

JK Lakshmi Cement



Current Market Price: 110.15 (05/05/2014)

52 Week Low/High : 49.15/130.40

Target Price : 210

Industry Overview

The housing segment accounts for a major portion of the total domestic demand for cement in India. The Government of India (GoI) is strongly focused on infrastructure development to boost economic growth and plans to increase investment in infrastructure to US\$ 1 trillion in the 12th Five Year Plan (2012–17). During the Plan, the industry is estimated to add a capacity of 150 MT. An EAC under the Ministry of Environment has given its approval to India Cements to double its capacity and set up a 40 megawatt (MW) power plant at one of its facilities in Tamil Nadu at a cost of Rs 810 crore (US\$ 130.01 million). The proposed expansion project will come up at Dalavoi in Ariyalur district. ACC has inaugurated a blended cement plant at Padubidri in Udupi district in Karnataka. The new facility has a capacity of 30,000 tons per month and will cater to the cement requirements in coastal Karnataka and Kerala. Ultra Tech has received the green signal from the Competition Commission of India (CCI) for its US\$ 605 million agreement with Jaypee Cement Corporation to purchase its Gujarat-based businesses. Ultra Tech Cement, an Aditya Birla group company, has announced plans to set up two cement plants entailing investments of over Rs 5,000 crore (US\$ 802.57 million). The new plant at Gulberga will have capacity for 3 million tons per annum (MTPA).

Company Overview

All-India cement prices remained flat on a month on month (MoM) basis. Average prices remained flat at 306/bag in March from 305/bag in March. While the northern region registered a further uptick in prices, the central region registered a decline in price compared to the previous month. Hyderabad remained a laggard in terms of price in the southern region while overall prices in the eastern and western regions remained flat. Recent rally in stock prices was mainly led by 1) expectation of stable government post elections 2) price hike in the north due to supply constraints on closure of Binani plant & 3) valuation gap. Large cap stocks like ACC, Ambuja, Ultra Tech and Shree Cement have now reached their fair valuations. However, midcaps still have potential for further upside from current levels. Although we like business fundamentals of JK Lakshmi Cement (doubling white cement capacity) & JK Lakshmi Cement due to their strong presence in the north, sustainability of the recent hike in cement prices in the north.

Key Ratio's

	FY13	FY14	FY15(e)
EPS	14.9	6.5	10.5
P/E	7.9	18.3	11.3
ROE (%)	13.9	5.7	8.6
ROA (%)	11.5	4.8	7.1
P/BV	1.15963	1.048166	0.95625

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Peer Comparison

Name	Market Cap. (Rs. Cr.)	Net Interest Income	Net Profit	Total Assets	P/E	D/E	EPS	Market Cap/Sales Turnover
Ultra Tech Cement	59,213.15	20,174.94	2,655.43	19,697.50	27.60	16.28	78.20	2.93
Ambuja Cement	32,703.45	9,160.35	1,294.57	9,514.69	24.63	0.09	8.58	3.57
ACC	25,439.03	11,168.94	1,095.76	7,824.84	23.97	0.00	56.23	2.27
India Cements	2,182.50	4,613.62	163.55	6,843.64	103.82	8.97	0.68	0.47
JK Lakshmi Cement	1,463.82	2,054.95	175.74	2,398.75	19.97	19.35	6.24	0.71

Conclusion: Buy with target price of Rs. 210

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