MOTILAL OSWAL

15 June 2021

MORNING INDIA

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ASIAMONEY POLL 2021

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	52,552	0.1	10.1
Nifty-50	15,812	0.1	13.1
Nifty-M 100	27,199	-0.5	30.5
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,255	0.2	13.3
Nasdaq	14,174	0.7	10.0
FTSE 100	7,147	0.2	10.6
DAX	15,674	-0.1	14.2
Hang Seng	10,751	0.0	0.1
Nikkei 225	29,162	0.7	6.3
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	73	0.5	42.1
Gold ($/OZ)	1,866	-0.6	-1.7
Cu (US$/MT)	9,938	-0.4	28.3
Almn (US$/MT)	2,510	1.8	27.2
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	73.3	0.3	0.3
USD/EUR	1.2	0.1	-0.8
USD/JPY	110.1	0.4	6.6
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.0	0.00	0.1
10 Yrs AAA Corp	6.8	0.00	0.2
Flows (USD b)	**14-Jun**	**MTD**	**CY21**
FIIs	-0.07	1.35	8.01
DIIs	0.07	-0.26	-1.74
Volumes (INRb)	**14-Jun**	**MTD***	**YTD***
Cash	847	820	795
F&O	34,271	45,066	42,863

Note: *Average

Today's top research theme

FUND FOLIO (June 2021): Equity inflows pick up; AUM reaches INR11t to achieve another milestone

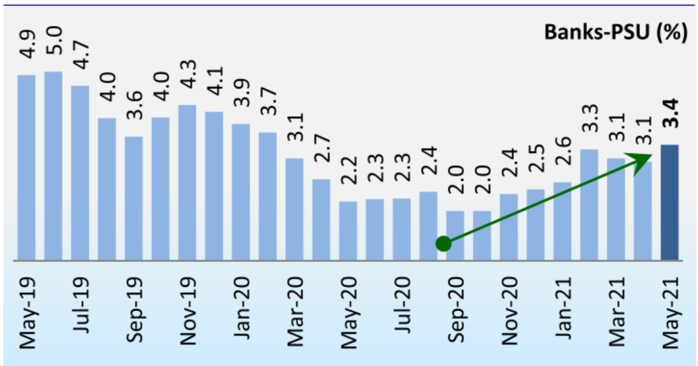
- Equity AUM (incl. ELSS and index funds) of domestic MFs increased 7.7% MoM to INR11.1t in May'21. This was on account of a rise in market indices (Nifty up 6.5% MoM) and an increase in equity scheme sales (up 15% MoM to INR277b). Furthermore, redemptions decreased 18.6% MoM to INR172b. This led to an increase in net inflows to INR105b in May'21 – the highest since Mar'20.
- The MF industry's total AUM increased 2.1% MoM (INR0.7t) to INR33.1t in May'21, primarily led by a MoM increase in AUM of equity funds, other ETF funds, and balanced funds. Notably, liquid funds and income funds posted a decrease MoM.
- The month saw notable changes in the sector and stock allocation of funds. On a MoM basis, the weights of PSU Banks, Oil & Gas, Automobiles, Capital Goods, Insurance, and Private Banks increased, while the weights of Healthcare, Metals, Consumer, Technology, Telecom, Chemicals, Consumer Durables, and Cement moderated.
- PSU Banks' weight reached 15-month highs of 3.4% (+30bp MoM; +120 YoY). As a result, the sector – which was in the thirteenth position a year ago – climbed to the ninth position in the allocation of mutual funds.

Research covered

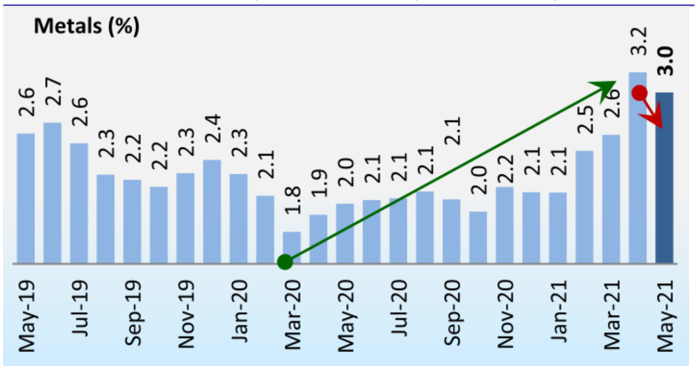
Cos/Sector	Key Highlights
FUND FOLIO (June 2021)	Equity inflows pick up; AUM reaches INR11t to achieve another milestone
Coal India	Better than expected realizations, lower cost drive beat
ICICI Prudential Life Insurance	Strengthened distribution and product mix to drive growth
JK Cement	Market share gains to drive earnings
EcoScope	CPI inflation overshoots estimates; WPI at a 25-year high in May'21

Chart of the Day: Sector allocation of domestic MFs – PSU Banks in the limelight; Metals moderate

PSU Banks' weight reached 15-month highs of 3.4% (+30bp MoM; +120 YoY)



Metals' weight, after reaching a 29-month high in April'21, moderated to 3% (-20bp MoM; +100bp YoY) in May'21



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Retail inflation jumps to six-month high of 6.3% in May

India's retail inflation, measured by the Consumer Price Index (CPI), accelerated to a six-month high of 6.3% in May, breaching the upper band of Reserve Bank of India's flexible inflation target. As per data from the National Statistical Office, food inflation shot up to 5% in May from 2% in April as prices of meat, fish, eggs, oils …

2

Oil prices rise to over 2-yr high as demand improves, supplies tighten

Oil prices rose on Monday, hitting their highest levels in more than two years, supported by economic recovery and the prospect of fuel demand growth as vaccination campaigns in developed countries accelerate. Brent rose 34 cents to $73.03 a barrel by 12:56 p.m. EDT (1656 GMT). Earlier in the session, it reached $73.64 a barrel, its highest since April 2019…

3

India May palm oil imports nearly doubles, soy oil jumps: Trade body

India's palm oil imports nearly doubled in May from last year's low base to the highest level in 4-months as refiners bought aggressively to replenish inventory, a leading trade body said in a statement on Monday. The country's palm oil imports in the month jumped 92% to 769,602 tonnes, while soyoil purchases rose by 43% to …

4

RBI proposes to cap borrowers' repayment outgo, scrap lending rate ceiling in uniform microfinance regulations

The Reserve Bank of India has suggested capping the total repayment outflow from a household to half of the annual income of the economically weaker households, which form the target segment for microfinance lenders, as part of a slew of proposals to…

5

B2B marketplace Flipkart Wholesale sees 3x jump in e-commerce adoption among kiranas in H1 2021

The business-to-business marketplace of IPO-bound Flipkart – Flipkart Wholesale, which was launched in September last year with the acquisition of the wholesale business of Walmart in India that operated 29 Best Price cash-and-carry wholesale stores, on Monday reported a threefold increase in e-commerce adoption among its kirana members. …

6

Govt may raise foreign investment limit to aid BPCL sale: Report

India is considering making it easier for foreign investors to acquire control of Bharat Petroleum Corp., according to people familiar with the matter, as the government tries to sell the state firm and bridge a widening budget deficit. If the cabinet clears the proposal, …

7

Amara Raja Batteries aims $2 bn investment over next decade in new energy and legacy biz

The old order changeth, but not entirely yielding place to the new. So, both new-age lithium-ion and legacy lead-acid cell businesses could get near-equal shares of financing at Amara Raja Batteries NSE 1.58 %, which is aiming to put about $2 billion …

Fund Folio

Indian Mutual Fund Tracker

FUND FOLIO (June 2021): Equity inflows pick up; AUM reaches INR11t to achieve another milestone

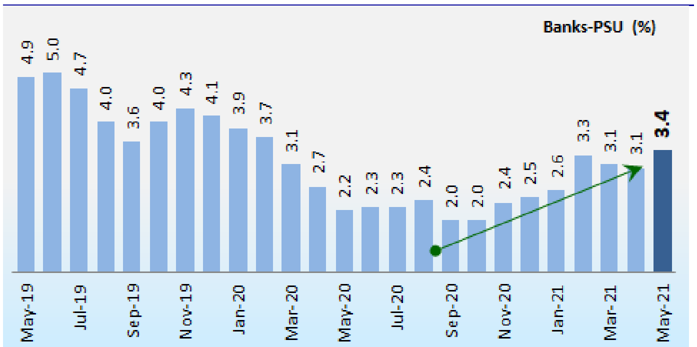
Key observations

- **After consolidating in Apr'21 (down 0.4% MoM), the Nifty headed north in May'21 (up 6.5% MoM) to close at an all-time high of 15,583. The rally was propelled by strong FII inflows in the second half of the month and steady decline in daily COVID-19 cases in India, as well as supported by strength in other Asian stock markets. FII inflows were back and stood at USD0.7b. DIIs saw inflows for the third consecutive month at USD0.3b.**
- **Equity AUM (incl. ELSS and index funds) of domestic MFs increased 7.7% MoM to INR11.1t in May'21. This was on account of a rise in market indices (Nifty up 6.5% MoM) and an increase in equity scheme sales (up 15% MoM to INR277b). Furthermore, redemptions decreased 18.6% MoM to INR172b. This led to an increase in net inflows to INR105b in May'21 – the highest since Mar'20.**
- **The MF industry's total AUM increased 2.1% MoM (INR0.7t) to INR33.1t in May'21, primarily led by a MoM increase in AUM of equity funds, other ETF funds, and balanced funds. Notably, liquid funds and income funds posted a decrease MoM.**

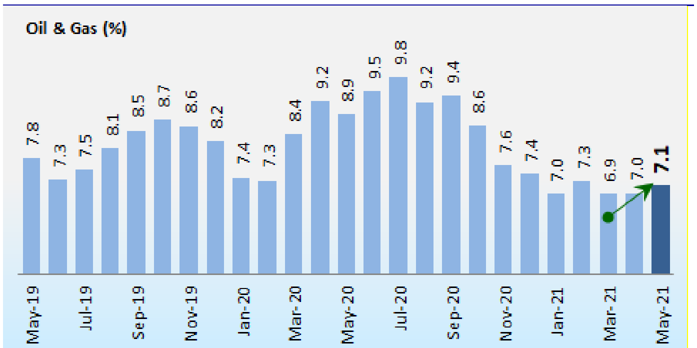
Some interesting facts

- **The month saw notable changes in the sector and stock allocation of funds. On a MoM basis, the weights of PSU Banks, Oil & Gas, Automobiles, Capital Goods, Insurance, and Private Banks increased, while the weights of Healthcare, Metals, Consumer, Technology, Telecom, Chemicals, Consumer Durables, and Cement moderated.**
- **PSU Banks' weight reached 15-month highs of 3.4% (+30bp MoM; +120 YoY). As a result, the sector – which was in the thirteenth position a year ago – climbed to the ninth position in the allocation of mutual funds.**
- **Oil & Gas' weight increased for the second consecutive month to 7.1% (+10bp MoM). The sector now ranks fifth in the allocation of mutual funds – it was in the third position a year ago.**
- **Metals' weight – after reaching a 29-month high in April'21 – moderated to 3% (-20bp MoM; +100bp YoY) in May'21.**
- **In terms of value increase MoM, 6 of the top 10 stocks were from BFSI: SBI (+INR76.1b), HDFC Bank (+INR73.4b), ICICI Bank (+INR72.1b), HDFC (+INR31.4b), SBI Life Insurance (+INR26.2b), and Axis Bank (+INR19.1b).**
- **Stocks that exhibited maximum decline in value MoM: JSPL (-INR9.8b), Cholamandalam Inv. & Fin. (-INR7.3b), Deepak Nitrite (-INR5.0b), Tata Chemicals (-INR4.7b), and Britannia Inds (-INR4.4b).**

PSU Banks weight reached 15-month highs of 3.4% (+30bp MoM; +120 YoY)



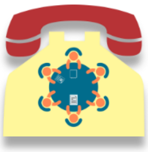
Oil & Gas weight increased for the second consecutive month to 7.1% (+10bp MoM)



Coal India

BSE SENSEX	S&P CNX
52,552	15,812

Conference Call Details



Date: 17th June 2021
Time: 4.30pm IST
Dial-in details:
+91 22 6280 1144

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Net Sales	900.3	1,033.0	1,123.9
Adj. EBITDA	200.2	272.4	305.7
NP	127.1	152.0	171.8
EPS (INR)	20.6	24.7	27.9
EPS Gr. (%)	-23.9	19.6	13.0
BV/Sh. (INR)	59.3	67.9	78.5
RoE (%)	34.8	36.3	35.5
RoCE (%)	35.4	37.9	37.3
Payout (%)	77.6	65.0	62.0
Div. Yield	10.0	10.1	10.8

CMP: INR159 — Buy

Better than expected realizations, lower cost drive beat

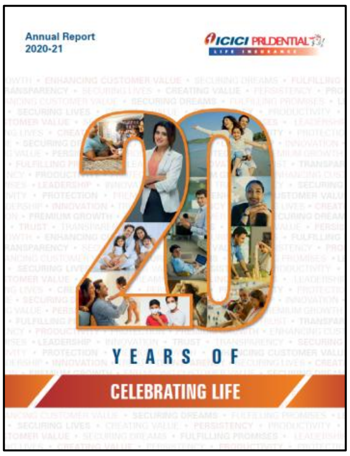
- Coal India's adjusted EBITDA (excluding OBR) fell 16% YoY to INR79.7b but was 38% ahead of our estimate of INR57.8b. The beat comes on the back of: a) higher than expected revenue, and b) lower than expected costs.
- Revenue at INR267b was down just 3% YoY (5% ahead of our estimate). Realizations in both the FSA and e-auction segments were better than our expectations. Other operating income (transportation and evacuation related income) stood a healthy 11% YoY higher at INR22b.
- e-auction realizations recovered to INR1,752/t (9MFY21 avg.: 1,488/t; 3QFY21: 1,466/t). With global thermal coal prices on an uptrend and inventory at Coal India's mines reducing, signs of positive offshoots are developing for realizations.
- Cash costs (excluding OBR) were up just 2% YoY at INR1,001/t (9% lower v/s our estimate of INR1,103/t). Employee costs were flat on a YoY basis, while other expenses saw an 11% YoY decline.
- Overall, PAT declined 1% YoY to INR45.9b and was 45% ahead of our estimate of INR32b led by the beat on the operational numbers.
- For FY21, PAT declined 24% YoY to INR127b on the back of lower realizations. Cash flow from operations, though, stood higher at INR106b (vs. INR50b in FY20) as the previous year had seen a sharp impact on WC.
- Offtake in 4Q rose 1% YoY to 165mt while Production fell 5% YoY to 203mt.
- **FSA** volumes fell 5% YoY to 133mt (est. 129mt). FSA realization fell 4% YoY to INR1,392/t (est. INR1,368/t).
- **e-auction** volumes jumped 38% YoY to 29mt (est. 31mt). e-auction realization fell 17% YoY to INR1,752/t (est. INR1,609/t).
- Receivables stood at INR196b at the end of FY21 and have sequentially declined (v/s INR216b in Jan'21). However, overall receivables remain high at 80 days (FY20: 55 days).
- Final dividend at INR3.5/share, resulting in a total dividend of INR16/share for FY21.

Consolidated quarterly performance – INR b

Y/E March	FY20				FY21				FY20	FY21	FY21E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Sales	**249.4**	**203.8**	**231.9**	**275.7**	**184.9**	**211.5**	**236.9**	**267.0**	**960.8**	**900.3**	**253.8**	5
Change (%)	3.6	-6.9	-7.4	-3.4	-25.9	3.8	2.1	-3.1	-3.5	-6.3	-7.9	
Adj. EBITDA	**75.1**	**42.5**	**61.8**	**95.2**	**28.0**	**34.0**	**58.5**	**79.7**	**274.6**	**200.2**	**57.8**	38
As a percentage of sales	30.1	20.8	26.7	34.5	15.1	16.1	24.7	29.9	28.6	22.2	22.8	
Depreciation	7.3	7.9	8.9	10.3	8.5	8.5	9.2	10.9	34.5	37.1	9.7	12
OBR	9.0	6.4	12.1	27.9	-2.5	-5.8	6.9	15.9	55.4	14.5	15.7	
Interest	0.2	1.7	1.5	1.7	1.8	1.5	1.6	1.6	5.0	6.4	0.4	
Other Income	11.5	16.3	14.1	19.1	7.9	10.8	6.5	12.7	61.1	37.9	10.3	24
EO Inc./(Exp.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	**70.1**	**42.8**	**53.3**	**74.5**	**28.0**	**40.6**	**47.4**	**64.1**	**240.7**	**180.1**	**42.3**	52
Tax	23.8	7.5	14.1	28.2	7.2	11.1	16.6	18.2	73.7	53.1	10.5	72
Tax Rate (%)	34.0	17.6	26.5	37.9	25.8	27.3	35.0	28.4	30.6	29.5	24.9	
Reported PAT	**46.3**	**35.2**	**39.2**	**46.3**	**20.8**	**29.5**	**30.8**	**45.9**	**167.0**	**127.1**	**31.8**	45
Adjusted PAT	**46.3**	**35.2**	**39.2**	**46.3**	**20.8**	**29.5**	**30.8**	**45.9**	**167.0**	**127.1**	**31.8**	45
Change (%)	22.4	14.2	-14.1	-23.2	-55.1	-16.3	-21.3	-0.7	-4.4	-23.9	-31.4	

ICICI Prudential Life Insurance

BSE SENSEX	S&P CNX
52,552	15,812



Bloomberg	IPRU IN
Equity Shares (m)	1,435
M.Cap.(INRb)/(USDb)	844.9 / 11.5
52-Week Range (INR)	593 / 387
1, 6, 12 Rel. Per (%)	-3/6/-9
12M Avg Val (INR M)	1292
Free float (%)	26.5

Financials & Valuations (INR b)

Y/E MARCH	FY21	FY22E	FY23E
Net Premiums	349.7	410.4	484.3
Surplus / Deficit	21.1	22.5	28.2
Sh. holder's PAT	9.6	12.1	14.1
NBP gr. unwtd (%)	5.9	30.0	23.0
APE growth - (%)	-15.7	39.2	23.0
Tot. Premium gr. (%)	6.9	16.3	18.1
VNB margin (%)	25.1	25.2	26.1
RoE (%)	11.8	12.6	13.3
RoEV (%)	26.5	14.9	15.8
Total AUMs (INRt)	2.1	2.6	3.0
VNB (INRb)	16.2	21.0	26.8
EV per share	202.8	233.0	269.9
Valuations			
P/EV (x)	2.9	2.5	2.2
P/EVOP (x)	24.1	19.1	15.1

CMP: INR588 TP: INR675 (+15%) Buy

Strengthened distribution and product mix to drive growth

Protection and traditional Savings remain focused segments; VNB to double over FY19-23

- **IPRULIFE's Annual Report reaffirms our view that the company will continue to focus on change in product mix, with a higher emphasis on Non-Linked and Protection segment, with new channel partners further aiding business growth.**
- **The share of banca channel (excluding ICICIBC) has increased to 11% v/s 5% in FY18. Strengthened distribution will enable further business diversification and drive increasing mix of Non-Linked segment, which will aid margin.**
- **The management reiterated its guidance to double FY19 VNB by FY23, aided by: a) opportunity in the long-term Savings business; b) leveraging opportunity in the Protection segment, and c) improving persistency and cost ratios to enhance VNB margin. The Protection business contributed ~53% of total VNB in FY21, while the share of Non-Linked business increased to 24% v/s 14% in FY20.**
- **It currently holds additional provisions of INR3.3b towards potential COVID-related claims, which will likely need to be stepped up given the sharp rise in the mortality rate. We estimate IPRULIFE to deliver ~31%/29% CAGR in new business APE/VNB growth over FY21-23E. We maintain our Buy rating with a TP of INR675/share.**

Improving mix towards high margin products; Pension and Annuity offer a strong business opportunity

IPRULIFE's product mix has changed over the years from being ULIP heavy (82% of APE in FY18) towards a more balanced product mix. The share of ULIP fell to ~48%, while the share of Non-Linked business (PAR and Non-PAR) rose to ~31%. Retirement is the new growth engine, with only 10% of working Indians covered under any pension program. The management has thus increased its focus towards the Pension and Annuity segment.

Protection remains a focus area; Retail Protection mix stood at 55% over FY21

The Protection segment remains a key focus area, and demand remains strong. Supply-side constraints such as stringent underwriting guidelines and difficulties associated with the conduct of medical checkups remain. These constraints, along with higher premium rates, led to an increase in reinsurance rates, which affected the Retail Protection business. Growth in Retail Protection was strong in 1H, but moderated over 2HFY21. Growth in Credit Life and Group Term insurance has picked up. The share of Retail Protection stood at 55% in FY21.

New banca partnership to diversify mix; focus is on improving agency channel

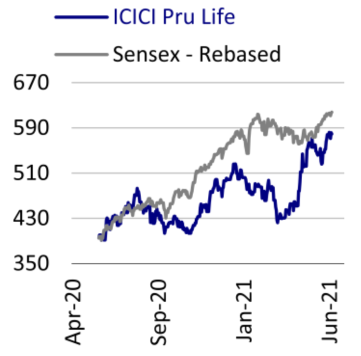
In the last couple of years, IPRULIFE has stitched multiple tie-ups with corporate agents, brokers, bank partners, advisor networks, and insurance marketing firms. In FY21, it added ~20k individual agents and 110 partnerships (including IDFC First Bank, IndusInd Bank, RBL Bank, AU Small Finance Bank, NSDL Payments Bank, PhonePe, and BSE Ebix Insurance). It has also partnered with digital-first companies such as e-commerce platforms, payment providers, insuretechs, and fintech companies.

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	73.5	73.5	75.0
DII	4.3	4.7	5.5
FII	16.5	16.3	13.3
Others	5.7	5.5	6.1

FII Includes depository receipts

Stock Performance (1-year)



The management is continuing to focus on expanding its relationships with high productive agents and increasing activation of other agents. It is focusing on the Non-Linked segment through this channel network.

Well placed to deliver strong VNB growth; guidance remains on track

IPRULIFE continues to maintain its guidance of doubling FY19 VNB by FY23 as it feels it is well placed to deliver strong VNB growth over the next couple of years, aided by: a) opportunity in the long-term Savings business, which is expected to grow in line with India's nominal GDP; b) leveraging opportunity in the massively under-penetrated Protection segment, c) optimizing product mix, along with business quality parameters such as persistency and cost ratios, to enhance VNB margin, and d) increasing focus on new distribution partnerships. Protection contributed ~53% of total VNB in FY21, while the share of Non-Linked business in increased to 24% v/s 14% in FY20.

Profitability of insurers to remain under pressure in the near term

Profitability of insurers in the near term is expected to be an area of concern, given the increase in mortality and morbidity rates induced by COVID-19. The steep rise in infections and fatality rate has raised concerns over the sharp rise in claims to be settled in coming months. Insurers will need to shore up their provisioning buffers, which will impact profitability/EV in the near term. IPRULIFE holds INR3.3b in additional provisions towards COVID-19 related claims for FY22. It received death claim intimations of ~INR3.5b/~INR2b, gross/net of reinsurance, in FY21 due to COVID-19.

Persistency improvement aided by product mix change

The company witnessed an improvement in persistency ratios and has one of the best persistency ratios in the industry, with 13th/61st month persistency improving 30bp/110bp YoY to 87.1%/59.8%. The improvement in persistency trends is largely due to strong renewal trends in the Non-Linked business, with 94% persistency in that segment.

Cost ratios improve; operating leverage benefits to continue

IPRULIFE continues to leverage its digital platform built over the last couple of years. The improvement is reflected in its productivity ratios. The cost ratio for the Savings business has improved to 9.6% v/s 10.4% in FY20. Total cost to TWRP ratio stood at 14.8% in FY21 v/s 15.9% in FY20.

Valuation and view

The recent strategy changes made by IPRULIFE to its product mix, with a higher focus towards Non-Linked segments, backed by strengthened distribution, are driving healthy premium growth. The share of banca (excluding ICICIBC) increased to 11% v/s 5% in FY18. Persistency rate has improved, reflecting strength in business quality. We expect trends to continue, further aided by a higher mix of Non-Linked Savings/Protection business, both of which have a higher persistency rate. Profitability can witness some pressure, led by elevated provisions towards rising COVID-19 death claims. We estimate IPRULIFE to deliver ~31% CAGR in new business APE and VNB growth at 29% CAGR over FY21-23E, led by stable margin and controlled opex. We maintain our Buy rating with a TP of INR675/share (2.4x FY23E EV).

J K Cement

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	JKCE IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	217.2 / 3
52-Week Range (INR)	3146 / 1162
1, 6, 12 Rel. Per (%)	-6/32/84
12M Avg Val (INR M)	232

Financial Snapshot (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	66.1	76.1	84.1
EBITDA	15.4	17.2	19.8
Adj. PAT	7.0	8.4	10.1
EBITDA Margin (%)	23.3	22.5	23.6
Adj. EPS (INR)	91.0	108.3	130.9
EPS Gr. (%)	45.5	19.0	20.9
BV/Sh. (INR)	484	570	674
Ratios			
Net D:E	0.2	0.0	0.3
RoE (%)	21.0	20.6	21.1
RoCE (%)	13.1	13.7	14.2
Payout (%)	16.5	20.3	20.6
Valuations			
P/E (x)	30.9	26.0	21.5
P/BV (x)	5.8	4.9	4.2
EV/EBITDA(x)	14.7	12.8	10.6
EV/ton (USD)	178	172	164
Div. Yield (%)	0.5	0.8	1.0
FCF Yield (%)	3.8	1.6	0.5

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	57.7	57.7	58.1
DII	20.6	21.6	23.8
FII	16.9	15.4	12.4
Others	4.9	5.2	5.8

FII Includes depository receipts

CMP: INR2,811 TP: INR3,300 (+17%) Buy

Market share gains to drive earnings

Expansion in Central India a long-term positive

- JKCE continues to gain market share, with volumes up 46% YoY in 4QFY21, led by ~40% capacity expansion. We expect this to continue over the next 4-5 years as it is now setting up a greenfield 4mtpa plant (commissioning by 1QFY24) in Central India. This plant should improve the regional mix to ~85% in North and Central India.
- We keep our estimates broadly unchanged and reiterate **Buy** on a 16% EPS CAGR over FY21-23E, driven by a 12% volume CAGR.

Higher costs led to 5% miss on EBITDA (up 27% YoY)

- Standalone revenue/EBITDA/adjusted PAT increased by 39%/27%/41% YoY in 4QFY21 to INR20.5b/INR4.4b/INR2.5b (est. +1%/-5%/-3%).
- Volumes rose 46% YoY to 3.89mt (est. 3.83mt) – Grey Cement (including clinker) grew 48% to 3.5mt and White Cement increased by 29% to 0.39mt.
- However, EBITDA/t at INR1,127 (-13% YoY, -20% QoQ) was 7% below our estimate due to higher other expenses of INR992/t (est. INR793/t). This was due to loss on sale of fixed assets booked in 4QFY21.
- Blended realization fell 5% QoQ to INR5,270/t (-5% YoY, est. INR5,298/t) due to a higher mix of Grey Cement in volumes at 90% (v/s 87%/88.6% in 3QFY21/4QFY20) as well as higher clinker sales. Total cost at INR4,143/t (-2% YoY, flat QoQ) was 1% above our estimate due to higher other expenses.
- It also recognized an exceptional loss of INR1,669m (v/s INR1,782m in FY20) due to impairment of investment made in its loss-making Fujairah plant. The company also paid INR220m towards settlement of income tax disputes under the *Vivad se Vishwas* Scheme during 4QFY21.
- Standalone revenue/EBITDA/adjusted PAT rose 16%/28%/37% YoY in FY21 to INR63.3b/INR15.1b/INR7.9b, led by 19% growth in volume to 11.64mt. OCF/capex/FCF came in at INR15.7b/INR6.1b/INR9.5b in FY21 v/s INR11b/INR9.8b/INR1.2b in FY20.
- It also announced a dividend of INR15/share, implying a 19% payout ratio.

Highlights from the management commentary

- **Panna plant:** The ground breaking ceremony was held on 5th May'21 and key equipments have been ordered. Planned capex is INR30b (of which INR17b would be funded via debt), with INR9b/INR13b/INR5b to be spent in FY22/FY23/FY24. It has spent INR2.72b till Mar'21.
- Capex is guided at INR12.5b for FY22, including INR9b for Panna.
- Nimbahera Line No.3 upgradation will get completed in 2QFY22 and result in cost savings of INR80-100/t (INR30-40/t at the company level) from 2HFY22.
- The management does not see further impairment at Fujairah. Debt worth INR3.87b is due for repayment over the next three years, which would have to be paid out of India cash flows as a corporate guarantee has been given.

- Consolidated net debt would remain below INR25b, despite the ongoing capex. Consolidated debt repayment should be INR7b in FY22 and FY23.
- It would continue under the old tax regime till FY24 as it has a MAT credit balance.

Valuation and view

- We expect JKCE to deliver above-industry volume CAGR of 12% over FY21-23E on account of its expansion in North India. The announced expansion at Panna should continue to drive market share gains in the long term as well as improve its regional mix in favor of North/Central India. It should help the company move down the cost curve by lowering power and fuel and other costs.
- Our TP of INR3,300/share is based on 14x FY23E EV/EBITDA for the White Cement business and 12x for the Grey Cement business. **Maintain Buy.**

Standalone quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21	FY21E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Sales Dispatches (mt)	2.31	2.24	2.56	2.67	1.77	2.81	3.17	3.89	9.77	11.64	3.83	2
YoY Change (%)	-0.2	3.7	2.4	-7.3	-23.5	25.5	23.9	46.0	-1.0	19.1	43.7	
Realization (INR/t)	5,750	5,600	5,490	5,538	5,464	5,517	5,556	5,270	5,590	5,437	5,298	-1
YoY Change (%)	19.3	9.9	7.7	6.9	-5.0	-1.5	1.2	-4.8	10.8	-2.7	-4.3	
QoQ Change (%)	11.0	-2.6	-2.0	0.9	-1.3	1.0	0.7	-5.1			-4.6	
Net Sales	**13,280**	**12,542**	**14,042**	**14,774**	**9,650**	**15,507**	**17,601**	**20,525**	**54,638**	**63,283**	**20,306**	1
YoY Change (%)	19.0	14.0	10.3	-1.0	-27.3	23.6	25.3	38.9	9.7	15.8	37.4	
Total Expenditure	10,245	10,002	11,264	11,312	7,497	11,400	13,113	16,134	42,822	48,144	15,673	3
EBITDA	**3,035**	**2,540**	**2,777**	**3,463**	**2,153**	**4,107**	**4,488**	**4,391**	**11,815**	**15,139**	**4,633**	-5
Margin (%)	22.9	20.3	19.8	23.4	22.3	26.5	25.5	21.4	21.6	23.9	22.8	
Depreciation	494	518	556	577	580	597	622	649	2,144	2,447	657	
Interest	534	561	561	572	572	537	593	529	2,229	2,232	568	
Other Income	172	180	237	271	203	287	303	340	859	1,134	298	
PBT before EO expense	**2,179**	**1,641**	**1,897**	**2,585**	**1,204**	**3,260**	**3,576**	**3,553**	**8,302**	**11,594**	**3,706**	-4
Extra-Ord. expense	0	0	0	1,782	0	0	0	1,669	1,782	1,669	0	
PBT	**2,179**	**1,641**	**1,897**	**803**	**1,204**	**3,260**	**3,576**	**1,885**	**6,520**	**9,925**	**3,706**	-49
Tax	641	553	521	801	427	1,025	1,194	1,251	2,516	3,897	1,113	
Rate (%)	29.4	33.7	27.5	99.7	35.5	31.4	33.4	66.4	38.6	39.3	30.0	
Reported PAT	**1,538**	**1,088**	**1,376**	**2**	**777**	**2,235**	**2,383**	**633**	**4,004**	**6,028**	**2,593**	-76
Adj. PAT	**1,538**	**1,088**	**1,376**	**1,784**	**777**	**2,235**	**2,383**	**2,522**	**5,785**	**7,917**	**2,593**	-3
YoY Change (%)	211.8	68.2	125.8	18.9	-49.5	105.5	73.2	41.4	78.1	36.9	45.4	

E: MOFSL estimates

Standalone quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21	FY21	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Grey Cement (mt)	1.97	1.91	2.20	2.36	1.59	2.45	2.76	3.50	8.45	10.30	3.47	1
Growth (%)	-3.2	2.1	2.8	-6.6	-19.3	28.4	25.0	48.1	-1.5	21.9	46.7	
% of total Vols.	85.3	85.2	86.2	88.6	90.0	87.2	87.0	89.9	86.4	88.5	90.5	
White Cement (mt)	0.34	0.33	0.35	0.30	0.18	0.36	0.41	0.39	1.33	1.34	0.37	8
Growth (%)	21.4	13.8	0.0	-12.9	-48.0	8.8	16.6	29.4	4.5	1.1	20.3	
% of total Vols.	14.7	14.8	13.8	11.4	10.0	12.8	13.0	10.1	13.6	11.5	9.5	
Per tonne analysis (INR)												
Net realization	**5,750**	**5,600**	**5,490**	**5,538**	**5,464**	**5,517**	**5,556**	**5,270**	**5,590**	**5,437**	**5,298**	-1
RM Cost	790	967	996	776	1,106	877	841	880	881	903	871	1
Employee Expenses	419	429	388	370	538	347	347	282	400	354	282	0
Power, Oil, and Fuel	1,135	1,002	992	1,008	867	970	1,023	908	1,032	948	1,034	-12
Freight and handling	1,071	1,037	1,058	1,056	994	1,050	1,100	1,080	1,056	1,065	1,110	-3
Other Expenses	1,021	1,030	971	1,029	740	812	828	992	1,012	866	793	25
Total Exp.	**4,436**	**4,466**	**4,404**	**4,240**	**4,245**	**4,056**	**4,139**	**4,143**	**4,381**	**4,136**	**4,089**	1
EBITDA	**1,314**	**1,134**	**1,086**	**1,298**	**1,219**	**1,461**	**1,417**	**1,127**	**1,209**	**1,301**	**1,209**	-7

CPI inflation overshoots estimates; WPI at a 25-year high in May'21

Data rules out further monetary easing

- **Headline inflation came in at a six-month high of 6.3% YoY in May'21 – above Bloomberg consensus of 5.4% YoY and our expectations of 4.7% YoY – v/s 4.2% YoY in Apr'21. The release mentioned that market-wise prices reported for May'21 were 68.1%/67.5% for rural/urban markets.**
- **Food inflation too came in at a six-month high of 5% YoY last month v/s 2% YoY in Apr'21. Within food, only 'cereals and products' and 'meat and fish' exhibited lower inflation in May'21 compared to the preceding month. Items such as 'vegetables' and 'sugar and confectionery' remained in the deflationary zone, albeit much lower in May'21 compared with Apr'21. Inflation in 'fuel and light' rose to an over nine-year high of 11.6% YoY in May'21.**
- **Core inflation came in at a 82-month high of 6.3% YoY in May'21 as against 5.1% YoY in Apr'21. It rose above 6% for the first time in 31 months. While inflation in 'miscellaneous' items rose to a more than eight-year high of 7.5% YoY in May'21, the same in 'clothing and footwear' hit a 35-month high of 5.3% YoY.**
- **Separately, Wholesale Price Index (WPI) inflation rose to 12.9% YoY in May'21 from 10.5% in Apr'21 and -3.4% in May'20 – higher than our expectation of 12% YoY and lower than Bloomberg consensus of 13.4% YoY. The rise in WPI inflation in May'21 is attributable to higher inflation in manufactured products and fuel and power.**
- **WPI food inflation (both primary and manufactured products) rose to a 16-month high of 8.1% YoY in May'21 from 7.6% in Apr'21, led by higher inflation in manufactured food products. In fact, WPI core inflation (WPI for non-food manufactured products) rose to 10% YoY in May'21 from 8.4% in Apr'21.**
- **Overall, CPI inflation data for May'21 has come as a shock and the broad-based rise in inflation is concerning. Although it is unlikely to lead to any monetary tightening, inflation above 6% certainly rules out any further monetary easing.**

I. Retail inflation at a half-year high

- **CPI inflation way above expectations…:** Headline inflation came in at 6.3% YoY in May'21 – above our expectations and Bloomberg consensus of 4.7%/5.4% YoY, respectively – v/s 4.2% YoY in Apr'21 (*Exhibit 1*).
- **…due to higher inflation across the board:** Food inflation came in at a six-month high of 5% YoY last month v/s 2% YoY in Apr'21 and 9.2% YoY in Apr'20 *(Exhibit 2)*. Within food, only 'cereals and products' and 'meat and fish' exhibited lower inflation in May'21 compared to the preceding month. Items such as 'vegetables' and 'sugar and confectionery' remained in the deflationary zone, albeit much lower in May'21 compared with Apr'21 *(Exhibit 3)*. While inflation in 'pan, tobacco, and intoxicants' rose to a three-month high of 10% YoY, the same in 'fuel and light' hit an over nine-year high of 11.6% YoY in May'21.
- **Core inflation too shot up last month:** Core inflation rose above 6% for the first time in 31 months. It came in at 6.3% YoY in May'21 as against 5.1% YoY in Apr'21 and 4.9% YoY in May'20 *(Exhibit 4)*. It rose above 6% for the first time in 31 months. Within core, while inflation in 'miscellaneous' items rose to a more than eight-year high of 7.5% YoY in May'21, the same in 'clothing and footwear' hit a 35-month high of 5.3% YoY. Inflation in 'housing' inched up marginally to 3.9% YoY in May'21 from 3.7% YoY in Apr'21.

  Data rules out any further monetary easing: CPI inflation data for May'21 has come as a shock and the broad-based rise in inflation is concerning. Although it is unlikely to lead to any monetary tightening, inflation above 6% certainly rules out any further monetary easing.

Titan: Sees recovery green shoots; bets on wedding jewellery demand picking up; Ajoy Chawla, CEO-Jewellery Division

- Recovery likely to be slow, but seeing some green shoots
- Wedding demand likely to come back in a big way in H2
- Confident on wedding jewellery sales
- Expect people to not postpone weddings due to future uncertainties
- Overall market share at 5-6% from 4% 2 years ago
- Many independent jewellers are under stress
- Tanishq enjoys trust in terms of purity and hygiene
- Seeing 40-45% new customers each year
- Recovery in new buyers indicates company is gaining market share

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ICICI Prudential: Expect COVID-19 claims to jump 1.5-2 times this fiscal; Satyan Jambunathan, CFO

- Claims should be 1.5-2x higher compared to claims last year
- Pace of decline in infections is faster in COVID 2.0
- Lower penetration may not see death count reflects in claims
- On a like-to-like peak period basis we are in-line on claims
- Expect better picture on claims by end of July
- Retail APE growth was 28% vs industry decline of 9%
- 4th week saw an improving trend vs previous 3 weeks of May

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Heranba Industries: Expect around 20% revenue growth in FY22; Raghuram Shetty, MD

- Have seen growth across the segments
- Rainfall and demand both have been good
- Business will be very good in the next 4-5 months
- Q2 and Q3 will be strong for the company
- Awaiting approval from Government for capacity expansion in the third unit
- Expect 18-20% revenue growth

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Anupam Rasayan: Won’t go for capex for 1-2 years, expect similar growth trajectory to continue; Afzal Malkani, CFO

- Expect to continue the CAGR of 34% over the next 2 years
- FY21 was the first year of commercialisation of 2 new units
- Expect capacity utilisation of new units to be around 75%
- Have not seen significant impact of second wave of COVID-19
- Will not be going for any capex for 1-2 years
- Around 70% of revenue came from 2 customers till 2015, which has come down to 30%
- Have long-term contracts with 5 customers

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CARE Ratings: Expects economy to pick up July onwards; Ajay Mahajan, MD & CEO

- Second wave of COVID dislodged growth projections for company
- Company's business is directly linked to credit growth in economy
- Expect momentum to continue in FY22
- Expect economy to pick up July onwards; remain optimistic on recovery
- Market share dipped in last few years but working on gaining it back
- Credit to industry grew only 0.55% last year

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JK Paper: Normalised revenue growth could have been around 15% in Q4FY21; AS Mehta, President & Director

- Sales were impacted for 10 days in Q4FY20
- Normalised revenue growth could have been around 15% in Q4FY21
- Savings from new boiler would be around Rs. 30-35 crore per annum
- Pulp prices are around $780-800/t but these prices are not sustainable long-term
- Sustainable pulp prices are around $600/t
- Not impacted by higher pulp prices
- Higher pulp prices globally benefits local industry
- There is no direct connection between local paper prices and global pulp prices
- Gujarat expansion project is around Rs. 2000 crore; project date for expansion was in April-May 2021
- Likely to start trials at Gujarat project in July
- Production in Gujarat plant should start by end of Q2FY22

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Religare: Burman's become single largest shareholder with 14.5% stake in Religare; Rashmi Saluja, Executive Chairperson

- Burmans are the single largest shareholder with 14.5% stake in the company
- BSE & NSE approval has come now w.r.t re-classification of the promoters
- RBI's circular allows debt restructuring process for companies like Religare
- Debt restructuring process started two years ago
- Have paid Rs. 7000 crore to lenders in last 3 years
- Debt repayment provided comfort to lenders and RBI allowed restructuring
- Religare broking is 100% subsidiary of Religare Enterprise, have plans to sell it

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Sanghi Industries: Seeing cement demand recovery; hopeful of crossing 3 mt volume in FY22; Bina Engineer, Director

- FY21 sales volume was at 2.15 mt which was a growth of 10%
- Q1FY22 sales volume will get impacted owing to COVID-19
- Seeing a recovery in demand in June 2021
- Functioning at 60% capacity utilisations currently
- Wil deliver 40-50% YoY growth in volume in Q1
- Sales volume will be over 5 lk tonnes in Q1FY22
- Higher coal costs will hit us only after 3-6 months
- Company's total debt is at Rs. 1400 crore
- Believe debt has peaked out; will repay Rs. 50 crore in FY22
- No hurdle in cash flow obligations

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LG Balakrishnan: Current margin not sustainable, expects 3-4% dip; B Vijayakumar, CMD

- Have been investing Rs. 2-3 crore on automation and factory modernisation
- Current level margin is not sustainable
- Looking at margin in the range of 14-15% going forward
- Don't see a massive shift to EV
- We are getting incremental orders and new clients
- We have a new product line from RSIL

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