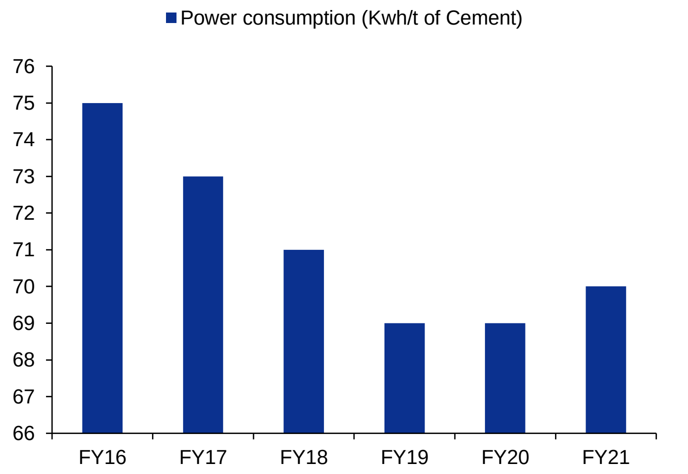
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 24: Other expenses to increase in FY22F as volume increases



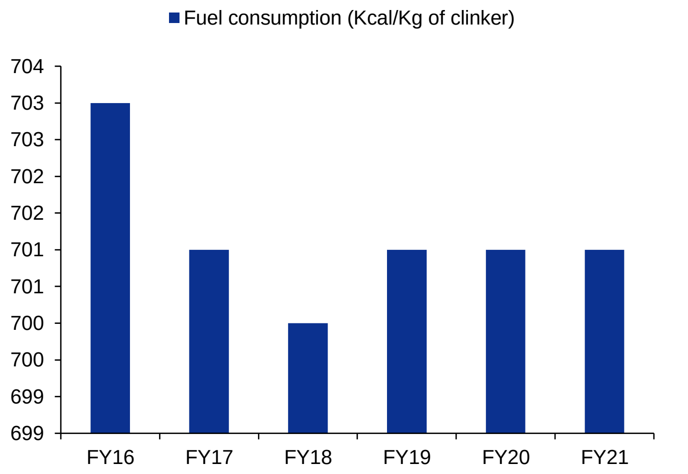
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 25: JKLC consistently reduced power consumption to 70 units per tonne of cement – industry average at 75 units



SOURCES: INCRED RESEARCH, COMPANY REPORT

Figure 26: Fuel consumption trend (Kcal/kg of clinker)



SOURCES: INCRED RESEARCH, COMPANY REPORT

Figure 27: JKLC power capacity (current) – WHRS mix is highest in industry

Power Type (current)	Capacity (MW)	as a % of total
WHRS	29	22%
TPP	74	57%
Solar	27	21%
Total	130	100%

SOURCES: INCRED RESEARCH, COMPANY REPORT

Figure 28: Post expansion of 10MW at Sirohi by 3QFY22F – WHRS mix to increase further

Power Type (post expansion)	Capacity (MW)	as a % of total
WHRS	39	28%
TPP	74	53%
Solar	27	19%
Total	140	100%

SOURCES: INCRED RESEARCH, COMPANY REPORT

Figure 29: JKLC's current captive power capacity (in MW)

Captive power capacity (MW) - FY21	WHR	Solar	TPP	Total
North - Captive power (MW)	15	14	54	83
% in power consumption	18%	17%	65%	
East - Captive power (MW)	8	5	20	33
% in power consumption	24%	15%	61%	
UCWL - Captive power	6	8	0	14
% in power consumption	43%	57%	0%	
Total - Captive power (MW)	**29**	**27**	**74**	**130**
% in power consumption	22%	21%	57%	

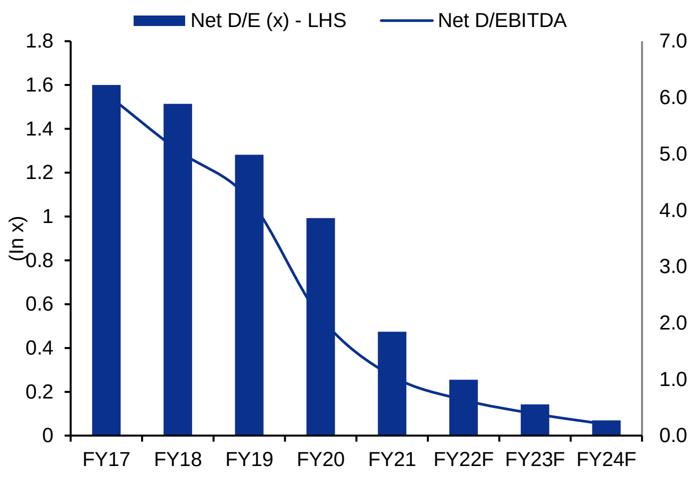
TPP= THERMAL POWER PLANT
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Controlled leverage position despite growth capex (UCWL expansion) over the next three years

Higher cumulative operating cash flow; despite higher capex intensity, we expect positive cash flow over next three years at consolidated levels ➤

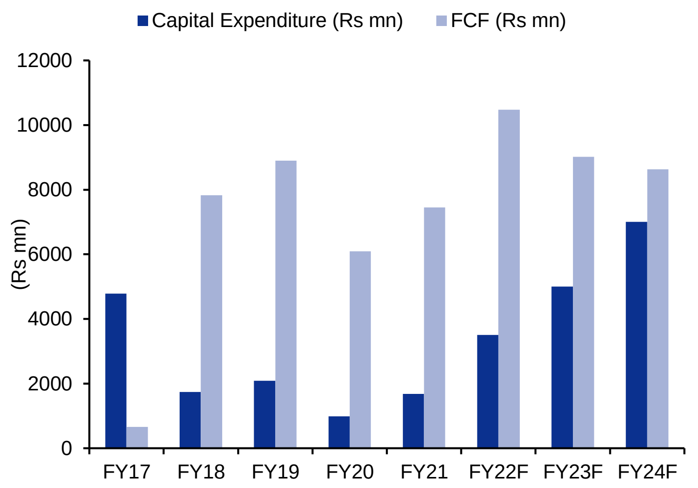
- JKLC has been focusing on deleveraging the balance sheet over the past two years. Accordingly, consolidated net debt peaked at Rs21bn in FY18 owing to expansion at UCWL and East India. In the last three years JKLC generated cumulative operating cash flows of Rs24bn used majorly to reduce net debt to Rs8.2bn in FY21 (while net debt increased further to Rs8.53bn in 1QFY22 primarily due to increase in working capital). In its 1QFY22 earnings call JKLC highlighted that it has debt repayments of Rs3.3bn in FY22F. JKLC will raise a Rs10bn project loan at UCWL in the next two years to support the proposed capex (as per the company in its 1QFY22 earnings call).
- Recently, JKLC's subsidiary Udaipur Cement Works announced its next phase of expansion with a 2m-2.5mtpa integrated plant to be commissioned by 2HFY24F. The expansion includes setting up a 1.5mtpa clinker line and two split grinding units of a total of 2m-2.5mtpa along with a WHRS plant and railway siding. The company estimated its project cost at Rs14bn, to be funded by debt (Rs10bn) and an equity infusion by JKLC (highlighted during its 1QFY22 earnings call). Debt shall be taken at UCWL while equity shall be infused by JKLC (directly or via a rights issue) and partly by internal accruals at UCWL.
- While UCWL's current net debt to EBITDA is high at 3.3x (net debt of Rs4.1bn as on 1QFY22 and annual EBITDA of Rs1.5bn for FY21), we believe a corporate guarantee from the parent would take care of any balance sheet risk. Also, we expect the eventual merger of JKLC and UCWL once the former fully utilises its MAT credit resulting in cash flow fungibility and lower leverage concerns. At present, UCWL has adopted Sec.115-B of The Income Tax Act, 1962, of a low 25% tax, while JKLC is on the old tax regime of ~34%.
- **Capex for JKLC in medium term:** The company's capex guidance for FY22 on a consolidated basis remains at Rs3.6bn primarily for (1) debottlenecking at UCWL (Rs0.2bn), (2) new capex at UWCL (Rs1.8bn), (3) an 8MW WHRS plant at Sirohi (Rs1.2bn), and (4) balance towards maintenance capex (Rs0.4bn). As highlighted in its 1QFY22 earnings call, its WHRS expansion has been delayed by three months to 3QFY22 due to COVID-19 (2QFY22 earlier). Management will share further details on the capex plan in the coming quarters.
- We expect the company's consolidated net D/E to decline from 0.4x in FY21 to 0.1x in FY24F owing to strong operating cash flows over the next three years despite higher capacity intensity, and net debt/EBITDA from 1x in FY21 to 0.3x in FY24F.

Figure 30: Leverage in last cycle peaked to Rs21bn (in FY18) at consolidated level and has declined to Rs8.5bn now



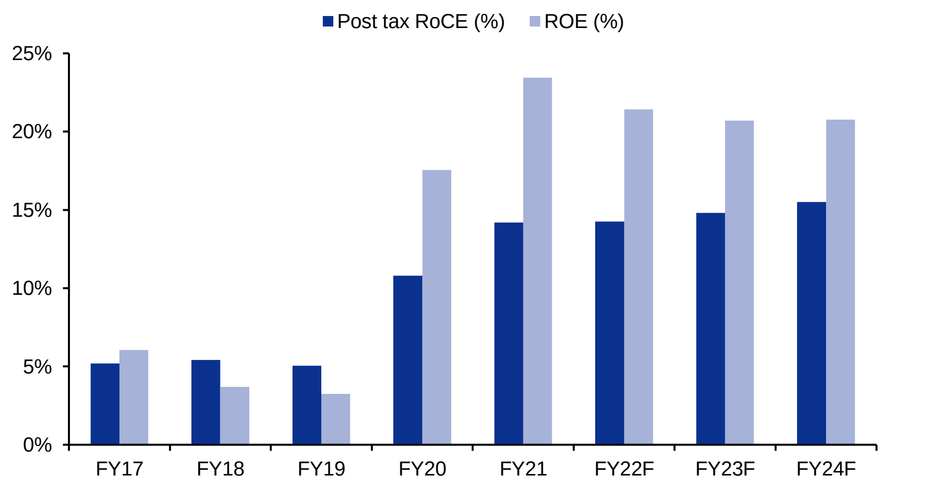
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 31: JKLC deleveraged the balance sheet in last 3 years owing to no material capex; expect robust FCF generation despite capex in UCWL



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 32: JKLC had the highest RoE compared to its peers in FY21 owing to low asset cost base; we expect ROE to remain steady at 21-22%



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 33: Udaipur Cement Works – expansion details

UCWL expansion details	Details
UCWL current clinker capacity (mtpa)	1.5
UCWL current cement capacity (mtpa)	2.2
UCWL clinker capacity post expansion (mtpa)	3
UCWL cement capacity post expansion (mtpa)	4.7
Total capex (Rs bn)	14
Debt:equity mix	70:30
Commencement	FY24-end

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Initiate with Add rating, Sep 2023F TP of Rs740

Valuation ➤

- Recently, JKLC's subsidiary Udaipur Cement Works completed its de-bottlenecking project resulting in its cement capacity increasing from 1.6mtpa to 2.2mtpa and clinker capacity from 1.2mtpa to 1.5mtpa. UCWL had earlier announced (during 4QFY21) a brownfield expansion project where it plans to double its clinker capacity from 1.5mtpa to 3mtpa and increase cement capacity by 2.5mtpa to 4.7mtpa by FY25F. We expect JKLC's cement volumes of 9% CAGR and overall volumes of 7% CAGR over FY21-24F as external clinker sales may decline from 0.9mtpa now to 0.4mtpa by FY24F. Clinker expansion at UCWL by FY24F would further allay clinker constraint concerns, in our view.
- JKLC increased its scale of operations and diversified presence in the North, West, and East India. Structurally, we expect the North and Central regions to be the key beneficiaries of potential price hikes given high consolidation and minimal supply. The company aims to procure ~40% of its energy requirements from renewable energy. For this purpose, it plans to add an additional WHRS plant (8MW) at its third clinker line at Sirohi, expected to be commissioned by 3QFY22, which would help reduce power costs further. The current renewable energy proportions are 50%/40% at Udaipur/Durg. UCWL is also setting up a 5MW solar plant on a captive basis.
- Further, we expect EBITDA/t to be in the Rs950-1,000 range over FY22F-24F due to changing trade mix and various cost savings measures – logistics optimisation and improving renewable power share. On an absolute basis, we expect EBITDA to scale up to Rs12.5bn by FY24F (JKLC to deliver strong consolidated EBITDA CAGR of ~10% over FY21-FY24F).
- RoE improved to over ~23% in FY21 and we expect it to remain at 21-22% due to high utilisations.
- The stock is up 2.9x from its lows post COVID-19-led corrections (Apr 2020) driven by deleveraging, capacity expansion, strong demand in East India, and improvement in profitability. We expect the strong cash flow from operations growth and better balance sheet strength to support further expansion. Our positive stance on valuations is supported by an improvement in its RoE/ROCE profile.
- At the current market price of Rs 627, JKLC is trading at FY22F/FY23F EV/EBITDA of 8x/7x, respectively. We initiate coverage on the company with an Add rating and target price of Rs740 set at 8x Sep 2023F EV/EBITDA. This multiple is in line with its historical five-year average, and we believe steady ROE of 20% over FY22F-24F, with healthy growth plans, will maintain the balance sheet despite higher capex likely resulting in the rerating of multiples.

Figure 34: Key assumptions

Key operational estimates	FY19	FY20	FY21	FY22F	FY23F	FY24F
Volume (in mtpa)	11	10	10	11	12	13
Yoy	16%	-10%	4%	10%	5%	5%
Realization (Rs/t)	3875	4342	4523	4659	4752	4913
Yoy	-1%	12%	4%	3%	2%	3%
Cost (Rs/t)	3468	3548	3625	3781	3839	3932
Yoy	0%	2%	2%	4%	2%	2%
EBITDA (Rs/t)	407	794	898	877	913	981
Yoy	-9%	95%	13%	-2%	4%	7%
EBITDA (Rs m)	4536	7981	9386	10085	11064	12530
Yoy	5%	76%	18%	7%	10%	13%

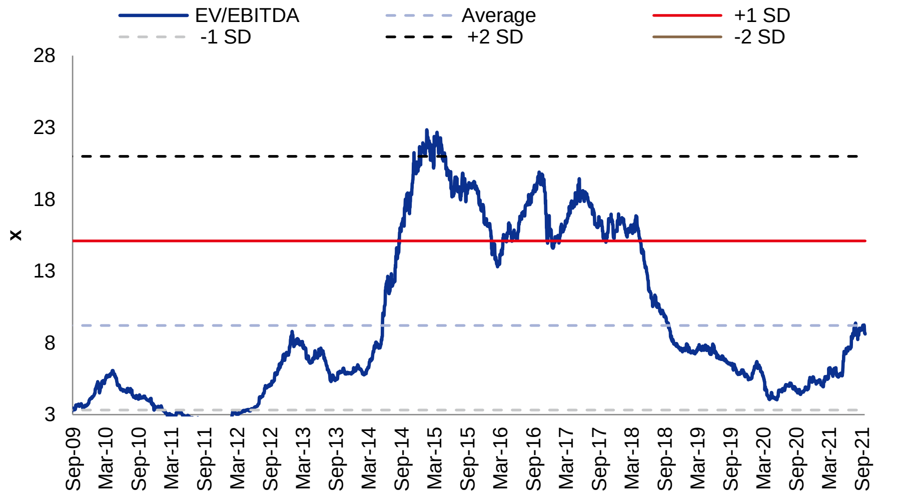
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 35: Our target price of Rs740 is based on 8x Sep 2023F EV/EBITDA

Valuation	TP
Target EV/EBITDA (x)	8
Target EV (Rs m)	88,515
Net debt / (cash) (Rs m)	6,395
No. of shares (m)	118
Fair value per share (Rs)	740

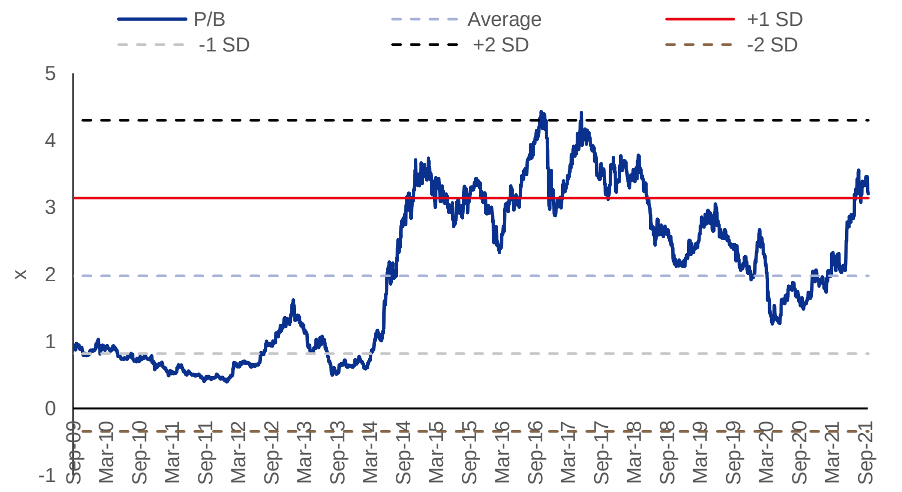
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 36: We value the stock at 8x Sep 2023F EV/EBITDA to arrive at Rs740 TP



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 37: JKLC trading at P/BV at c2.1x for FY24F



SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Peer comparison

Figure 38: Sector peer comparison

Company	Bloomberg Ticker	Closing Price (LC)	Target Price* (LC)	% Upside	Rating	Market cap (US$ m)	EV/EBITDA (x)		P/BV (x)		RoE (%)		P/E (x)		EV/T (US$)	
							FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
UltraTech Cement	UTCEM IN	7,484	7,592	1%	ADD	29,144	17.4	14.9	4.4	4.0	14.0	15.2	33.1	27.5	259.8	215.5
ACC	ACC IN	2,238	2,424	8%	HOLD	5,669	10.3	8.7	2.7	2.4	14.3	14.5	19.7	17.4	137.4	114.5
Ambuja Cements	ACEM IN	402	353	-12%	ADD	10,776	20.0	18.2	3.4	3.2	11.3	11.3	31.4	29.0	158.8	156.7
Shree Cement	SRCM IN	29,100	25,799	-11%	REDUCE	14,165	22.7	19.7	6.0	5.2	15.2	15.6	41.8	35.5	292.2	271.5
Ramco	TRCL IN	991	1186	20%	ADD	3,154	13.5	11.4	3.6	3.1	16.0	16.1	24.1	20.8	158.0	151.7
JK Cement	JKCE IN	3,209	2918	-9%	HOLD	3,345	15.4	13.6	5.5	4.6	22.3	22.2	27.0	22.6	221.1	222.5
Birla Corp	BCORP IN	1,388	1357	-2%	ADD	1,442	10.0	8.1	1.8	1.6	10.3	11.7	18.0	14.5	100.7	90.8
Heidelberg	HEIM IN	257	268	4%	ADD	784	9.6	8.1	3.5	3.0	20.2	21.0	18.1	15.4	117.7	113.0
Dalmia Bharat	DALBHARA IN	2,116	2366	12%	ADD	5,341	13.1	11.3	2.9	2.6	9.3	10.5	32.1	25.8	156.7	156.0
JK Lakshmi	JKLC IN	627	740	18%	ADD	995	8.0	7.1	2.9	2.5	21.4	20.7	14.9	12.9	76.8	74.7
Orient Cement	ORCMNT IN	157	199	27%	ADD	434	5.6	5.6	2.1	2.1	20.1	19.2	11.2	9.9	55.5	61.8
Mean							13.2	11.5	3.5	3.1	15.9	16.2	24.7	21.0	157.7	148.1
Median							13.1	11.3	3.4	3.0	15.2	15.6	24.1	20.8	156.7	151.7
Minimum							5.6	5.6	1.8	1.6	9.3	10.5	11.2	9.9	55.5	61.8
Maximum							22.7	19.7	6.0	5.2	22.3	22.2	41.8	35.5	292.2	271.5

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICED AS AT 01 OCT 2021

Downside risks

- **Slowdown in demand:** Major demand growth drivers for the Indian Cement sector are rural housing (30% of overall demand as on FY21), urban housing (25%), low-cost housing (12%), infrastructure (23%) and commercial & industrial construction (10%). Any prolonged slowdown in general construction activities due to localised lockdowns across the country might impact JKLC's volume growth.
- **Any delay in expansion plans:** JKLC's subsidiary Udaipur Cement Works had earlier announced a brownfield expansion project where it plans to double clinker capacity from 1.5mtpa to 3mtpa and increase cement capacity by 2.5mtpa to 4.7mtpa by FY24F. Any delay in commissioning could impact volume growth.
- **Sharp rollback in cement prices:** The East region will face aggressive competition from existing players for market share gains in the coming years which might impact pricing stability. Lower-than-estimated cement prices would adversely impact our realisation and EBITDA/t estimates.
- **Higher input cost pressure:** Further rise in coal, pet coke or diesel prices sustaining over the medium term could hit EBITDA/t.

Company introduction and management profile

Company background

- JK Lakshmi Cement was set up in 1982 in a village in Sirohi district, Rajasthan. It predominantly manufactures cement and cement-related products. It is a part of the over 134 year old JK Organisation, an industrial house with operations in India and abroad and a leadership presence in tyres, cement, paper, power transmission, sealing solutions, dairy products and textiles.
- JKLC has a total clinker capacity of 8.5mtpa (5mtpa at Jaykaypuram, Rajasthan, 2mtpa at Durg, Chhattisgarh, and Udaipur Cement at 1.5mtpa post the recent debottlenecking). Its standalone cement capacity is 11.8mtpa.
- JKLC has a 75% stake in Udaipur Cement Works, and de-bottlenecking and balancing work was completed in the most recent quarter; this increased clinker capacity by 0.3mtpa to 1.5mtpa and cement capacity by 0.6mtpa to 2.2mtpa at UCWL. UCWL expanded its capacity from 0.3mtpa in FY17 to 1.6mtpa. The company also has ready mix concrete operations, with ~12 plants and one ACC block unit. The promoter holds ~46.2% of the company.
- The company has no exposure to the South India markets and caters only to North, West and East India. The region-wise sales volume mix for FY21 stood at 28% from the East region, 37% from North and 24% from Gujarat markets.
- Currently, JKLC's has 29MW of WHRS, 74MW of thermal power and 27MW of solar capacities. It plans to add an additional WHRS plant (10MW) at its third clinker line at Sirohi, which is expected to commission by 3QFY22 and would help reduce power costs further. Current renewable energy proportions stand at 50%/40% at Udaipur/Durg. UCWL is also setting up a 5MW solar plant on a captive basis.
- The company has a strong network of about 10,000+ distributors and retailers across the states of Madhya Pradesh, Chhattisgarh, Rajasthan, Gujarat, Uttar Pradesh, Punjab, Delhi, Haryana, Jammu and Kashmir, Maharashtra, Odisha and West Bengal (as on FY21), enabling the company to efficiently serve its customers. The company has three integrated and four grinding units at strategic locations.

Figure 39: JKLC's integrated plant at Jaykaypuram, Sirohi (Rajasthan)

SOURCES: INCRED RESEARCH, COMPANY'S ANNUAL REPORT FY21

JKLC's milestones

Figure 40: Journey of JKLC from incorporation

1982	**Commenced cement operations with a 0.5mtpa capacity at Sirohi, Rajasthan**
2001	• Capacity augmentation at Sirohi, Rajasthan • Total capacity at 2.4mtpa
2009	• Cement capacity in Sirohi, Rajasthan, increased to 4.2mtpa • Commissioned 0.5mtpa grinding unit at Kalol, Gujarat • Total capacity at 4.7mtpa
2012	• Commissioned 1.3mtpa grinding unit at Jharli, Haryana • Total capacity at to 6mtpa
2015	• JKLC commissioned its 2nd integrated plant of 1.8mtpa at Durg, Chhattisgarh • Commissioned 0.5mtpa capacity at Sirohi, Rajasthan • Total capacity at 8.3mtpa
2016	• Commissioned 0.3mtpa cement capacity at Kalol, Gujarat • Total capacity at 8.6mtpa
2017	• JKLC commissioned 1.4mtpa grinding unit at Surat, Gujarat • Raised capacity by 0.9mtpa at Durg, Chhattisgarh • JKLC successfully commissioned integrated plant of 1.6mtpa through JKLC's subsidiary Udaipur Cement Works • Total capacity at 12.5mtpa
2019	• JKLC commissioned 0.8mtpa at Odisha • Total capacity at 13.3mtpa
2021	• Capacity at UCWL plant increased from 1.6mtpa to 2.2mtpa (Jun 2021) • Total capacity at ~14mtpa

SOURCES: INCRED RESEARCH, COMPANY REPORTS

JKLC's product portfolio

- JKLC has a wide product portfolio catering to varied construction requirements with cement grades like OPC 43 and OPC 53, and blended cement (PPC, Portland Slag Cement and composite cement). It has well-known cement brands like JK Lakshmi Cement (Ordinary Portland Cement, PPC), JK Lakshmi PRO+ Cement, Platinum Heavy Duty Cement, JKLC Sixer Cement and Super Sixer Weather Guard Cement.
- The company also introduced value-added products such as JK Lakshmi Powermix - Ready Mix Concrete, JK LakshmiPlast - Gypsum Plaster and JK SmartBlox - Autoclaved Aerated Concrete Blocks (AAC Blocks). JKLC launched SIXER Bhagyashree – a loyalty program designed exclusively for channel partners to sell more of its premium cement.

Figure 41: Range of diversified product offerings

SOURCES: INCRED RESEARCH, JKLC CORPORATE BROCHURE

Figure 42: Range of heavy-duty construction cement

SOURCES: INCRED RESEARCH, JKLC CORPORATE BROCHURE

Figure 43: JKLC has a range of value-added products and services

SOURCES: INCRED RESEARCH, JKLC CORPORATE BROCHURE

SWOT Analysis

Figure 44: JK Lakshmi Cement Limited

Strength	Weakness
Geographically well-diversified. Brand recall is excellent, based on our ground checks.	Prolonged slowdown in general construction activity across the country. Further increase in input costs. Any fall in cement prices.
Opportunity	**Threat**
UCWL (JKLC's subsidiary) to double its capacity in the next three years. Further product- and cost-side initiatives to improve profitability.	Delay in aforesaid capacity expansion. Market share loss.

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Key management profile ›

The company's board comprises 10 directors, which includes four executive directors and six non-executive directors out of which five are independent directors.

Bharat Hari Singhania, Chairman and Managing Director: Mr Singhania has over six decades of experience in managing companies in various industries, including cement, automotive tyres, paper, and synthetics. At JKLC, he has undertaken multiple capacity expansion projects, including expanding the company portfolio through value-added products in addition to commissioning the first phase of the greenfield project at Durg. His remuneration stood at Rs154.1m for FY21.

Vinita Singhania, Vice-Chairman and Managing Director: Ms Singhania has over four decades of experience spanning different industries. She also heads the Corporate Social Responsibility Committee. Her remuneration was Rs190.7m for FY21.

Shailendra Chouksey, Whole-time Director: Dr Chouksey holds a PhD in Management, a post graduate degree in physics and is an MBA from the Faculty of Management Studies, Delhi University. Dr Chouksey has over four decades of corporate experience, of which three have been in association with JKLC and he is a part of the senior management team. He is responsible for all the commercial, financial, and marketing activities of the company, and its large distribution network of stockists / dealers, sales promoters, and transporters. His remuneration was at Rs49.5m for FY21.

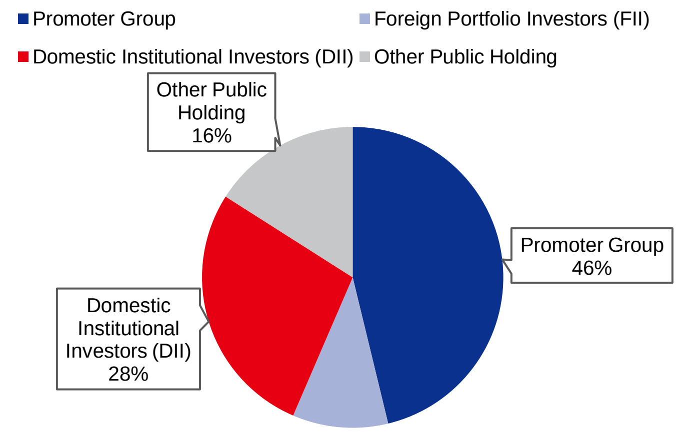
Sushil Kumar Wali, Whole-time Director: Mr Wali has a bachelor's degree in Chemical Engineering. He has undergone national and international training in Business Management at Blue Circle, U.K., IIM – Ahmedabad, Wharton and Stanford, U.S.A, with over four decades of experience with JKLC. He is responsible for JK Organisation's Cement Division, overseeing technical operations, materials, administration, human resources, and other project expansion activities. With his guidance, the company has achieved high efficiency parameters in energy consumption, employing alternate fuels and establishing green power among others. Mr Wali's remuneration was Rs49.4m for FY21.

Figure 45: Composition of board as at FY21

Name of Director	Designation
Mr Bharat Hari Singhania	Chairman & MD
Ms Vinita Singhania	Vice Chairman & MD
Dr Shailendra Chouksey	Whole-time director
Mr Sushil Kumar Wali	Whole-time director
Mr B. V Bhargava	Independent Directors
Mr N. G. Khaitan	Independent Directors
Mr Ravi Jhunjhunwala	Independent Directors
Mr K. N Memani	Independent Directors
Dr Raghupati Singhania	Non-executive Directors
Ms Bhaswati Mukherjee	Independent Director

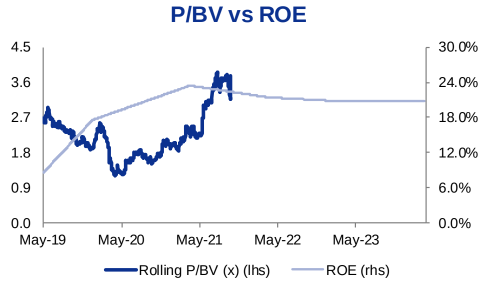
SOURCES: INCRED RESEARCH, COMPANY REPORTS

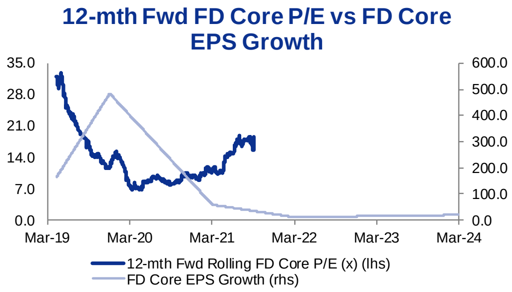
Figure 46: JKLC's shareholding pattern (as at Jun 2021)



SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	**43,641**	**47,274**	**53,562**	**57,583**	**62,756**
Gross Profit	**43,641**	**47,274**	**53,562**	**57,583**	**62,756**
Operating EBITDA	**7,981**	**9,386**	**10,085**	**11,064**	**12,530**
Depreciation And Amortisation	(2,198)	(2,253)	(2,343)	(2,461)	(2,584)
Operating EBIT	**5,782**	**7,133**	**7,742**	**8,604**	**9,946**
Financial Income/(Expense)	(2,250)	(1,920)	(1,612)	(1,467)	(1,350)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	460	726	755	801	897
Profit Before Tax (pre-EI)	**3,993**	**5,939**	**6,885**	**7,937**	**9,493**
Exceptional Items					
Pre-tax Profit	**3,992**	**5,939**	**6,885**	**7,937**	**9,493**
Taxation	(1,161)	(1,349)	(1,790)	(2,064)	(2,468)
Exceptional Income - post-tax					
Profit After Tax	**2,832**	**4,590**	**5,095**	**5,874**	**7,025**
Minority Interests	(49)	(157)	(157)	(157)	(157)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**2,783**	**4,432**	**4,938**	**5,716**	**6,868**
Recurring Net Profit	2,783	4,432	4,938	5,716	6,868
Fully Diluted Recurring Net Profit	**2,783**	**4,432**	**4,938**	**5,716**	**6,868**

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	7,981	9,386	10,085	11,064	12,530
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,612	(1,380)	522	1,239	2,166
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	460	726	755	801	897
Other Operating Cashflow	(147)	4,855	4,855	4,855	4,855
Net Interest (Paid)/Received	(2,250)	(1,920)	(1,612)	(1,467)	(1,350)
Tax Paid	(1,161)	(1,349)	(1,790)	(2,064)	(2,468)
Cashflow From Operations	**6,495**	**10,319**	**12,816**	**14,428**	**16,630**
Capex	(986)	(1,677)	(3,500)	(5,000)	(7,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(1,011)	(2,678)	(39)	(1,500)	(2,000)
Cash Flow From Investing	**(1,997)**	**(4,356)**	**(3,539)**	**(6,500)**	**(9,000)**
Debt Raised/(repaid)	(1,552)	(3,364)	(2,500)	(1,000)	(1,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(455)	(441)	(370)	(400)	(412)
Preferred Dividends					
Other Financing Cashflow	(2,489)	(1,704)	(5,383)	(5,412)	(5,424)
Cash Flow From Financing	**(4,496)**	**(5,510)**	**(8,253)**	**(6,813)**	**(6,836)**
Total Cash Generated	2	453	1,023	1,116	793
Free Cashflow To Equity	**2,946**	**2,599**	**6,776**	**6,928**	**6,630**
Free Cashflow To Firm	**6,748**	**7,883**	**10,889**	**9,396**	**8,979**

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	4,763	8,331	9,354	10,470	11,263
Total Debtors	959	545	880	947	1,032
Inventories	4,806	3,662	4,402	4,575	4,814
Total Other Current Assets	2,029	2,282	2,250	2,361	2,259
Total Current Assets	**12,557**	**14,820**	**16,887**	**18,353**	**19,368**
Fixed Assets	35,130	33,548	34,704	37,244	41,660
Total Investments	141	152	152	152	152
Intangible Assets	2,385	3,461	3,500	5,000	7,000
Total Other Non-Current Assets	1,414	883	883	883	883
Total Non-current Assets	**39,071**	**38,043**	**39,238**	**43,278**	**49,694**
Short-term Debt	7,878	5,690	5,690	5,690	5,690
Current Portion of Long-Term Debt					
Total Creditors	5,102	4,368	5,468	5,959	6,745
Other Current Liabilities	5,689	6,497	6,963	8,062	9,664
Total Current Liabilities	**18,669**	**16,555**	**18,121**	**19,710**	**22,099**
Total Long-term Debt	13,641	12,560	10,060	9,060	8,060
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2,477	2,674	2,674	2,674	2,674
Total Non-current Liabilities	**16,119**	**15,234**	**12,734**	**11,734**	**10,734**
Total Provisions					
Total Liabilities	**34,787**	**31,789**	**30,855**	**31,444**	**32,833**
Shareholders Equity	16,869	20,946	25,142	30,058	36,102
Minority Interests	(29)	128	128	128	128
Total Equity	**16,841**	**21,074**	**25,270**	**30,186**	**36,230**

Key Ratios

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	1.1%	8.3%	13.3%	7.5%	9.0%
Operating EBITDA Growth	75.9%	17.6%	7.5%	9.7%	13.2%
Operating EBITDA Margin	18.3%	19.9%	18.8%	19.2%	20.0%
Net Cash Per Share (Rs)	(142.36)	(84.27)	(54.33)	(36.36)	(21.12)
BVPS (Rs)	143.33	177.96	213.61	255.38	306.73
Gross Interest Cover	2.57	3.72	4.80	5.86	7.37
Effective Tax Rate	29.1%	22.7%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	12.7%	10.0%	15.0%	14.0%	12.0%
Accounts Receivables Days	8.60	5.81	4.86	5.79	5.75
Inventory Days	34.83	32.69	27.48	28.45	27.30
Accounts Payables Days	53.99	45.62	41.29	44.83	46.16
ROIC (%)	16.1%	21.3%	22.6%	23.3%	24.1%
ROCE (%)	15.2%	18.4%	19.3%	20.0%	21.0%
Return On Average Assets	9.9%	12.5%	12.3%	12.5%	12.8%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared for and is distributed by CGS-CIMB, Incred Research Services Private Limited (formerly known as by Earnest Innovation Partners Private Limited (hereinafter referred to as "IRSPL") pursuant to an arrangement between IRSPL and CGS-CIMB. IRSPL is not an affiliate of CGS-CIMB. IRSPL is held 76% by InCred Capital Wealth Portfolio Managers Private Limited and 24% by EIP Holdings Private Limited. IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000007793. Pursuant to a trademark agreement, IRSPL has adopted "InCred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. The term "CGS-CIMB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case except as otherwise stated herein, CGS-CIMB Securities International Pte. Ltd. and its affiliates, subsidiaries and related corporations

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation and remains subject to the "Restrictions on Distribution" set out below. If your status has changed or the distribution restrictions set out below impact your ability to receive this report please contact your usual CGS-CIMB representative.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law and limit our ability to provide reports to you.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL or CGS-CIMB.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

Under the terms of the agreement between IRSPL and CGS-CIMB, IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. Neither IRSPL nor CGS-CIMB is under any obligation to update this report in the event of a material change to the information contained in this report. Neither IRSPL nor CGS-CIMB has any and will accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies and/or CGS-CIMB, its affiliates and related persons including China Galaxy International Financial Holdings Limited ("CGIFHL") and CIMB Group Sdn. Bhd. ("CIMBG") and their respective related corporations (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof. In particular, CGS-CIMB disclaims all responsibility and liability for the views and opinions set out in this report.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies and/or CGS-CIMB or their respective affiliates (including CGIFHL, CIMBG and their respective related corporations) or IRSPL and its affiliates/group companies, to any person to buy or sell any investments.

By IRSPL producing this report for CGS-CIMB, IRSPL has confirmed to CGS-CIMB that the opinions expressed are based on information it believes to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made. (Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short term views etc.) that are inconsistent with and reach different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

	Analyst/ Relative	Entity/ Associates
any financial interests in the company covered in this report (subject company) and nature of such financial interest	NO	NO
actual/beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;	NO	NO
any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
served as an officer, director or employee of the subject company	NO	NO
been engaged in market making activity for the subject company	NO	NO

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

CGS-CIMB DISCLOSURES

Country	CGS-CIMB Entity	Regulated by
Hong Kong	CGS-CIMB Securities (Hong Kong) Limited	Securities and Futures Commission Hong Kong
India	CGS-CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Indonesia	PT CGS-CIMB Sekuritas Indonesia	Financial Services Authority of Indonesia
Malaysia	CGS-CIMB Securities Sdn. Bhd.	Securities Commission Malaysia
Singapore	CGS-CIMB Securities (Singapore) Pte. Ltd.	Monetary Authority of Singapore
South Korea	CGS-CIMB Securities (Hong Kong) Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Thailand	CGS-CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

Other Significant Financial Interests:

As of the end of 30th September 2021 immediately preceding the date of this report CGS-CIMB does not:

(i) have a proprietary position in the securities (which may include but not be limited to shares, warrants, call warrants and/or any other derivatives) in the company(ies) covered in this report except for the following:
(a) Nil

(ii) act as market maker or have assumed an underwriting commitment in securities of the company(ies) covered in this report except for the following:
(a) Nil

(iii) perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to the company(ies) covered in this report and/or solicit such investment, advisory or other services from the company(ies) covered in this report except for the following:
(a) Nil

CGS-CIMB, its affiliates, related corporations (including CGIFHL, CIMBG and their respective related corporations) and/or their respective directors, associates, connected parties and/or employees and/or IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

CGS-CIMB, its affiliates and related corporations (including CGIFHL, CIMBG and their respective related corporations) and/or IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part

This report does not purport to contain all the information that a prospective investor may require. Neither CGS-CIMB nor any of its affiliates (including CGIFHL, CIMBG and their related corporations) make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. Neither CGS-CIMB nor any of its affiliates nor their related persons (including CGIFHL, CIMBG and their related corporations) shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CGS-CIMB's and its affiliates' (including CGIFHL's, CIMBG's and their respective related corporations') clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

Investors are advised to make their own independent evaluation of the information contained in this report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report

Restrictions on Distributions

Australia: Despite anything in this report to the contrary, this research is prepared for and provided in Australia by CGS-CIMB Securities (Singapore) Pte. Ltd. and CGS-CIMB Securities (Hong Kong) Limited. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a "wholesale client". This research is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of the individual recipient. CGS-CIMB Securities (Singapore) Pte. Ltd. and CGS-CIMB Securities (Hong Kong) Limited do not hold, and are not required to hold an Australian financial services license. CGS-CIMB Securities (Singapore) Pte. Ltd. and CGS-CIMB Securities (Hong Kong) Limited rely on "passporting" exemptions for entities appropriately licensed by the Monetary Authority of Singapore (under ASIC Class Order 03/1102) and the Securities and Futures Commission in Hong Kong (under ASIC Class Order 03/1103).

Canada: This report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 – Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada. For any research report distributed by CIBC, further disclosures related to CIBC conflicts of interest can be found at https://researchcentral.cibcwm.com .

China: For the purpose of this report, the People's Republic of China ("PRC") does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan. The distributor of this report has not been approved or licensed by the China Securities Regulatory Commission or any other relevant regulatory authority or governmental agency in the PRC. This report contains only marketing information. The distribution of this report is not an offer to buy or sell to any person within or outside PRC or a solicitation to any person within or outside of PRC to buy or sell any instruments described herein. This report is being issued outside the PRC to a limited number of institutional investors and may not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose.

France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

Germany: This report is only directed at persons who are professional investors as defined in sec 31a(2) of the German Securities Trading Act (WpHG). This publication constitutes research of a non-binding nature on the market situation and the investment instruments cited here at the time of the publication of the information.

The current prices/yields in this issue are based upon closing prices from Bloomberg as of the day preceding publication. Please note that neither the German Federal Financial Supervisory Agency (BaFin), nor any other supervisory authority exercises any control over the content of this report.

Hong Kong: This report is prepared for and distributed in Hong Kong by CGS-CIMB Securities (Hong Kong) Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities) and Type 4 (advising on securities) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CHK. The views and opinions in this report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its

opinion or the information in this report.
This publication is strictly confidential and is for private circulation only to clients of CHK.

India: This report is prepared by IRSPL for and distributed in India by IRSPL or CGS-CIMB Securities (India) Private Limited ("CGS-CIMB India"), as the case may be. CGS-CIMB India is a subsidiary of CGS-CIMB Securities International Pte. Ltd. which is in turn is a 50:50 joint venture company of CGIFHL and CIMBG. The details of the members of the group of companies of CGS-CIMB can be found at www.cgs-cimb.com, CGIFHL at www.chinastock.com.hk/en/ACG/ContactUs/index.aspx and CIMBG at www.cimb.com/en/who-we-are.html. CGS-CIMB India is registered with the National Stock Exchange of India Limited and BSE Limited as a trading and clearing member (under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992. . CGS-CIMB India is registered with SEBI (SEBI Registration Number: INZ000209135) as a Research Analyst (INH000000669) pursuant to the SEBI (Research Analysts) Regulations, 2014 ("Regulations").

By IRSPL producing this report for CGS-CIMB, IRSPL has confirmed to CGS-CIMB that the research analysts, strategists or economists principally responsible for the preparation of this report are segregated from the other activities of IRSPL and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by IRSPL, CGS-CIMB India or its affiliates.

This report does not take into account the particular investment objectives, financial situations, or needs of the recipients. It is not intended for and does not deal with prohibitions on investment due to law/jurisdiction issues etc. which may exist for certain persons/entities. Recipients should rely on their own investigations and take their own professional advice before investment.

CGS-CIMB India does not have actual / beneficial ownership of 1% or more securities of the subject company in this report, at the end of the month immediately preceding the date of publication of this report. However, since affiliates of CGS-CIMB India are engaged in the financial services business, they might have in their normal course of business financial interests or actual / beneficial ownership of one per cent or more in various companies including the subject company in this report.

CGS-CIMB India or its associates, may: (a) from time to time, have long or short position in, and buy or sell the securities of the subject company in this report; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company in this report or act as an advisor or lender/borrower to such company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

CGS-CIMB India and associates have not received any compensation for investment banking, merchant banking or brokerage services from the subject company mentioned in the report in the past 12 months.

CGS-CIMB India and associates have not managed or co-managed public offering of securities for the subject company mentioned in the report in the past 12 months.

Indonesia: This report is prepared for and distributed in Indonesia by PT CGS-CIMB Sekuritas Indonesia ("CGS-CIMB Indonesia"). The views and opinions in this report is prepared from data believed to be correct and reliable at the time of issue of this report and are subject to change. CGS-CIMB Indonesia has no obligation to update the opinion or the information in this report. This report is for private circulation only to clients of CGS-CIMB Indonesia. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable Indonesian capital market laws and regulations.

This report is not an offer of securities in Indonesia. The securities referred to in this report have not been registered with the Financial Services Authority (Otoritas Jasa Keuangan) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market law and regulations.

Ireland: CGS-CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CGS-CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

Malaysia: This report is prepared for and distributed in Malaysia by CGS-CIMB Securities Sdn. Bhd. ("CGS-CIMB Malaysia") solely for the benefit of and for the exclusive use of our clients. Recipients of this report are to contact CGS-CIMB Malaysia, at Level 29, Menara Bumiputra-Commerce, No. 11, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia, in respect of any matters arising from or in connection with this report. CGS-CIMB Malaysia has no obligation to update, revise or reaffirm the opinion or the information in this report after the date of this report.

New Zealand: In New Zealand, this report is for distribution only to persons who are wholesale clients pursuant to section 5C of the Financial Advisers Act 2008.

Singapore: This report is prepared for and distributed in Singapore by CGS-CIMB Securities (Singapore) Pte Ltd ("CGS-CIMB Singapore"). CGS-CIMB Singapore is a capital markets services licensee under the Securities and Futures Act (Chapter 289). Accordingly, it is exempted from the requirement to hold a financial adviser's licence under the Financial Advisers Act, Cap 110 ("FAA") for advising on investment products, by issuing or promulgating research analyses or reports, whether in electronic, print or other form. CGS-CIMB Singapore is subject to the applicable rules under the FAA unless it is able to avail itself to any prescribed exemptions.

Recipients of this report are to contact CGS-CIMB Singapore, 50 Raffles Place, #16-02 Singapore Land Tower, Singapore in respect of any matters arising from, or in connection with this report. CGS-CIMB Singapore has no obligation to update the opinion or the information in this report. This publication is strictly confidential and is for private circulation only. If you have not been sent this report by CGS-CIMB Singapore directly, you may not rely, use or disclose to anyone else this report or its contents.

If the recipient of this report is not an accredited investor, expert investor or institutional investor, CGS-CIMB Singapore accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. If the recipient is an accredited investor, expert investor or institutional investor, the recipient is deemed to acknowledge that CGS-CIMB Singapore is exempt from certain requirements under the FAA and its attendant regulations, and as such, is exempt from complying with the following:

(a) Section 25 of the FAA (obligation to disclose product information);

(b) Section 27 of the FAA (duty not to make recommendation with respect to any investment product without having a reasonable basis where you may be reasonably expected to rely on the recommendation);

(c) MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03];
(d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];
(e) Section 36 of the FAA (obligation on disclosure of interest in specified products); and
(f) any other laws, regulations, notices, directive, guidelines, circulars and practice notes which relates to the above, to the extent permitted by applicable laws, as may be amended from time to time, and any other laws, regulations, notices, directive, guidelines, circulars, and practice notes as we may notify you from time to time. In addition, the recipient who is an accredited investor, expert investor or institutional investor acknowledges that as CGS-CIMB Singapore is exempt from Section 27 of the FAA, the recipient will also not be able to file a civil claim against CGS-CIMB Singapore for any loss or damage arising from the recipient's reliance on any recommendation made by CGS-CIMB Singapore which would otherwise be a right that is available to the recipient under Section 27 of the FAA.

CGS-CIMB Singapore, its affiliates and related corporations, their directors, associates, connected parties and/or employees may own or have positions in specified products of the company(ies) covered in this report or any specified products related thereto and may from time to time add to or dispose of, or may be materially interested in, any such specified products. Further, CGS-CIMB Singapore, its affiliates and its related corporations do and seek to do business with the company(ies) covered in this report and may from time to time act as market maker or have assumed an underwriting commitment in specified products of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

As of CGS-CIMB Singapore does not have a proprietary position in the recommended specified products in this report.

CGS-CIMB Singapore makes a market on the specified products.

CGS-CIMB Singapore does not make a market on other specified products mentioned in the report.

South Korea: This report is prepared for and distributed in South Korea by CGS-CIMB Securities (Hong Kong) Limited, Korea Branch ("CGS-CIMB Korea") which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea. In South Korea, this report is for distribution only to professional investors under Article 9(5) of the Financial Investment Services and Capital Market Act of Korea ("FSCMA").

Spain: This document is a research report and it is addressed to institutional investors only. The research report is of a general nature and not personalised and does not constitute investment advice so, as the case may be, the recipient must seek proper advice before adopting any investment decision. This document does not constitute a public offering of securities.

CGS-CIMB is not registered with the Spanish Comision Nacional del Mercado de Valores to provide investment services.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Switzerland: This report has not been prepared in accordance with the recognized self-regulatory minimal standards for research reports of banks issued by the Swiss Bankers' Association (Directives on the Independence of Financial Research).

Thailand: This report is prepared for and distributed in Thailand by CGS-CIMB Securities (Thailand) Co. Ltd. ("CGS-CIMB Thailand") based upon sources believed to be reliable (but their accuracy, completeness or correctness is not guaranteed). The statements or expressions of opinion herein were arrived at after due and careful consideration for use as information for investment. Such opinions are subject to change without notice and CGS-CIMB Thailand has no obligation to update its opinion or the information in this report.

CGS-CIMB Thailand may act or acts as Market Maker, and issuer and offerer of Derivative Warrants and Structured Note which may have the following securities as its underlying securities. Investors should carefully read and study the details of the derivative warrants in the prospectus before making investment decisions.

AAV, ACE, ADVANC, AEONTS, AMATA, AOT, AP, BAM, BANPU, BBL, BCH, BCP, BCPG, BDMS, BEC, BEM, BGRIM, BH, BJC, BTS, CBG, CENTEL, CHG, CK, CKP, COM7, CPALL, CPF, CPN, CRC, DELTA, DOHOME, DTAC, EA, EGCO, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, ICHI, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KKP, KTB, KTC, LH, MAJOR, MEGA, MINT, MTC, NRF, OR, ORI, OSP, PLANB, PRM, PSL, PTG, PTL, PTT, PTTEP, PTTGC, QH, RATCH, RBF, RS, SAWAD, SCB, SCC, SCGP, SINGER, SPALI, SPRC, STA, STEC, STGT, SUPER, SYNEX, TASCO, TCAP, THANI, TISCO, TKN, TOP, TQM, TRUE, TTB, TU, TVO, VGI, WHA

Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom and European Economic Area (EEA): In the United Kingdom and European Economic Area, this material is prepared for and being distributed by CGS-CIMB Securities (UK) Limited ("CGS-CIMB UK"). CGS-CIMB UK is authorized and regulated by the Financial Conduct Authority and its registered office is at 27 Knightsbridge, London, SW1X7YB. The material distributed by CGS-CIMB UK has been prepared in accordance with CGS-CIMB's policies for managing conflicts of interest arising as a result of publication and distribution of this material. This material is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of CGS-CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), (c) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order; (d) are outside the United Kingdom subject to relevant regulation in each jurisdiction, material(all such persons together being referred to as "relevant persons"). This material is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

This material is categorised as non-independent for the purposes of CGS-CIMB UK and therefore does not provide an impartial or objective assessment of the subject matter and does not constitute independent research. Consequently, this material has not been prepared in accordance with legal requirements designed to promote the independence of research and will not be subject to any prohibition on dealing ahead of the dissemination of research. Therefore, this material is considered a marketing communication.

United States: This report is prepared for and distributed in the United States of America by CGS-CIMB Securities (USA) Inc, a U.S. registered broker-dealer and an affiliate of CGS-CIMB Securities Sdn. Bhd., CGS-CIMB Securities (Singapore) Pte Ltd, PT CGS-CIMB Sekuritas Indonesia, CGS-CIMB Securities (Thailand) Co. Ltd, CGS-CIMB Securities (Hong Kong) Limited and CGS-CIMB Securities (India) Private Limited, and is distributed solely to persons who qualify as "U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CGS-CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CGS-CIMB Securities (USA) Inc.

CGS-CIMB Securities (USA) Inc. has managed or co-managed a public offering of securities in the past 12 months.

CGS-CIMB Securities (USA) Inc. has not managed or co-managed a public offering of any of the securities mentioned in the past 12 months.

CGS-CIMB Securities (USA) Inc. has received compensation for investment banking services in the past 12 months.

CGS-CIMB Securities (USA) Inc. has not received compensation for investment banking services from any of the company mentioned in the past 12 months.

CGS-CIMB Securities (USA) Inc. expects to receive or intend to seek compensation for investment banking services within the next 3 months.

CGS-CIMB Securities (USA) Inc. neither expects to receive nor intends to seek compensation for investment banking services from any of the company mentioned within the next 3 months.

As of the end of the month immediately preceding the date of publication of this report, CGS-CIMB Securities (USA) Inc. beneficially owns 1% or more of any class of common equity securities.

United States Third-Party Disclaimer: If this report is distributed in the United States of America by Raymond James & Associates, Inc ("RJA"), this report is third-party research prepared for and distributed in the United States of America by RJA pursuant to an arrangement between RJA and CGS-CIMB Securities International Pte. Ltd. ("CGS-CIMB"). CGS-CIMB is not an affiliate of RJA. This report is distributed solely to persons who qualify as "U.S. Institutional Investors" or as "Major U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934, as amended. This communication is only for U.S. Institutional Investors or Major U.S. Institutional Investor whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major U.S. Institutional Investor must not rely on this communication. The delivery of this report to any person in the U.S. is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. If you are receiving this report in the U.S from RJA, a FINRA/SIPC member, it takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CGS-CIMB Securities (USA) Inc. or RJA. https://raymondjames.com/InternationalEquityDisclosures

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional, or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** - Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** - Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, n/a **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2020 from Thai Institute of Directors Association (IOD)
- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of January 30, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.