

Timely Expansion

7<sup>th</sup> Nov, 2014

**CMP:** Rs.630  
**Target Price:** Rs.694  
**Recommendation:** HOLD

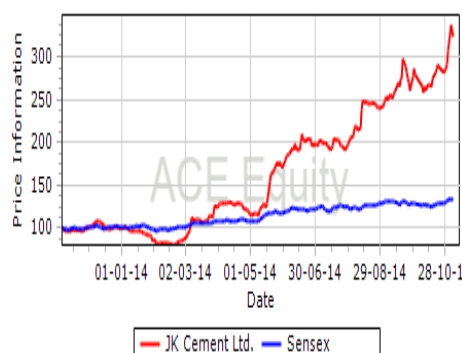
Stock Info

BSE Group	B
BSE Code	523644
NSE Symbol	JKCEMENT
Bloomberg	JKCE.IN
Reuters	JKCE.BO
BSE Sensex	27,916
NSE Nifty	8,338

Market Info

Market Capital	Rs 4,406cr
Equity Capital	Rs 70cr
Avg. Trading Vol.	92,880
52 Wk High/ Low	682/152
Face Value	10

Shareholding Pattern (%)	(Sep 2014)
Promoters	66.9
Domestic Institutions	7.7
Foreign Institutions	9.9
Public & Others	15.5



J.K. Cement's 2QFY15 operating performance was in line with estimates. Standalone EBITDA margins increased by 442 bps on YoY basis and stood at 10.9%. Grey cement volumes increased by 22% on YoY basis to 1.55mn tonnes and White Cement and wall putty volume increased by 16% on YoY basis to 0.23 mn tonnes. We expect grey cement volumes to increase by ~20% in second half on back commissioning of 1.5 mn tonnes 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 14.2% on YoY basis from Rs. 3,306 tonne to Rs. 3,777 tonne. While white cement and wall putty realization increased by 1.5% on YoY basis from Rs. 10,533 tonne to Rs. 10,697 tonne.

White cement plant in UAE is currently operating at ~ 46% and is likely to operate at ~ 60% in H2FY15. Rajasthan expansion of 3 mn tonnes is on track with the commissioning of grinding and clinker unit in June and September respectively. Expansion of waste heat recovery (WHR) boiler is almost completed with 7 mw capacity out of 10 mw completed. Railway sliding at new plant is like to be operational by the end of Dec 2014. New wall putty plant at Madhya Pradesh is on schedule and is like to be completed by the end of FY16.

Sales increased by 32.6% on YoY basis to Rs. 828 crs. Profit after tax was Rs 32 crs compared to the loss of Rs 21 crs on YoY basis.

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 8.5(x) its FY16 estimates and have arrived at a fair value of Rs 694 per share. At CMP of Rs 630 the stock is available at FY16E P/E(x) and EV/EBITDA(x) of 18.0x and 7.9x respectively at which valuations looks attractive in our view. We recommend to **HOLD** on the stock with a price target of Rs. 694.

Financials:

Y/E March, (Rs. in Cr)	FY13	FY14	FY15E	FY16E
Net Revenue	2,912	2,796	3,512	3,874
EBITDA	562	375	540	714
PAT	236	97	152	245
EPS	33.7	13.9	21.8	35.0
EPS Growth (%)	33%	-59%	57%	61%
RONW (%)	13.9	5.5	8.2	12.0
P/E (x)	18.7	45.4	29.0	18.0
EV/EBITDA (x)	9.1	13.7	9.8	7.9

Source: - Company data, Aриhant Research



## Valuations:

	FY15	FY16
EV/EBITDA	8.5	8.5
EBITDA	540	714
EV	4591	6069
net Debt	1847	1770
CWIP	937	551
Market Cap	3681	4851
No shares	7	7
Fair Value	526	694
CMP	630	630
Upside	-16%	10%

## 2QFY15 Results (Standalone)

Rs in Crore	2QCY15	2QCY14	YOY (%)	1QCY15	QoQ (%)
Net Sales	828	624	32.6	801	3.3
Other operating income	3	3		2	
Expenditure	740	586	26.3	703	5.3
EBITDA	90	41	122.9	100	-9.9
EBITDA Margins (%)	10.9	6.5		12.5	
Other Income	13	11	21.0	14	-4.3
Interest	46	42		40	
Depreciation	30	33		28	
PBT	28	-23	NA	45	-38.7
Tax	-5	-2		7	
Tax rate (%)	NA	NA		16%	
PAT	32	-21	NA	38	-15.0
Net Profit Margin (%)	4%	-3%		5%	
EPS (Rs)	4.6	-3.1	NA	5.4	-15.1

Source: - Company data, Arianth Research



**Profit & Loss Statement (Standalone)**

Y/E March (Rs Cr)	FY13	FY14	FY15E	FY 16 E
<b>Net Sales</b>	2,912	2,796	3,512	3,874
% Chg	14.3%	-4.0%	25.6%	10.3%
<b>Total Expenditure</b>	2,350	2,421	2,972	3,160
% chg	15.7%	3.0%	22.8%	6.3%
<b>EBITDA</b>	562	375	540	714
EBITDA Margin %	19.3%	13.4%	15.4%	18.4%
<b>Other Income</b>	49	48	53	58
Depreciation	128	134	144	165
EBIT	483	289	449	607
Interest	140	153	232	257
PBT	343	136	217	350
<b>Tax Provisions</b>	107	39	65	105
<b>PAT</b>	236	97	152	245
PAT %	32.9%	-58.8%	56.8%	60.9%

**BS( Standalone)**

	FY13	FY14	FY15E	FY16E
<b>Shareholders' funds</b>	1,699	1,758	1,853	2,041
Share capital	70	70	70	70
Reserves and Surplus	1,629	1,689	1,783	1,971
Non-current liabilities	1,304	2,366	2,492	2,405
<b>Long-term borrowings</b>	953	1,987	2,087	1,987
Deferred Tax Liabilities (Net)	249	268	268	268
Current liabilities	901	978	1,113	1,130
Short-term borrowings	189	199	351	349
Short-term provisions	65	35	75	77
<b>Total Liabilities</b>	3,904	5,103	5,458	5,576
<b>Net Fixed assets</b>	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	206
Current assets	1,035	1,293	1,417	1,490
Inventories	461	542	570	606
Trade receivables	115	112	125	138
Cash and Cash Equivalents	332	348	591	565
Short-term loans and advances	117	231	124	174
<b>Total Assets</b>	3,904	5,103	5,458	5,576

**Cash Flow Statement, Year Ending December**

Particulars, in Rs crore	FY13	FY14	FY15E	FY 16 E
<b>Operating Activities</b>				
<b>PBT</b>	341	136	217	350
Add Depr	128	134	144	165
Others	100	108	179	199
Total	569	378	540	714
Cash Taxes	(77)	(23)	(65)	(105)
Changes in Working Cap	(67)	(114)	192	(79)
<b>Cash Flow from Operations</b>	425	240	667	530
<b>Investing Activities</b>				
Change in investments	(120)	(98)	7	29
Capex	(357)	(948)	(600)	(80)
<b>Cash Flow from Investing</b>	(477)	(1,046)	(593)	(51)
<b>Financing Activities</b>				
<b>Dividends + Taxes paid</b>	(41)	(53)	(57)	(57)
Change in Non Curr Liab	(7.5)	874.7	226.3	(447.8)
<b>Cash Flow from Financing</b>	(48)	822	169	(505)
Opening Cash	432	332	348	591
Changes during year	(100)	16	242	(26)
<b>Closing Cash</b>	332	348	591	565

**Key Ratios (Standalone)**

Y/E March ( Rs Cr)	FY13	FY14	FY15E	FY16E
<b>Per Share data (Rs)</b>				
<b>EPS</b>	33.7	13.9	21.8	35.0
Cash EPS	52.1	33.0	42.3	58.7
<b>DPS</b>	6.5	3.0	7.0	7.0
Book value	243	251	265	292
Operating, Returns Ratio				
<b>Debt/ Equity (X)</b>	0.7	1.2	1.3	1.1
Current Ratio (X)	1.1	1.3	1.3	1.3
<b>RoE (%)</b>	13.9	5.5	8.2	12.0
RoCE (%)	12.4	5.7	8.2	10.9
Dividend Yield (%)	1.0	0.5	1.1	1.1
Valuation Ratio (X)				
<b>P/E</b>	18.7	45.4	29.0	18.0
P/BV	2.6	2.5	2.4	2.2
<b>EV/EBITDA</b>	9.1	13.7	9.8	7.9

Source: Company data, Aриhant Research



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**Stock Rating Scale**

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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