

HSIE Results Daily

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Results Review

- ONGC:** Our REDUCE recommendation on ONGC with a price target of INR 78 is premised on (1) muted crude oil and gas realisations and (2) lack of production growth for oil. Despite production cuts from OPEC and non-OPEC countries, we expect oil prices to remain at USD 36/41 per barrel in FY21/22E vs. USD 63/bbl in FY20, given the weak global macros. Lower oil and gas realisations will drag down profitability for ONGC. In 1QFY21, revenue was ~8% below our expectations owing to a lower-than-anticipated crude oil price realisation of USD 28.7/bbl (vs est. USD 31.7/bbl). EBITDA was ~15% above our expectations due to lower-than-anticipated operating expenses and employee costs. However, APAT fell by ~36%, courtesy substantially lower-than-anticipated other income.
- Jubilant FoodWorks:** Jubilant FoodWorks (Jubilant) clocked weak show amidst COVID led lockdown. Revenue declined by 60% YoY with negative SSG of 61% YoY (HSIE -54%). Recovery in July/Aug at 70/85% is encouraging as dine-in pressure remained high. Jubilant is capitalising the situation (weaker competition, delivery friendly demand, and increase in delivery fee by aggregator) by charging delivery fee (Rs 30/order). It will support operational performance in FY21. Cost control initiatives have resulted into positive EBITDA of Rs 241mn vs. loss of Rs 423mn by Westlife. We believe benign raw material prices, soft rental cost and sustained delivery fee will drive the EBITDA margin in ensuing quarters. We change our EPS estimate by -9/+15/+12% for FY21/22/23. We increase target P/E multiple to 45x (42x earlier) to factor-in faster recovery and potential share gain. We maintain REDUCE rating with TP of Rs 1,758.
- JK Cement:** We retain BUY on JK Cement (JKCE) with a revised target price of Rs 1,635. Post untimely demise of erstwhile MD & Chairman Mr Yadupati Singhania on 13th August, his nephews Mr Raghavpat and Mr Madhavkrishna have been elevated as MD and Dy MD & CEO respectively and his mother Mrs Sushila Devi as Chairperson. In 1QFY21, JKCE's standalone net sales/EBITDA/APAT fell 27/29/50% YoY. While sharp white/putty volume loss pulled down revenue, EBITDA decline got contained on healthy pricing across markets, healthy discretionary cost controls, and lower fuel prices. APAT fall accelerated on higher capital charges. Volume momentum has improved across both business segments in 2Q, boosting earnings outlook.

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ONGC

Falling realisations drag revenue down!

Our REDUCE recommendation on ONGC with a price target of INR 78 is premised on (1) muted crude oil and gas realisations and (2) lack of production growth for oil. Despite production cuts from OPEC and non-OPEC countries, we expect oil prices to remain at USD 36/41 per barrel in FY21/22E vs. USD 63/bbl in FY20, given the weak global macros. Lower oil and gas realisations will drag down profitability for ONGC. In 1QFY21, revenue was ~8% below our expectations owing to a lower-than-anticipated crude oil price realisation of USD 28.7/bbl (vs est. USD 31.7/bbl). EBITDA was ~15% above our expectations due to lower-than-anticipated operating expenses and employee costs. However, APAT fell by ~36%, courtesy substantially lower-than-anticipated other income.

- Standalone financial performance:** Revenue for 1QFY21 stood at INR 130bn (-51/-39% YoY/QoQ). Revenue fell mainly on account of a lower crude realisation (-57/-41% YoY/QoQ). EBITDA fell by 61/31% YoY/QoQ to INR 59bn due to the trickle-down effect of lower revenues. APAT came to INR 5bn (vs INR 59/-31bn in 1QFY20/4QFY20).
- Standalone operational performance:** 1Q crude oil realisation was USD 28.7/bbl (USD 66.3/49.0 YoY/QoQ) whereas gas realisation was USD 2.5/mmbtu vs. USD 3.9/3.3 YoY/QoQ. Oil sales volumes were 5.2mmt, -2.6/-5.2% YoY/QoQ. Gas sales volumes were 4.2bcm, -15.2/-9.2% YoY/QoQ.
- Outlook for FY21/22 (standalone business):** We expect crude oil production volumes to remain subdued at 21.4mmt in FY21 and recovery to 22.8mmt in FY22. Natural gas volumes should dip from 19.4bcm in FY20 to 18.9bcm in FY21 and recover to 20.2bcm in FY22. Oil prices should remain muted at USD 36/41 vs. USD 59 in FY20, given weak global macros, despite production cut from OPEC and non-OPEC countries. Gas realisation should slide to USD 2.7/2.9 per mmbtu in FY21/22E (USD 3.9/mmbtu in FY20).
- We value ONGC's standalone business at INR 54 and its investments at INR 24. The stock is currently trading at 9.7x FY22E EPS.**

Standalone Financial summary

YE March (INR bn)	1Q FY21	4Q FY20	QoQ (%)	1Q FY20	YoY (%)	FY19*	FY20P*	FY21E*	FY22E*
Revenues	130	215	(39.4)	266	(51.0)	4,535	4,250	3,294	3,758
EBITDA	59	86	(31.2)	151	(60.9)	839	612	412	563
APAT	5	(31)	(116.0)	59	(91.6)	349	181	30	104
AEPS (INR)	0.4	(2.5)	(116.0)	4.7	(91.6)	27.7	14.4	2.4	8.3
P/E (x)						2.9	5.6	33.8	9.7
EV/EBITDA (x)						2.5	3.6	6.6	4.7
RoE (%)						16.5	8.5	1.4	5.1

Source: Company, HSIE Research | *Consolidated

Change in estimates (Consolidated)

	FY21E Old	FY21E New	% Ch	FY22E Old	FY22E New	% Ch
EBITDA (INR bn)	412	412	-	563	563	-
EPS (INR/sh)	2.4	2.4	-	8.3	8.3	-

Source: Company, HSIE Research

REDUCE

CMP (as on 2 Sept 2020)	INR 80
Target Price	INR 78
NIFTY	11,535

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 78	INR 78
EPS %	FY21E	FY22E
	-	-

KEY STOCK DATA

Bloomberg code	ONGC IN
No. of Shares (mn)	12,580
MCap (Rs bn) / (\$ mn)	1,010/13,803
6m avg traded value (Rs mn)	2,201
52 Week high / low	Rs 150/50

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(4.7)	(9.9)	(33.7)
Relative (%)	(20.3)	(12.3)	(38.4)

SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	60.41	60.41
FIs & Local MFs	17.87	17.37
FPIs	7.62	8.10
Public & Others	14.10	14.12
Pledged Shares	0.0	0.00

Source : BSE

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Jubilant FoodWorks

Time to charge on delivery strength

Jubilant FoodWorks (Jubilant) clocked weak show amidst COVID led lockdown. Revenue declined by 60% YoY with negative SSG of 61% YoY (HSIE -54%). Recovery in July/Aug at 70/85% is encouraging as dine-in pressure remained high. Jubilant is capitalising the situation (weaker competition, delivery friendly demand, and increase in delivery fee by aggregator) by charging delivery fee (Rs 30/order). It will support operational performance in FY21. Cost control initiatives have resulted into positive EBITDA of Rs 241mn vs. loss of Rs 423mn by Westlife. We believe benign raw material prices, soft rental cost and sustained delivery fee will drive the EBITDA margin in ensuing quarters. We change our EPS estimate by -9/+15/+12% for FY21/22/23. We increase target P/E multiple to 45x (42x earlier) to factor-in faster recovery and potential share gain. We maintain REDUCE rating with TP of Rs 1,758.

- **Weak revenue:** Revenue declined by 60% YoY (+10% in 1QFY20 and +4% in 4QFY20), much better than Westlife Development which clocked 75% YoY decline. System sales saw healthy recovery and stood at 70/85% in July/Aug. In August, delivery and takeaway was up by 10% and 55% YoY while Dine-in remained weak at -84%. Domino's net store addition was 19 (spill over of 4QFY20 store addition) while Dunkin saw 4 store closure. Company guided no new net store addition in FY21.
- **Subdued EBITDA margins:** GM expanded by 257bps YoY to 78% (+93bps in 1QFY20 and -164bps in 4QFY20). Soft raw material prices and less promotional activity (EDV was available in 1Q) expanded margin. Employee/other expenses were down by 19/60% YoY. EBITDA margin was at 6.3% vs. 23% in 1QFY20.
- **Call takeaways:** (1) Demand is expected to reach normalcy by the end of FY21; (2) Plan to close 105 unprofitable stores in FY21 (mostly located in malls and corporate parks with a dine-in focus); (3) Intends to open 100 new stores in FY21 and will maintain its store count; (4) Delivery charges were started at Rs 20/order then moved to Rs 30/order. Delivery fee has no impact on the rate of recovery in demand; (5) Delivery fee will be sustainable.

Quarterly/Annual Financial summary

YE Mar (Rs mn)	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	3,803	9,401	(59.5)	8,979	(57.6)	39,273	33,235	43,919	49,457
EBITDA	241	2,191	(89.0)	1,695	(85.8)	8,756	7,407	10,629	11,751
APAT	(651)	815	(179.8)	520	(225.1)	3,537	2,490	4,791	5,518
Diluted EPS (Rs)	(4.93)	6.18	(179.8)	3.94	(225.1)	26.8	18.9	36.3	41.8
P/E (x)						84.0	119.3	62.0	53.9
EV / EBITDA (x)						50.4	64.7	37.4	32.5
RoCE (%)						30.7	10.8	25.4	31.7

Change in Estimates

	FY21E			FY22E			FY23E		
	Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)
Sales	34,318	33,235	(3.2)	42,145	43,919	4.2	47,502	49,457	4.1
EBITDA	4,784	4,466	(6.6)	6,661	7,620	14.4	7,637	8,638	13.1
APAT	2,737	2,490	(9.0)	4,169	4,791	14.9	4,922	5,518	12.1
EPS	20.7	18.9	(9.0)	31.6	36.3	14.9	37.3	41.8	12.1

Source: Company, HSIE Research

REDUCE

CMP (as on 02 Sep 2020)	Rs 2,251
Target Price	Rs 1,758
NIFTY	11,535

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 1,387	Rs 1,758
	FY21E	FY22E
EPS %	-9%	+15%

KEY STOCK DATA

Bloomberg code	JUBI IN
No. of Shares (mn)	132
MCap (Rs bn) / (\$ mn)	297/4,059
6m avg traded value (Rs mn)	2,324
52 Week high / low	Rs 2,286/1,138

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	32.3	34.9	89.3
Relative (%)	16.8	32.5	84.6

SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	41.94	41.94
FIs & Local MFs	18.93	15.67
FPIs	32.65	36.19
Public & Others	6.48	6.20
Pledged Shares	1.52	1.14

Source : BSE

Pledged shares as % of total shares

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JK Cement

Racing ahead

We retain BUY on JK Cement (JKCE) with a revised target price of Rs 1,635. Post untimely demise of erstwhile MD & Chairman Mr Yadupati Singhania on 13th August, his nephews Mr Raghavpat and Mr Madhavkrishna have been elevated as MD and Dy MD & CEO respectively and his mother Mrs Sushila Devi as Chairperson. In 1QFY21, JKCE's standalone net sales/EBITDA/APAT fell 27/29/50% YoY. While sharp white/putty volume loss pulled down revenue, EBITDA decline got contained on healthy pricing across markets, healthy discretionary cost controls, and lower fuel prices. APAT fall accelerated on higher capital charges. Volume momentum has improved across both business segments in 2Q, boosting earnings outlook.

- Grey cement - healthy growth Jun'20 onwards:** During 1QFY21, while COVID impact drove sales loss in April/May, JKCE recorded robust growth in June due to demand recovery and capacity ramp-up. This moderated overall 1QFY21 volume decline to 19% YoY (1.6mn MT). This growth continues in 2QFY21. NSR firmed up 3% QoQ (flat YoY) in 1Q, benefitting from healthy pricing across north, west and south markets. Lower fuel prices and a sharp cut in discretionary spends flattened opex YoY, despite lower volumes. Thus, unitary EBITDA stood stable at healthy ~Rs 990/MT, in our view, implying segmental EBITDA fell ~20% YoY.
- White/putty sales hit hard in 1Q, recovery seen:** Sales in 1Q fell sharply (down 48% YoY to 0.18mn MT) on poor demand throughout. NSR rose 3% YoY (down 1% QoQ). In our view, segmental unitary opex inflated 5% YoY, on sharp volume decline, leading to flattish unitary EBITDA YoY (~Rs 3,350/MT). Subsequently, segmental EBITDA fell ~50% YoY. JKCE indicated that segmental sales have flattened YoY in 2Q so far, indicating healthy recovery. Even, the UAE operation is seeing similar trends.
- Expansions updates:** In Oct'20, JKCE's 0.3mn MT putty expansion in Katni will become operational. By Dec'20, its pending 0.7mn MT SGU in Gujarat and WHRS in Rajasthan will get commissioned. The clinker line-3 expansion is expected in 2QFY22E. The company is also investing in land and mining rights for Panna expansion. However, JKCE is yet to finalise its FY22 capex spends (towards Panna) amid COVID uncertainties.
- Outlook:** We remain bullish on the company, owing to healthy traction across both business segments. In grey cement, it expanded capacity in lucrative markets along with margin expansion tailwinds. In white/putty, it is steadily increasing capacity, and its leadership presence continues to support robust margin. We have increased FY21/22/23E EBITDA by 9/3/3% each, factoring in higher volumes. We maintain BUY with a revised target price of Rs 1,635 (10x Jun'22E consolidated EBITDA).

Consolidated Financial Summary

YE Mar (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	9,650	13,280	(27.3)	14,774	(34.7)	52,587	58,016	58,786	69,033	80,335
EBITDA	2,153	3,035	(29.1)	3,463	(37.8)	8,345	12,142	11,898	14,058	17,411
APAT	777	1,538	(49.5)	1,784	(56.5)	2,703	4,971	4,473	5,714	8,039
AEPS (Rs)	10.1	19.9	(49.5)	23.1	(56.5)	35.0	64.3	57.9	73.9	104.0
EV/EBITDA (x)						16.3	11.8	12.0	10.2	8.2
EV/MT (Rs bn)						9.22	7.85	7.34	7.35	7.28
P/E (x)						42.5	23.1	25.7	20.1	14.3
RoE (%)						11.6	17.4	14.0	15.7	19.0

Source: Company, HSIE Research, *Quarterly numbers are Standalone

BUY

CMP (as on 2 Sep 2020) Rs 1,488

Target Price Rs 1,635

NIFTY 11,535

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 1,550	Rs 1,635
EBITDA %	FY21E 9.2	FY22E 3.4

KEY STOCK DATA

Bloomberg code	JKCE IN
No. of Shares (mn)	77
MCap (Rs bn) / (\$ mn)	115/1,570
6m avg traded value (Rs mn)	126
52 Week high / low	Rs 1,615/795

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	24.1	6.0	44.5
Relative (%)	8.5	3.6	39.8

SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	58.07	58.07
FIs & Local MFs	23.80	23.33
FPIs	12.39	13.42
Public & Others	5.74	5.18
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Harshad Katkar	ONGC	MBA	NO
Nilesh Ghuge	ONGC	MMS	NO
Divya Singhal	ONGC	CA	NO
Rutvi Chokshi	ONGC	CA	NO
Naveen Trivedi	Jubilant Foodworks	MBA	NO
Varun Lohchab	Jubilant Foodworks	PGDM	NO
Aditya Sane	Jubilant Foodworks	CA	NO
Rajesh Ravi	JK Cement	MBA	NO
Saurabh Dugar	JK Cement	MBA	NO

Disclosure:

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