

Timely Expansion

CMP: Rs.389
Target Price: Rs.470
Recommendation: BUY

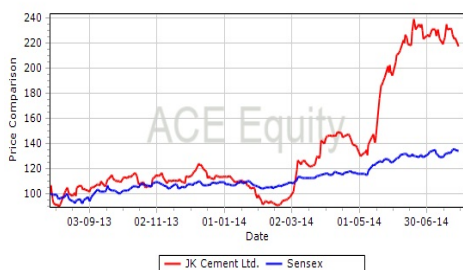
Stock Info

BSE Group	B
BSE Code	523644
NSE Symbol	JKCEMENT
Bloomberg	JKCE.IN
Reuters	JKCE.BO
BSE Sensex	25,894
NSE Nifty	7,721

Market Info

Market Capital	Rs 2,718cr
Equity Capital	Rs 70cr
Avg. Trading Vol.	59,930
52 Wk High/ Low	418/148
Face Value	10

Shareholding Pattern (%) (June 2014)	
Promoters	66.9
Domestic Institutions	8.8
Foreign Institutions	12.8
Public & Others	11.5



J.K. Cement's 1QFY15 operating performance was below estimates. Standalone EBITDA margins declined by 188 bps on YoY basis and stood at 12.5%. However, grey cement volumes increased by 22% on YoY basis to 1.54mn tonnes and White Cement and wall putty volume increased by 12% on YoY basis to 0.19 mn tonnes. We expect grey cement volumes to increase by 15-20% in second half on back commissioning of 1.5 mn tones of grinding unit in Haryana in Jun 2014 and also expected commissioning of 1.5 mn tonnes of grinding unit in Rajasthan during H2FY15.

Grey cement realization increased by 3.8% on YoY basis from Rs. 3,702 tonne to Rs. 3,845 tonne. However White cement and wall putty realization reduced by 2.0% on YoY basis from Rs. 10,891 tonne to Rs. 10,679 tonne.

Sales increased by 21.5% on YoY basis to Rs. 803 crs. Profit after tax increased by 23.2% YoY to Rs 38cr.

Valuations:

We forecast J.K. Cement's margins to increase to 17.1% in FY16E, we have modeled for blended volume growth of 8% CAGR and blended realizations to increase by 11% CAGR over the next 2 years. We have valued stock on EV/EBITDA of 7(x) its FY16 estimates and have arrived at a fair value of Rs 470 per share. At CMP of Rs 389 the stock is available at FY16E P/E(x) and EV/EBITDA(x) of 12.9x and 6.1x respectively at which valuations looks attractive in our view. We recommend **BUY** on the stock with a price target of Rs. 470.

Financials:

Y/E March, (Rs. in Cr)	FY13	FY14	FY15E	FY16E
Net Revenue	2912	2796	3439	3793
EBITDA	562	375	479	649
PAT	236	97	119	211
EPS	33.7	13.9	17.0	30.1
EPS Growth (%)	32.9%	-58.8%	22.8%	76.8%
RONW (%)	13.9	5.5	6.4	10.3
P/E (x)	11.5	28.0	22.8	12.9
EV/EBITDA (x)	6.1	9.2	7.7	6.1

Source: - Company data, Arianth Research

31-07-2014



Valuations:

	FY15	FY16
EV/EBITDA	7	7
EBITDA	479	649
EV	3354	4544
net Debt	1886	1810
CWIP	937	551
Market Cap	2405	3285
No shares	7	7
Fair Value	344	470
CMP	389	389
Upside	-12%	21%

1QFY15 Results (Standalone)

Financials (Standalone)					
Rs in Crore	1QFY15	1QFY14	YOY (%)	4QFY14	QoQ (%)
Net Sales	803	661	21.5	833	-3.5
Expenditure	703	566	24.2	669	5.0
EBITDA	100	95	5.6	163	-38.6
EBITDA Margins (%)	12.5%	14.4%		19.6%	
Other Income	14	10	42.6	14	-4.4
Interest	40	34	17.7	37	7.8
Depreciation	28	33	-13.9	35	-17.9
PBT	45	37	21.3	106	-57.1
Tax	7.3	6.5	12.5	29.3	-75.1
Tax rate (%)	16.1%	17.4%		27.7%	
PAT	38	31	23.2	76	-50.2
Net Profit Margin (%)	4.7%	4.7%		9.2%	
EPS (Rs)	5.4	4.4	23.2	10.9	-50.2

Source: - Company data, Arihant Research



Profit & Loss Statement (Standalone)

Y/E March (Rs Cr)	FY13	FY14	FY15E	FY 16 E
Net Sales	2,912	2,796	3,439	3,793
% Chg	14.3%	-4.0%	23.0%	10.3%
Total Expenditure	2,350	2,421	2,960	3,144
% chg	15.7%	3.0%	22.2%	6.2%
EBITDA	562	375	479	649
EBITDA Margin %	19.3%	13.4%	13.9%	17.1%
Other Income	49	48	52	57
Depreciation	128	134	144	165
EBIT	483	289	387	541
Interest	140	153	217	240
PBT	343	136	170	301
Tax Provisions	107	39	51	90
PAT	236	97	119	211
PAT %	32.9%	-58.8%	22.8%	76.8%

BS(Standalone)

	FY13	FY14	FY15E	FY16E
Shareholders' funds	1,699	1,758	1,853	2,039
Share capital	70	70	70	70
Reserves and Surplus	1,629	1,689	1,783	1,969
Non-current liabilities	1,304	2,366	2,340	2,252
Long-term borrowings	953	1,987	1,937	1,837
Deferred Tax Liabilities (Net)	249	268	268	268
Current liabilities	901	978	1,064	1,081
Short-term borrowings	189	199	344	341
Short-term provisions	65	35	42	44
Total Liabilities	3,904	5,103	5,256	5,372
Net Fixed assets	2,364	2,313	2,664	3,064
Capital work-in-progress	108	1,102	937	551
Non-current investments	169	253	265	265
Long-term loans and advances	228	142	176	205
Current assets	1,035	1,293	1,215	1,287
Inventories	461	542	568	603
Trade receivables	115	112	122	135
Cash and Cash Equivalents	332	348	394	368
Short-term loans and advances	117	231	124	174
Total Assets	3,904	5,103	5,256	5,372

Key Ratios (Standalone)

Y/E March (Rs Cr)	FY13	FY14	FY15E	FY16E
Per Share data (Rs)				
EPS	33.7	13.9	17.0	30.1
Cash EPS	52.1	33.0	37.6	53.8
DPS	6.5	3.0	3.0	3.0
Book value	243	251	265	292
Operating, Returns Ratio				
Debt/ Equity (X)	0.7	1.2	1.2	1.1
Current Ratio (X)	1.1	1.3	1.1	1.2
RoE (%)	13.9	5.5	6.4	10.3
RoCE (%)	12.4	5.7	7.4	10.1
Dividend Yield (%)	1.7	0.8	0.8	0.8
Valuation Ratio (X)				
P/E	11.5	28.0	22.8	12.9
P/BV	1.6	1.5	1.5	1.3
EV/EBITDA	6.1	9.2	7.7	6.1

Source: - Company data, Arihant Research



Arihant Research Desk

E. research@arihantcapital.com
T. 022-42254827

Head Office

3rd Floor, Krishna Bhavan,
67 Nehru Road, Vile Parle (East),
Mumbai - 400057
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

	Absolute Return
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
NEUTRAL	0-5
REDUCE	<0

Disclaimer:

This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

ARIHANT capital markets ltd.

3rd Floor Krishna Bhavan, 67 Nehru Road, Vile Parle (E) Mumbai - 400057
Tel. 022-42254800 Fax. 022-42254880

www.arihantcapital.com