

India

ADD (no change)

| | | | |
|------------------------------|-----------|--------|--------|
| Consensus ratings*: | Buy 22 | Hold 1 | Sell 2 |
| Current price: | Rs422 | | |
| Target price: | Rs602 | | |
| Previous target: | Rs700 | | |
| Up/downside: | 42.7% | | |
| InCred Research / Consensus: | 2.4% | | |
| Reuters: | JKLC.BO | | |
| Bloomberg: | JKLC IN | | |
| Market cap: | US\$638m | | |
| | Rs49,604m | | |
| Average daily turnover: | US\$1.6m | | |
| | Rs124.5m | | |
| Current shares o/s: | 117.7m | | |
| Free float: | 53.7% | | |
| *Source: Bloomberg | | | |

Key changes in this note

- Net sales raised by 1% for FY23F.
- EBITDA cut by 16-24% for FY23F-24F.



Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|-------------------|-------|-------|--------|
| Absolute (%) | (4.3) | (8.4) | (5.2) |
| Relative (%) | 3.4 | 0.4 | (11.0) |

Major shareholders

| | % held |
|---------------------------|--------|
| Promoter & Promoter Group | 46.3 |
| Franklin India | 3.8 |
| Axis Mutual Fund | 5.2 |

Analyst(s)



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JK Lakshmi Cement

Near-term headwinds but valuation attractive

- Strong 4QFY22 beat, with standalone EBITDA at Rs2.8bn (Incred estimate: Rs1.8bn), up 3% yoy and 89% qoq, due to lower cost and higher volume.
- We slash our FY23F-24F EBITDA estimates by ~16%-24% to factor in the current cost scenario. JKLC's new capacity (at UCWL) to come in by FY24F.
- We retain our Add rating on the stock with a lower target price of Rs602 (from Rs700 earlier) at 8x (unchanged) FY24F EV/EBITDA.

Highest volume in 4Q drives qoq/yoy improvement in revenue

JK Lakshmi Cement or JKLC's sales volume (including clinker) in 4QFY22 increased by 8% yoy (up 28% qoq on a low base and improved demand) to 3.14mt, 9% above our estimate. The back-ended price hikes in key markets dented realization to Rs4,770 (down 1.7% qoq and 3% below Incred estimate). Trade sales were ~56% (vs. 54% qoq) where the share of premium products stood at 25%. JKLC's subsidiary, Udaipur Cement Works (UCWL) to set up an entire 2.5mtpa grinding unit (the earlier plan was a separate 1mtpa split grinding unit) along with a 1.5mtpa clinker unit at Udaipur in Rajasthan and they are expected to be commissioned by FY24F (earlier Oct 2023F). All this is expected to aid volume growth from FY25F. We factor in 5%/5% volume growth in FY23F/24F, respectively, as the new capacity to be ramped up only post FY24F.

Cost/t stays lower qoq; margins to be under pressure in 1HFY23F

Total cost/t stood at Rs3,890, up 7% yoy while down 9% qoq, because of lower power and fuel and fixed cost. P&F cost/t was up 24% yoy while down 18% qoq due to higher usage of biomass in the fuel mix (14% vs 10% qoq), benefits from WHRS capacity and low-cost fuel inventory (cost of fuel consumed stood at Rs9,000/t vs ~Rs9,400/t in 3QFY22). Further, the company stated that higher fuel cost inventory will start getting reflected from the current quarter (1QFY23F) and it expects a 7-8% qoq rise in fuel cost in 1QFY23F. Freight cost/t inched up by ~9% yoy and 1% qoq, given that diesel prices were stable qoq (lead distance reduced marginally by 6km qoq to ~394km). All this led to EBITDA/t improvement of 48% qoq (down only 5% yoy) to Rs880. Management gave guidance of raising EBITDA/t to Rs1,000 by improving operational efficiency but, in our view, looks difficult in 1HFY23F.

Leverage to remain under control despite higher capex intensity

JKCL's consolidated gross and net debt stood at Rs18.6bn and Rs6.5bn vs. Rs16.5bn and Rs8.2bn, respectively, in FY21. UCWL is undertaking capex which it expects to complete by FY24F with an outlay of Rs16.5bn (Rs7bn in FY23F and the rest in FY24F) through a mix of debt (Rs11bn) and equity (Rs5.5bn).

Maintain Add rating; valuation is attractive

JKLC trades at FY23F/FY24F EV/EBITDA of 7.1x/6.3x, respectively. We retain Add rating on it. Our target price of Rs602 (Rs700 earlier) is driven by EBITDA cut, and we maintain our target multiple of 8x FY24F EV/EBITDA. Weak demand, pricing pressure and a continuous rise in input cost are key downside risks.

Financial Summary

| | Mar-20A | Mar-21A | Mar-22A | Mar-23F | Mar-24F |
|-----------------------------------|---------|---------|---------|---------|---------|
| Revenue (Rsm) | 43,641 | 47,274 | 54,199 | 58,337 | 62,364 |
| Operating EBITDA (Rsm) | 7,981 | 9,386 | 9,507 | 8,487 | 10,205 |
| Net Profit (Rsm) | 2,783 | 4,432 | 4,906 | 3,871 | 5,035 |
| Core EPS (Rs) | 23.6 | 37.7 | 41.7 | 32.9 | 42.8 |
| Core EPS Growth | 484.7% | 59.3% | 10.7% | (21.1%) | 30.1% |
| FD Core P/E (x) | 17.83 | 11.19 | 10.11 | 12.82 | 9.85 |
| DPS (Rs) | 2.5 | 3.8 | 5.0 | 3.3 | 4.3 |
| Dividend Yield | 0.71% | 0.89% | 1.19% | 0.78% | 1.01% |
| EV/EBITDA (x) | 8.31 | 6.36 | 5.93 | 7.15 | 6.31 |
| P/FCFE (x) | 16.84 | 19.09 | 22.55 | (11.76) | (14.17) |
| Net Gearing | 99.5% | 47.1% | 25.5% | 37.4% | 43.4% |
| P/BV (x) | 2.94 | 2.37 | 1.98 | 1.74 | 1.50 |
| ROE | 17.5% | 23.4% | 21.3% | 14.4% | 16.3% |
| % Change In Core EPS Estimates | | | | (0.37%) | (0.33%) |
| InCred Research/Consensus EPS (x) | | | | 0.79 | 0.87 |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Near-term headwinds but valuation attractive

4QFY22 results review

Key takeaways from 4QFY22 results and earnings call ►

Demand and pricing outlook:

- Demand picked up well, resulting in 28% qoq and 8% yoy growth in sales volume to 3.14mt during the quarter. However, demand witnessed some slowdown in Apr 2022 and May 2022 (first 15days of May) due to the harvesting season leading to a delay in workers returning to work and extreme heatwave in key markets like Gujarat and North India. Demand is expected to pick up (in the rest of 1QFY23F) as aggregate supplies have resumed.
- The trade mix for the company stood at 56% in 4QFY22 vs. 54% in 3QFY22. For FY22, the trade mix stood at 55%. The share of premium products was at 25% of total trade volume in 4QFY22. Blending ratio stood at 55% during 4QFY22. JKLC expects to increase the trade mix and blending ratio by 4-5% in FY23F.
- From 4QFY22 exit prices, JKLC took a price hike of Rs20-30/bag in North India and Rs15-20/bag in East India in Apr 2022. However, due to moderate demand prices were rolled back in some pockets in May 2022. JKLC expects a fresh price hike to be taken while another hike of Rs15/bag is needed to offset cost inflation.
- JKLC targets to achieve EBITDA/t of Rs1,000 via improvement in efficiency.

Volume and cement-clinker ratio:

- Total non-cement revenue stood at Rs1.03 bn in 4QFY22 vs. Rs1bn in 3QFY22, out of which ready-mix concrete or RMC revenue stood at Rs480m in 4QFY22 vs. Rs420m in 3QFY22.
- On standalone basis, clinker and cement production stood at 2.619mt and 1.735mt, respectively, in 4QFY22. UCWL's cement and clinker production stood at 0.421mt and 0.33mt, respectively, in 4QFY22. Cement and clinker sales volume stood at 2.916mt and 0.228mt, respectively, in 4QFY22.
- Consolidated cement and clinker sales volume stood at 3.08mt and 0.21mt, totalling to 3.29mt in 4QFY22.
- Non-cement revenue (value-added products like RMC, Autoclaved aerated concrete (AAC) blocks and putty) stood at Rs1.03bn (of which RMC revenue was at Rs480m in 4QFY22 vs. Rs420m in 3QFY22) vs. Rs1bn in 3QFY22.

Cost guidance:

- JKLC has commissioned 10MW Waste Heat Recovery System (WHRS) at its third line at Sirohi, Rajasthan, taking its total WHRS capacity to 33MW (25MW at Sirohi and 8MW at Durg, Chhattisgarh). Savings from WHRS at Sirohi in Rajasthan, combined with a higher share of biomass power (10% to 14% qoq) along with low-cost inventory helped it to lower overall P&F cost in 4QFY22.
- JKLC expects its higher fuel cost inventory to start getting reflected from the current quarter, although some efficiency improvement is still expected. JKLC gave guidance of fuel cost rising by 7-8% qoq in 1QFY23F and if coal/pet-coke prices sustain at current levels, it will witness a 20-25% (Rs200-250/t) increase in power & fuel cost from the 4QFY22 level.
- During 4QFY22, the fuel mix for JKLC stood at 56%/30%/14% for pet-coke/coal/biomass, respectively. The company expects its current biomass power share of 14% to sustain but it may reduce during the monsoon season in 2QFY23. Average cost of fuel/t consumption in 4QFY22 stood at Rs9,000 vs. Rs9,400 in 3QFY22.

- There is no scope for further WHRS expansion except 1-2MW through technical improvement and 7-8MW WHRS to come in at the upcoming expansion project at Udaipur in Rajasthan.
- Lead distance reduced marginally to ~394km vs. 400km in 3QFY22.
- Other expenses declined in 4QFY22 due to lower advertising expenditure (as it did not spend on India Premier League or IPL cricket matches) and lower fixed cost. JKLC believes its current quarterly run-rate of other expenses is sustainable. The company expects other expenses to be ~Rs5.5bn on a yearly basis. It has been working hard on reducing overhead and advertisement cost.

Update on expansion and capex (UCWL):

- JKLC's subsidiary, Udaipur Cement Works (UCWL) opted to set up an entire 2.5mtpa grinding unit (the earlier plan was a separate 1mtpa split grinding unit) along with a 1.5mtpa clinker unit at Udaipur in Rajasthan and they are expected to be commissioned by FY24F (Oct 2023F earlier).
- The expansion at UCWL requires a total capex of ~Rs16.5bn. The capex is to be funded through 2:1 debt to equity. The equity portion will be supported by JKLC to the tune of ~Rs5.5bn, which in turn will be funded by rights share issue of ~Rs4.5bn and the rest through internal accruals of UCWL. The debt requirement is Rs11bn, of which Rs3.5bn has already been availed in Mar 2022 and the remaining Rs7.5bn will be taken in FY23F.
- Capex of Rs7bn/ Rs9bn is expected in FY23F/ FY24F, respectively, for UCWL's expansion.

JKLC and consolidated capex:

- JKLC's capex in FY23F is expected at Rs700-800m. Total capex at a consolidated level in FY23F is likely to be ~Rs7.8bn.

Debt update:

- JKLC's consolidated gross and net debt stood at Rs18.6bn and Rs6.5bn, respectively, vs. Rs16.5bn and Rs8.2bn in FY21, while gross debt and net debt on a standalone stood at Rs9.6bn and Rs760m, respectively, as at end-Mar 2022 vs. Rs11.2bn and Rs4bn in FY21.
- Management expects net debt to remain below Rs10bn while expanding the capacity. Non-convertible debentures or NCDs amounting to Rs3.5bn were raised on 16 Mar 2022 by UCWL and external commercial borrowing or ECB of US\$100m (Rs750-800m) was availed by JKLC in the last week of Mar 2022, which resulted in an increase in cash balance.

Other updates:

- JKLC has consumed MAT credit of Rs440m in FY22 and outstanding balance stands at Rs2.6bn in FY22- end.
- As per management, JKLC has both capability and limestone availability at its Sirohi and Durg plants needed for further expansion.
- Total revenue from value-added products (VAP) stood at Rs3.73bn in FY22 and the company expects an improvement of 8-10% in FY23F.

Figure 1: Standalone quarterly performance

| Particulars (Rs Mn) | 4QFY22 | 4QFY22F | 3QFY22 | 4QFY21 | % Change | | |
|---------------------------------------|---------------|---------------|---------------|---------------|------------|-------------|------------|
| | | | | | 4QFY22F | 3QFY22 | 4QFY21 |
| Net Sales | 14,976 | 14,242 | 11,934 | 13,220 | 5% | 25% | 13% |
| Raw materials consumed | 3,994 | 3,219 | 2,706 | 3,180 | 24% | 48% | 26% |
| Freight and Forwarding Expense | 3,200 | 2,975 | 2,486 | 2,714 | 8% | 29% | 18% |
| Power and Fuel | 3,054 | 3,590 | 2,932 | 2,271 | -15% | 4% | 34% |
| Employee Cost | 721 | 1,035 | 868 | 792 | -30% | -17% | -9% |
| Other Expenses | 1,245 | 1,663 | 1,479 | 1,584 | -25% | -16% | -21% |
| Total Expenditures | 12,214 | 12,482 | 10,470 | 10,541 | -2% | 17% | 16% |
| EBITDA | 2,762 | 1,760 | 1,464 | 2,679 | 57% | 89% | 3% |
| Depreciation | 507 | 472 | 468 | 478 | 7% | 8% | 6% |
| EBIT | 2,255 | 1,288 | 996 | 2,201 | 75% | 126% | 2% |
| Interest | 219 | 273 | 251 | 299 | -20% | -13% | -27% |
| Other Income | 176 | 194 | 164 | 273 | -9% | 7% | -35% |
| PBT | 1,979 | 1,209 | 910 | 1,865 | 64% | 118% | 6% |
| Tax | 262 | 314 | 318 | 500 | -17% | -17% | -48% |
| PAT before MI & Associates | 1,717 | 894 | 592 | 1,365 | 92% | 190% | 26% |
| Minority Interest | 0 | 0 | 0 | 0 | | | |
| Profit from Assoc. | 0 | 0 | 0 | 0 | | | |
| Recurring PAT | 1,717 | 894 | 592 | 1,365 | 92% | 190% | 26% |
| Extraordinaries | 234 | 0 | 0 | 309 | | | |
| Reported PAT | 1,717 | 894 | 592 | 1,365 | 92% | 190% | 26% |
| EPS (Rs) | 14.6 | 7.6 | 5.0 | 11.6 | 92% | 190% | 26% |
| Gross Margin | 32% | 31% | 32% | 38% | 27 bp | -36 bp | -667 bp |
| EBITDA Margin | 18.4% | 12.4% | 12.3% | 20.3% | 609 bp | 618 bp | -182 bp |
| EBIT Margin | 15% | 9% | 8% | 17% | 602 bp | 671 bp | -159 bp |
| PBT Margin | 13% | 8% | 8% | 14% | 473 bp | 559 bp | -89 bp |
| PAT Margin | 11% | 6% | 5% | 10% | 519 bp | 650 bp | 114 bp |
| Tax Rate | 13% | 26% | 35% | 27% | -1276 bp | -2166 bp | -1358 bp |
| Cost items as % of Sales | | | | | | | |
| RM | 27% | 23% | 23% | 24% | 407 bp | 400 bp | 262 bp |
| Freight costs | 21% | 21% | 21% | 21% | 48 bp | 54 bp | 84 bp |
| P&F costs | 20% | 25% | 25% | 17% | -482 bp | -418 bp | 321 bp |

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

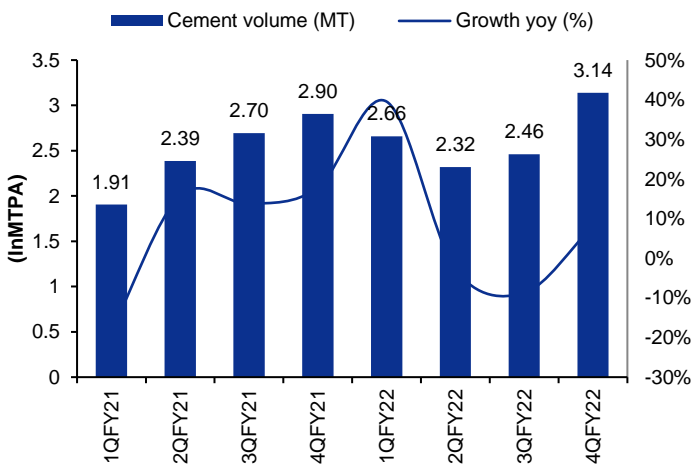
Figure 2: 4QFY22 results as per tonne analysis

| Per tonne analysis | 4QFY22 | 4QFY22F | 3QFY22 | 4QFY21 | % Change | | |
|---------------------------------|--------|---------|--------|--------|----------|--------|--------|
| | | | | | 4QFY22F | 3QFY22 | 4QFY21 |
| Sales volume (Cement + Clinker) | 3.14 | 2.89 | 2.46 | 2.90 | 9% | 28% | 8.1% |
| Realization | 4,770 | 4,930 | 4,851 | 4,552 | -3.3% | -1.7% | 4.8% |
| EBITDA/t | 880 | 609 | 595 | 922 | 44% | 48% | -5% |
| RM cost/t | 1,272 | 1,114 | 1,100 | 1,095 | 14% | 16% | 16% |
| P&F costs/t | 972 | 1,243 | 1,192 | 782 | -22% | -18% | 24% |
| Freight costs/t | 1,019 | 1,030 | 1,011 | 935 | -1% | 1% | 9% |
| Employee costs/t | 230 | 358 | 353 | 273 | -36% | -35% | -16% |
| Other exps/t | 396 | 576 | 601 | 545 | -31% | -34% | -27% |
| Cost/t | 3890 | 4321 | 4256 | 3630 | -10% | -9% | 7% |

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

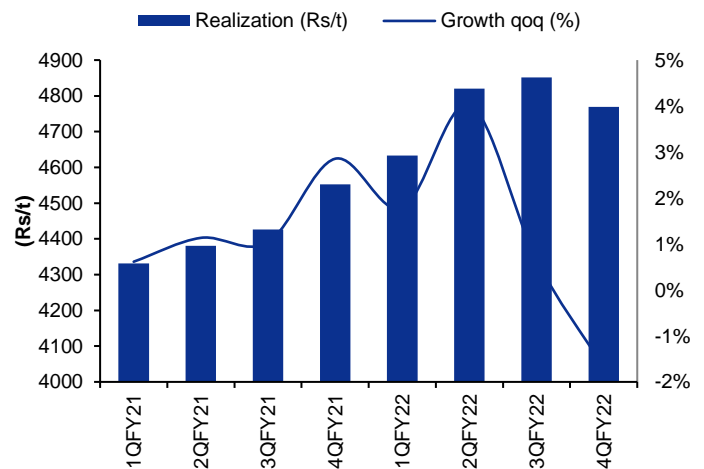
Key quarterly charts ➤

Figure 3: Cement sales volume (Including clinker) increased 8% yoy in 4QFY22



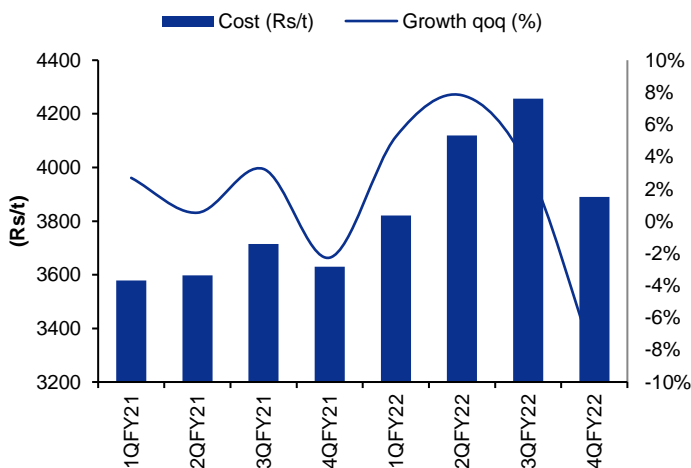
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Cement realization increased 5% yoy while it was down 2% qoq in 4QFY22



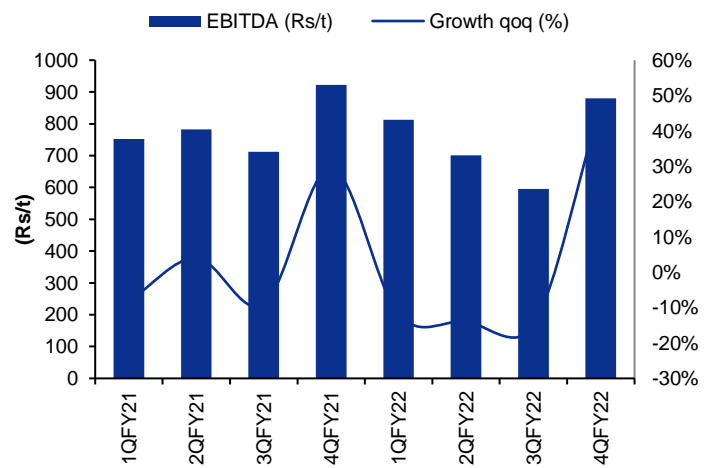
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Operating cost/t trend to remain elevated in the near term



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Unitary EBITDA expanded 48% qoq (down only 5% yoy) to Rs880/t in 4QFY22



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Revision in our earnings estimates

| Rs. m | New | | Old | | Change (%) | |
|-----------|--------|--------|--------|--------|------------|-------|
| | FY23F | FY24F | FY23F | FY24F | FY23F | FY24F |
| Sales | 58,337 | 62,364 | 57,583 | 62,256 | 1% | 0% |
| EBITDA | 8,487 | 10,205 | 10,564 | 11,830 | -24% | -16% |
| PAT | 3,871 | 5,035 | 5,016 | 6,068 | -30% | -21% |
| EPS (Rs.) | 32.9 | 42.8 | 43 | 52 | -31% | -21% |

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 8: Change in our estimates vs. Bloomberg consensus estimates

| Rs. m | Incred | | Consensus | | Change (%) | |
|--------|--------|--------|-----------|--------|------------|-------|
| | FY23F | FY24F | FY23F | FY24F | FY23F | FY24F |
| Sales | 58,337 | 62,364 | 58,625 | 63,731 | 0% | -2% |
| EBITDA | 8,487 | 10,205 | 10,009 | 11,542 | -15% | -12% |
| PAT | 3,871 | 5,035 | 4,733 | 5,715 | -18% | -12% |

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 9: Key assumptions

| | FY20A | FY21A | FY22A | FY23F | FY24F |
|--------------------------------|-------|-------|-------|-------|-------|
| Volume (in mtpa) | 10 | 10 | 11 | 12 | 12 |
| yoy | -10% | 4% | 7% | 4% | 4% |
| Realization (per tonne) | 4342 | 4523 | 4839 | 4984 | 5099 |
| yoy | 12% | 4% | 7% | 3% | 2% |
| Cost (per tonne) | 3548 | 3625 | 3990 | 4259 | 4265 |
| yoy | 2% | 2% | 10% | 7% | 0% |
| EBITDA (per tonne) | 794 | 898 | 849 | 725 | 834 |
| yoy | 95% | 13% | -5% | -15% | 15% |
| EBITDA (Rs m) | 7981 | 9386 | 9507 | 8487 | 10205 |
| yoy | 76% | 18% | 1% | -11% | 20% |

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: Our target price of Rs602 is based on 8x FY24F EV/EBITDA

| Valuation | TP |
|----------------------------------|------------|
| Target EV/EBITDA (x) | 8.0 |
| Target EV (Rs m) | 81,639 |
| Net debt / (cash) (Rs m) | 10,770 |
| No. of shares (m) | 118 |
| Fair value per share (Rs) | 602 |

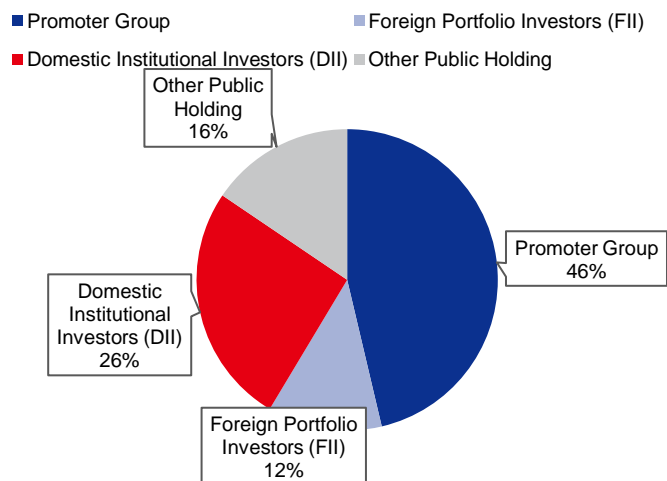
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 11: Cement sector peer comparison

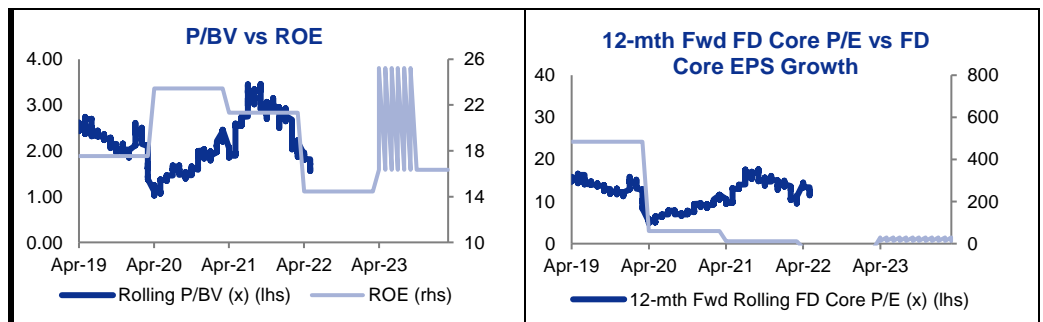
| Company | Bloomberg Ticker | Rating | Closing Price (LC) | Target Price (LC) | % Upside | Market cap (US\$ m) | EV/EBITDA (x) | | P/BV (x) | | RoE (%) | | P/E (x) | | EV/t (US\$) | |
|-------------------|------------------|--------|--------------------|-------------------|----------|---------------------|---------------|-------|----------|-------|---------|-------|---------|-------|-------------|-------|
| | | | | | | | FY22F | FY23F | FY22F | FY23F | FY22F | FY23F | FY22F | FY23F | FY22F | FY23F |
| UltraTech Cement | UTCEM IN | ADD | 6,073 | 8,009 | 32% | 22,631 | 16.1 | 15.3 | 3.6 | 3.3 | 15.2 | 11.6 | 25.0 | 29.5 | 225.1 | 185.2 |
| ACC | ACC IN | ADD | 2,231 | 2,322 | 4% | 5,409 | 13.1 | 9.7 | 2.7 | 2.4 | 10.9 | 13.3 | 25.8 | 19.2 | 120.4 | 109.6 |
| Ambuja Cements | ACEM IN | HOLD | 364 | 398 | 9% | 9,331 | 22.1 | 18.4 | 3.1 | 3.0 | 8.1 | 9.5 | 39.3 | 32.3 | 134.8 | 130.6 |
| Shree Cement | SRCM IN | HOLD | 22,216 | 28,045 | 26% | 10,349 | 17.8 | 15.1 | 4.5 | 3.9 | 15.8 | 16.3 | 30.3 | 25.4 | 221.5 | 205.4 |
| The Ramco Cements | TRCL IN | ADD | 689 | 1,053 | 53% | 2,102 | 13.8 | 10.1 | 2.7 | 2.3 | 12.0 | 14.9 | 23.5 | 16.8 | 134.7 | 127.4 |
| JK Cement | JKCE IN | HOLD | 2,323 | 3,656 | 57% | 2,317 | 13.6 | 11.7 | 4.5 | 3.8 | 20.8 | 21.3 | 23.7 | 19.5 | 186.6 | 186.1 |
| Birla Corp | BCORP IN | ADD | 1,015 | 1,300 | 28% | 1,009 | 10.3 | 10.5 | 1.3 | 1.3 | 7.5 | 4.9 | 18.5 | 26.6 | 76.9 | 74.7 |
| Heidelberg | HEIM IN | ADD | 186 | 282 | 52% | 544 | 6.7 | 5.4 | 2.4 | 2.1 | 19.6 | 21.2 | 12.8 | 10.4 | 78.0 | 72.9 |
| Dalmia Bharat | DALBHARA IN | ADD | 1,369 | 1,724 | 26% | 3,312 | 10.4 | 11.8 | 1.7 | 1.6 | 8.0 | 4.2 | 23.5 | 39.4 | 92.5 | 89.0 |
| JK Lakshmi | JKLC IN | ADD | 422 | 602 | 43% | 640 | 5.9 | 7.2 | 2.0 | 1.7 | 21.3 | 14.4 | 10.1 | 12.8 | 52.5 | 56.5 |
| Orient Cement | ORCMNT IN | ADD | 116 | 176 | 51% | 308 | 4.5 | 5.7 | 1.6 | 1.6 | 18.6 | 14.0 | 9.2 | 10.6 | 40.8 | 48.0 |
| Prism Johnson | PRSMJ IN | ADD | 112 | 143 | 28% | 725 | 13.4 | 11.6 | 4.2 | 3.9 | 6.0 | 9.7 | 75.7 | 42.0 | 130.0 | 127.3 |
| Mean | | | | | | | 12.2 | 10.8 | 2.8 | 2.6 | 13.7 | 13.5 | 26.4 | 23.3 | 124.3 | 117.0 |
| Median | | | | | | | 13.2 | 11.1 | 2.7 | 2.4 | 13.6 | 13.7 | 23.6 | 22.5 | 125.2 | 118.5 |
| Minimum | | | | | | | 4.5 | 4.5 | 1.3 | 1.3 | 6.0 | 4.2 | 9.2 | 8.0 | 40.8 | 48.0 |
| Maximum | | | | | | | 22.1 | 18.4 | 4.5 | 3.9 | 21.4 | 21.3 | 75.7 | 42.0 | 225.1 | 205.4 |

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICED AS AT 19 MAY 2022

Figure 12: JKLC's shareholding pattern (as at end-Mar 2022)



SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

| (Rs mn) | Mar-20A | Mar-21A | Mar-22A | Mar-23F | Mar-24F |
|---|---------------|---------------|---------------|---------------|---------------|
| Total Net Revenues | 43,641 | 47,274 | 54,199 | 58,337 | 62,364 |
| Gross Profit | 43,641 | 47,274 | 54,199 | 58,337 | 62,364 |
| Operating EBITDA | 7,981 | 9,386 | 9,507 | 8,487 | 10,205 |
| Depreciation And Amortisation | (2,198) | (2,253) | (2,235) | (2,313) | (2,429) |
| Operating EBIT | 5,782 | 7,133 | 7,272 | 6,174 | 7,776 |
| Financial Income/(Expense) | (2,250) | (1,920) | (1,422) | (1,450) | (1,494) |
| Pretax Income/(Loss) from Assoc. | | | | | |
| Non-Operating Income/(Expense) | 460 | 726 | 683 | 697 | 711 |
| Profit Before Tax (pre-EI) | 3,993 | 5,939 | 6,534 | 5,420 | 6,993 |
| Exceptional Items | | | | | |
| Pre-tax Profit | 3,992 | 5,939 | 6,533 | 5,420 | 6,993 |
| Taxation | (1,161) | (1,349) | (1,488) | (1,409) | (1,818) |
| Exceptional Income - post-tax | | | | | |
| Profit After Tax | 2,832 | 4,590 | 5,046 | 4,011 | 5,175 |
| Minority Interests | (49) | (157) | (140) | (140) | (140) |
| Preferred Dividends | | | | | |
| FX Gain/(Loss) - post tax | | | | | |
| Other Adjustments - post-tax | | | | | |
| Net Profit | 2,783 | 4,432 | 4,906 | 3,871 | 5,035 |
| Recurring Net Profit | 2,783 | 4,432 | 4,906 | 3,871 | 5,035 |
| Fully Diluted Recurring Net Profit | 2,783 | 4,432 | 4,906 | 3,871 | 5,035 |

Cash Flow

| (Rs mn) | Mar-20A | Mar-21A | Mar-22A | Mar-23F | Mar-24F |
|----------------------------------|----------------|----------------|----------------|-----------------|-----------------|
| EBITDA | 7,981 | 9,386 | 9,507 | 8,487 | 10,205 |
| Cash Flow from Invt. & Assoc. | | | | | |
| Change In Working Capital | 1,612 | (1,380) | 562 | 1,751 | 238 |
| (Incr)/Decr in Total Provisions | | | | | |
| Other Non-Cash (Income)/Expense | 460 | 726 | 683 | 697 | 711 |
| Other Operating Cashflow | (147) | 4,855 | (942) | (942) | (942) |
| Net Interest (Paid)/Received | (2,250) | (1,920) | (1,422) | (1,450) | (1,494) |
| Tax Paid | (1,161) | (1,349) | (1,488) | (1,409) | (1,818) |
| Cashflow From Operations | 6,495 | 10,319 | 6,900 | 7,133 | 6,899 |
| Capex | (986) | (1,677) | (3,661) | (7,500) | (9,200) |
| Disposals Of FAs/subsidiaries | | | | | |
| Acq. Of Subsidiaries/investments | | | | | |
| Other Investing Cashflow | (1,011) | (2,678) | (2,990) | (4,352) | (1,700) |
| Cash Flow From Investing | (1,997) | (4,356) | (6,651) | (11,852) | (10,900) |
| Debt Raised/(repaid) | (1,552) | (3,364) | 1,952 | 500 | 500 |
| Proceeds From Issue Of Shares | | | | | |
| Shares Repurchased | | | | | |
| Dividends Paid | (455) | (441) | (589) | (387) | (503) |
| Preferred Dividends | | | | | |
| Other Financing Cashflow | (2,489) | (1,704) | (1,255) | 802 | 802 |
| Cash Flow From Financing | (4,496) | (5,510) | 108 | 915 | 799 |
| Total Cash Generated | 2 | 453 | 357 | (3,804) | (3,202) |
| Free Cashflow To Equity | 2,946 | 2,599 | 2,201 | (4,219) | (3,501) |
| Free Cashflow To Firm | 6,748 | 7,883 | 1,671 | (3,268) | (2,507) |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

| Balance Sheet | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| (Rs mn) | Mar-20A | Mar-21A | Mar-22A | Mar-23F | Mar-24F |
| Total Cash And Equivalents | 4,763 | 8,331 | 12,099 | 8,295 | 5,093 |
| Total Debtors | 959 | 545 | 352 | 479 | 513 |
| Inventories | 4,806 | 3,662 | 5,810 | 5,194 | 5,553 |
| Total Other Current Assets | 2,029 | 2,282 | 1,220 | 1,750 | 2,307 |
| Total Current Assets | 12,557 | 14,820 | 19,481 | 15,719 | 13,466 |
| Fixed Assets | 35,130 | 33,548 | 34,634 | 39,821 | 46,593 |
| Total Investments | 141 | 152 | 151 | 151 | 151 |
| Intangible Assets | 2,385 | 3,461 | 3,149 | 7,500 | 9,200 |
| Total Other Non-Current Assets | 1,414 | 883 | 1,847 | 1,847 | 1,847 |
| Total Non-current Assets | 39,071 | 38,043 | 39,781 | 49,319 | 57,791 |
| Short-term Debt | 7,878 | 5,690 | 5,914 | 5,914 | 5,914 |
| Current Portion of Long-Term Debt | | | | | |
| Total Creditors | 5,102 | 4,368 | 3,660 | 4,823 | 5,134 |
| Other Current Liabilities | 5,689 | 6,497 | 7,537 | 8,167 | 9,043 |
| Total Current Liabilities | 18,669 | 16,555 | 17,112 | 18,905 | 20,091 |
| Total Long-term Debt | 13,641 | 12,560 | 12,651 | 13,151 | 13,651 |
| Hybrid Debt - Debt Component | | | | | |
| Total Other Non-Current Liabilities | 2,477 | 2,674 | 4,180 | 4,180 | 4,180 |
| Total Non-current Liabilities | 16,119 | 15,234 | 16,831 | 17,331 | 17,831 |
| Total Provisions | | | | | |
| Total Liabilities | 34,787 | 31,789 | 33,943 | 36,236 | 37,923 |
| Shareholders Equity | 16,869 | 20,946 | 25,052 | 28,535 | 33,067 |
| Minority Interests | (29) | 128 | 267 | 267 | 267 |
| Total Equity | 16,841 | 21,074 | 25,319 | 28,803 | 33,334 |

| Key Ratios | | | | | |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| | Mar-20A | Mar-21A | Mar-22A | Mar-23F | Mar-24F |
| Revenue Growth | 1.1% | 8.3% | 14.6% | 7.6% | 6.9% |
| Operating EBITDA Growth | 75.9% | 17.6% | 1.3% | (10.7%) | 20.2% |
| Operating EBITDA Margin | 18.3% | 19.9% | 17.5% | 14.5% | 16.4% |
| Net Cash Per Share (Rs) | (142.36) | (84.27) | (54.94) | (91.50) | (122.96) |
| BVPS (Rs) | 143.33 | 177.96 | 212.84 | 242.44 | 280.94 |
| Gross Interest Cover | 2.57 | 3.72 | 5.11 | 4.26 | 5.21 |
| Effective Tax Rate | 29.1% | 22.7% | 22.8% | 26.0% | 26.0% |
| Net Dividend Payout Ratio | 12.7% | 10.0% | 12.0% | 10.0% | 10.0% |
| Accounts Receivables Days | 8.60 | 5.81 | 3.02 | 2.60 | 2.90 |
| Inventory Days | 34.83 | 32.69 | 31.89 | 34.43 | 31.45 |
| Accounts Payables Days | 53.99 | 45.62 | 32.78 | 31.06 | 34.84 |
| ROIC (%) | 16.1% | 21.3% | 20.3% | 14.2% | 15.0% |
| ROCE (%) | 15.2% | 18.4% | 17.5% | 13.5% | 15.4% |
| Return On Average Assets | 9.9% | 12.5% | 11.5% | 8.8% | 9.8% |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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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 |

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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)

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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. |